

CITY OF MOLALLA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

JUNE 30, 2021

WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF MOLALLA, OREGON
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INTRODUCTORY SECTION

MAYOR AND CITY COUNCIL

NAME

TERM EXPIRES

Mayor

Scott Keyser

December 2024

Councilors:

Elizabeth Klein

December 2022

Leota Childress

December 2022

Terry Shankle

December 2022

Jody Newland

December 2024

Crystal Robles

December 2024

Steve Deller

December 2024

CITY STAFF

City Manager

Dan Huff

Finance Director

Chaunee Seifried

MAILING ADDRESS

PO Box 248

Molalla, Oregon 97038

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council Members
City of Molalla, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise City of Molalla's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Molalla and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Molalla's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Molalla's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Molalla's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, the schedule of proportionate share of the net pension liability, schedule of contributions - pension, schedule of proportionate share of OPEB - RHIA, schedule of contributions to OPEB - RHIA, and schedule of contributions – Oregon teamster employer's trust, as listed in the table of contents under 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 schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Molalla’s basic financial statements. The accompanying other supplementary information, as listed in the table of contents including the combining and budgetary comparison statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 16, 2022, on our consideration of City of Molalla’s compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
February 16, 2022

CITY OF MOLALLA, OREGON
Management's Discussion and Analysis
June 30, 2021

The management of the City of Molalla, Oregon offers readers of the Annual Financial Report, this narrative overview and analysis of the financial activities of the City of Molalla for the fiscal year ended June 30, 2021. This analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget variances and specific issues related to funds and the economic factors affecting the City.

Financial Highlights

Assets totaled \$52,577,995 at June 30, 2021 and consisted of \$21,022,893 in cash and cash equivalents; \$965,498 in accounts receivable and other assets; and \$30,589,604 in capital assets.

Net position was \$43,095,338 at June 30, 2021 compared to \$39,493,542 at June 30, 2020 year end.

As of June 30, 2021, the City had \$6,795,108 in outstanding bonds, notes payable and accrued compensated absences.

The City's net position increased by \$3,601,796 from June 30, 2020, primarily due to capital asset additions and utility rate increases. The City's capital assets in fiscal year 2021 totaled \$30,589,604 net of depreciation, which includes current year assets as well as other major capital construction projects.

Overview of the Financial Statements

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

1. Government-Wide Financial Statements

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

The Statement of Net Position presents information on the City's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City as of the date on the statement. Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how net position of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying

event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

2. Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Molalla, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Molalla can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Molalla maintains nine individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Library Fund, Street Fund, Urban Renewal Agency Fund, Park SDC Fund, Capital Projects Fund. All of these funds are considered to be major funds. Data from the other three non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining schedules in the other supplementary information described below.

Proprietary Funds. Proprietary funds represent three segments of business-type operations, water, sewer and storm, used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing these services to the general public on a continuing basis be financed primarily through user charges.

3. Notes to the Basic Financial Statements

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,095,338 at the close of the most recent fiscal year.

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

	Statement of Net Position					
	June 30,					
	2021			2020		
	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
Assets						
Current assets	\$ 15,245,276	\$ 6,701,830	\$ 21,947,106	\$ 11,551,469	\$ 5,956,799	\$ 17,508,268
Net OPEB assets	30,984	10,301	41,285	40,533	14,431	54,964
Capital assets	<u>12,749,526</u>	<u>17,840,078</u>	<u>30,589,604</u>	<u>12,597,040</u>	<u>17,058,576</u>	<u>29,655,616</u>
Total assets	28,025,786	24,552,209	52,577,995	24,189,042	23,029,806	47,218,848
Deferred outflows of resources	<u>1,519,639</u>	<u>505,204</u>	<u>2,024,843</u>	<u>920,151</u>	<u>327,586</u>	<u>1,247,737</u>
Liabilities						
Current liabilities	428,076	156,424	584,500	583,535	280,186	863,721
Long-term liabilities	4,628,598	2,166,510	6,795,108	2,500,303	2,748,034	5,248,337
Net pension liability	<u>2,920,419</u>	<u>970,895</u>	<u>3,891,314</u>	<u>1,836,238</u>	<u>653,726</u>	<u>2,489,964</u>
Total liabilities	7,977,093	3,293,829	11,270,922	4,920,076	3,681,946	8,602,022
Deferred inflows of resources	<u>167,430</u>	<u>69,148</u>	<u>236,578</u>	<u>273,611</u>	<u>97,410</u>	<u>371,021</u>
Net Position:						
Net investment in capital assets	8,380,772	15,759,906	24,140,678	10,309,574	14,386,314	24,695,888
Restricted	8,910,485	1,579,989	10,490,474	5,527,674	1,824,071	7,351,745
Unrestricted	<u>4,109,645</u>	<u>4,354,541</u>	<u>8,464,186</u>	<u>4,078,258</u>	<u>3,367,651</u>	<u>7,445,909</u>
Total net position	<u>\$ 21,400,902</u>	<u>\$ 21,694,436</u>	<u>\$ 43,095,338</u>	<u>\$ 19,915,506</u>	<u>\$ 19,578,036</u>	<u>\$ 39,493,542</u>

By far the largest portion of the City of Molalla's net position reflect its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens;

consequently, these assets do not have financial liquidity easily available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities. The balance of \$10,490,474 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,464,186 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

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

	Statement of Activities					
	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<u>Revenues</u>						
Program Revenues						
Charges for services	\$ 2,027,584	\$ 6,118,324	\$ 8,145,908	\$ 959,875	\$ 5,433,895	\$ 6,393,770
Operating grants	359,203	9,588	368,791	92,415	-	92,415
General Revenues						
Property taxes	4,186,467	-	4,186,467	3,944,268	-	3,944,268
Other taxes	2,506,088	-	2,506,088	2,469,345	-	2,469,345
Other revenues	183,008	139,938	322,946	387,714	93,214	480,928
<i>Total Revenues</i>	9,316,650	6,267,850	15,584,500	7,853,617	5,527,109	13,380,726
<u>Expenses</u>						
Governmental Activities						
General government	971,558	-	971,558	1,472,573	-	1,472,573
Public safety	3,612,971	-	3,612,971	3,216,141	-	3,216,141
Highways and streets	1,515,070	-	1,515,070	1,614,153	-	1,614,153
Culture and recreation	1,072,798	-	1,072,798	1,197,912	-	1,197,912
Community development	529,642	-	529,642	79,797	-	79,797
Interest long-term debt	49,345	-	49,345	64,677	-	64,677
Business-Type						
Water	-	1,563,913	1,563,913	-	1,354,806	1,354,806
Sewer	-	2,503,062	2,503,062	-	2,664,811	2,664,811
Storm water	-	84,475	84,475	-	338,031	338,031
<i>Total Expenses</i>	7,751,384	4,151,450	11,902,834	7,645,253	4,357,648	12,002,901
Change in Net Position	1,565,266	2,116,400	3,681,666	208,364	1,169,461	1,377,825
Net Position, beginning of year	19,915,506	19,578,036	39,493,542	19,707,142	18,408,575	38,115,717
Proir period adjustment	(79,870)	-	(79,870)	-	-	-
Net Position, end of year	<u>\$ 21,400,902</u>	<u>\$ 21,694,436</u>	<u>\$ 43,095,338</u>	<u>\$ 19,915,506</u>	<u>\$ 19,578,036</u>	<u>\$ 39,493,542</u>

Governmental Activities. Governmental activities increased the City of Molalla's net position by \$1,485,396. This is primarily due to revenues in excess of expenses.

Business-type Activities. Business-type activities increased the City of Molalla's net position by \$2,116,400. This is primarily due to revenues in excess of expenses.

Financial Analysis of the City's Funds

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

At the end of the fiscal year, the City of Molalla's governmental funds reported combined ending fund balances of \$14,561,844.

Proprietary Funds. The City's proprietary funds are enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for services. These funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The General Fund received \$336,576 more than what was budgeted mostly due to higher property taxes and interest than expected.

The General Fund spent \$2,115,714 less than what was budgeted due to the City trying to improve the General Fund ending balance and conservative spending.

Capital Assets and Debt Administration

The following table compares capital assets for these fiscal years:

	Governmental Activities		Business-Type Activities		Totals		Change
	2021	2020	2021	2020	2021	2020	+/-
Land	\$ 1,827,525	\$ 1,827,525	\$ 727,511	\$ 727,511	\$ 2,555,036	\$ 2,555,036	\$ -
Construction in progress	885,087	282,159	385,455	1,576,925	1,270,542	1,859,084	(588,542)
Land improvement	256,182	272,771	7,712	5,570	263,894	278,341	(14,447)
Buildings	4,351,373	4,365,623	4,283,080	4,265,925	8,634,453	8,631,548	2,905
Infrastructure	4,688,016	5,152,891	11,041,150	9,047,473	15,729,166	14,200,364	1,528,802
Machinery and Equipment	154,742	175,286	1,073,404	1,131,853	1,228,146	1,307,139	(78,993)
Vehicles	586,601	520,785	321,766	303,319	908,367	824,104	84,263
Total	\$ 12,749,526	\$ 12,597,040	\$ 17,840,078	\$ 17,058,576	\$ 30,589,604	\$ 29,655,616	\$ 933,988

For more detailed information regarding capital assets, please refer to Note 3 in the "Notes to the Basic Financial Statements."

Long-term Debt. At June 30, 2021, the City had bonded debt outstanding of \$6,240,354 compared to \$3,687,466 at June 30, 2020.

	Governmental Activities		Business-Type Activities		Totals		Change
	2021	2020	2021	2020	2021	2020	+/-
Bonds payable	\$ 4,166,800	\$ 2,060,000	\$ 1,871,600	\$ 1,400,000	\$ 6,038,400	\$ 3,460,000	\$ 2,578,400
Bond premium	201,954	227,466	-	-	201,954	227,466	(25,512)
Notes payable	-	-	208,572	1,272,262	208,572	1,272,262	(1,063,690)
Compensated absences	259,844	212,837	86,338	75,772	346,182	288,609	57,573
	<u>\$ 4,628,598</u>	<u>\$ 2,500,303</u>	<u>\$ 2,166,510</u>	<u>\$ 2,748,034</u>	<u>\$ 6,795,108</u>	<u>\$ 5,248,337</u>	<u>\$ 1,546,771</u>

Economic Factors and Next Year's Budget

Fiscal year 2020/2021 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 is functioning as needed to maximize the benefits to the residents of Molalla. The City of Molalla will continue the practice of utilizing a cost allocation plan for administrative costs that are indirect and unassignable to a specific cost objective. The method in use is based on budget percentage of the entire city-wide budget but imposed only on actual expenditures.

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

The City of Molalla budget committee considered all the following factors while preparing the City budget for the 2020/2021 fiscal year.

- Prior history of revenue and expenditures
- Capital projects slated in the next fiscal year as directed from the Capital Improvement Plan
- Expected property tax revenue

Requests for Information. This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. The City of Molalla Urban Renewal Agency has issued a separate report; which is available to those who are interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chaunee Seifried, Finance Director
City of Molalla
PO Box 248
Molalla, Oregon 97038

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF MOLALLA, OREGON
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 14,801,397	\$ 6,221,496	\$ 21,022,893
Accounts receivable, net	312,305	480,334	792,639
Property taxes receivable	115,873	-	115,873
Due from other governments	15,701	-	15,701
Net OPEB assets	30,984	10,301	41,285
Capital Assets:			
Non-depreciable	2,712,612	1,112,966	3,825,578
Depreciable, net	10,036,914	16,727,112	26,764,026
 Total assets	 <u>28,025,786</u>	 <u>24,552,209</u>	 <u>52,577,995</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	1,509,378	501,793	2,011,171
Deferred outflows related to OPEB	10,261	3,411	13,672
 Total deferred outflows of resources	 <u>1,519,639</u>	 <u>505,204</u>	 <u>2,024,843</u>
 Total asset & deferred outflows of resources	 <u>\$ 29,545,425</u>	 <u>\$ 25,057,413</u>	 <u>\$ 54,602,838</u>
LIABILITIES:			
Accounts payable	\$ 415,866	\$ 128,538	\$ 544,404
Accrued payroll	3,073	-	3,073
Accrued interest payable	9,137	27,886	37,023
Current portion of compensated absences	207,875	69,072	276,947
Current portion of long-term debt	417,800	353,600	771,400
Non-current portion of compensated absences	51,969	17,266	69,235
Non-current portion of long-term debt	3,950,954	1,726,572	5,677,526
Net pension liability	2,920,419	970,895	3,891,314
 Total liabilities	 <u>7,977,093</u>	 <u>3,293,829</u>	 <u>11,270,922</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred charges on bond refunding	-	13,486	13,486
Deferred inflows related to pensions	162,342	53,970	216,312
Deferred inflows related to OPEB	5,088	1,692	6,780
 Total deferred inflows of resources	 <u>167,430</u>	 <u>69,148</u>	 <u>236,578</u>
NET POSITION:			
Net Investment in capital assets	8,380,772	15,759,906	24,140,678
Restricted for:			
Debt service	-	22,700	22,700
System development	3,911,948	1,546,988	5,458,936
Urban renewal projects	3,823,213	-	3,823,213
Highways and streets	1,102,935	-	1,102,935
Police department	41,405	-	41,405
OPEB Asset	30,984	10,301	41,285
Unrestricted	4,109,645	4,354,541	8,464,186
 Total net position	 <u>21,400,902</u>	 <u>21,694,436</u>	 <u>43,095,338</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 29,545,425</u>	 <u>\$ 25,057,413</u>	 <u>\$ 54,602,838</u>

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

CITY OF MOLALLA, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
General government	\$ 971,558	\$ 1,082,896	\$ 240,104	\$ -	\$ 351,442	\$ -	\$ 351,442
Public safety	3,612,971	-	7,638	-	(3,605,333)	-	(3,605,333)
Highways and streets	1,515,070	829,782	1,839	-	(683,449)	-	(683,449)
Culture and recreation	1,072,798	138	44,550	54,300	(973,810)	-	(973,810)
Community development	529,642	114,768	65,072	-	(349,802)	-	(349,802)
Interest on long-term debt	49,345	-	-	-	(49,345)	-	(49,345)
Total governmental activities	7,751,384	2,027,584	359,203	54,300	(5,310,297)	-	(5,310,297)
Business type activities:							
Water Operations	1,563,913	2,054,828	4,108	-	-	495,023	495,023
Sewer Operations	2,503,062	3,656,423	4,106	-	-	1,157,467	1,157,467
Storm Water Operations	84,475	407,073	1,374	-	-	323,972	323,972
Total business type activities	4,151,450	6,118,324	9,588	-	-	1,976,462	1,976,462
Total government	\$ 11,902,834	\$ 8,145,908	\$ 368,791	\$ 54,300	(5,310,297)	1,976,462	(3,333,835)
General revenues:							
Taxes:							
Property taxes					4,186,467	-	4,186,467
Public service taxes and state revenue sharing					2,138,831	-	2,138,831
Franchise taxes					367,257	-	367,257
Interest and investment earnings					168,889	-	168,889
Miscellaneous revenues					14,119	139,938	154,057
Total general revenues and transfers					6,875,563	139,938	7,015,501
Change in net position					1,565,266	2,116,400	3,681,666
Net position - beginning					19,915,506	19,578,036	39,493,542
Prior period adjustment					(79,870)	-	(79,870)
Net position - ending					\$ 21,400,902	\$ 21,694,436	\$ 43,095,338

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

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

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

Library Fund

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

Street Fund

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

Urban Renewal Agency Fund

The Urban Renewal Agency Fund is used to account for the Molalla Urban Renewal Agency which is a blended component unit. 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.

Capital Projects Fund

The Capital Projects Fund is used to account for resources, such as bond sale proceeds, to be used for major capital item purchase or construction.

**CITY OF MOLALLA, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021**

	General Fund	Library Fund	Street Fund	Urban Renewal Agency Fund	Park SDC Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental
ASSETS:								
Cash and cash equivalents	\$ 3,465,684	\$ 2,079,744	\$ 1,074,845	\$ 3,836,504	\$ 2,034,344	\$ 391,267	\$ 1,919,009	\$ 14,801,397
Accounts receivable	156,743	-	155,562	-	-	-	-	312,305
Property taxes receivable	98,317	-	-	17,556	-	-	-	115,873
Due from other governments	13,281	-	-	2,420	-	-	-	15,701
Total assets	<u>\$ 3,734,025</u>	<u>\$ 2,079,744</u>	<u>\$ 1,230,407</u>	<u>\$ 3,856,480</u>	<u>\$ 2,034,344</u>	<u>\$ 391,267</u>	<u>\$ 1,919,009</u>	<u>\$ 15,245,276</u>
LIABILITIES:								
Accounts payable	\$ 159,121	\$ 20,691	\$ 37,472	\$ 16,925	\$ -	\$ 181,657	\$ -	\$ 415,866
Accrued payroll	3,073	-	-	-	-	-	-	3,073
Total liabilities	<u>162,194</u>	<u>20,691</u>	<u>37,472</u>	<u>16,925</u>	<u>-</u>	<u>181,657</u>	<u>-</u>	<u>418,939</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - franchise fees	66,500	-	90,000	-	-	-	-	156,500
Unavailable revenue - property taxes	91,651	-	-	16,342	-	-	-	107,993
Total deferred inflows of resources	<u>158,151</u>	<u>-</u>	<u>90,000</u>	<u>16,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,493</u>
FUND BALANCES:								
Restricted for:								
System development	-	-	-	-	2,034,344	-	1,877,604	3,911,948
Urban renewal projects	-	-	-	3,823,213	-	-	-	3,823,213
Highways and streets	-	-	1,102,935	-	-	-	-	1,102,935
Police department	-	-	-	-	-	-	41,405	41,405
Committed to:								
Library	-	2,059,053	-	-	-	-	-	2,059,053
Unassigned	3,413,680	-	-	-	-	209,610	-	3,623,290
Total fund balances	<u>3,413,680</u>	<u>2,059,053</u>	<u>1,102,935</u>	<u>3,823,213</u>	<u>2,034,344</u>	<u>209,610</u>	<u>1,919,009</u>	<u>14,561,844</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,734,025</u>	<u>\$ 2,079,744</u>	<u>\$ 1,230,407</u>	<u>\$ 3,856,480</u>	<u>\$ 2,034,344</u>	<u>\$ 391,267</u>	<u>\$ 1,919,009</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,749,526
Pension related changes	(1,573,383)
OPEB related changes	36,157
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	264,493
Accrued compensated absences	(259,844)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(4,368,754)
Interest payable	(9,137)
Net position of governmental activities	<u>\$ 21,400,902</u>

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

CITY OF MOLALLA, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2021

	General Fund	Library Fund	Street Fund	Urban Renewal Agency Fund	Park SDC Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental
REVENUES:								
Property taxes	\$ 3,516,069	\$ -	\$ -	\$ 760,568	\$ -	\$ -	\$ -	\$ 4,276,637
Franchise fees	195,316	-	218,898	-	-	-	-	414,214
Licenses, permits and fees	72,002	-	200,727	-	-	-	-	272,729
Intergovernmental	423,768	1,003,215	695,241	-	-	-	50,000	2,172,224
Grants	306,214	43,352	1,839	-	-	-	-	351,405
Fines and forfeitures	240,377	138	-	-	-	-	-	240,515
Charges for services	570,988	-	-	-	-	-	-	570,988
Interest revenue	167,935	-	-	954	-	-	-	168,889
Miscellaneous revenue	10,730	95	3,294	-	-	-	-	14,119
Contributions and donations	53,102	1,198	-	-	-	-	6,600	60,900
System development charges	-	-	-	-	114,768	-	829,782	944,550
Total revenues	5,556,501	1,047,998	1,119,999	761,522	114,768	-	886,382	9,487,170
EXPENDITURES:								
Current:								
General government	1,100,995	-	-	-	-	-	1,100	1,102,095
Public safety	3,212,226	-	-	-	-	-	-	3,212,226
Highways and streets	-	-	713,313	-	-	-	-	713,313
Culture and recreation	144,859	847,816	-	-	-	-	-	992,675
Community development	380,632	-	-	80,340	-	-	-	460,972
Capital outlay	41,484	-	198	91,447	-	2,003,057	183,646	2,319,832
Debt service:								
Principal	-	-	-	423,600	-	-	-	423,600
Interest	-	-	-	72,587	-	-	-	72,587
Total expenditures	4,880,196	847,816	713,511	667,974	-	2,003,057	184,746	9,297,300
Revenues over (under) expenditures	676,305	200,182	406,488	93,548	114,768	(2,003,057)	701,636	189,870
OTHER FINANCING SOURCES (USES):								
Issuance of debt	-	-	-	2,530,400	-	-	-	2,530,400
Transfers in	-	-	-	-	-	2,254,569	199,325	2,453,894
Transfers out	(377,900)	-	(35,808)	-	(497,937)	-	(160,593)	(1,072,238)
Total other financing sources (uses)	(377,900)	-	(35,808)	2,530,400	(497,937)	2,254,569	38,732	3,912,056
Net changes in fund balances	298,405	200,182	370,680	2,623,948	(383,169)	251,512	740,368	4,101,926
FUND BALANCES, BEGINNING	3,195,145	1,858,871	732,255	1,199,265	2,417,513	(41,902)	1,178,641	10,539,788
Prior period adjustment	(79,870)	-	-	-	-	-	-	(79,870)
FUND BALANCES, ENDING	\$ 3,413,680	\$ 2,059,053	\$ 1,102,935	\$ 3,823,213	\$ 2,034,344	\$ 209,610	\$ 1,919,009	\$ 14,561,844

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

CITY OF MOLALLA, OREGON
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Amounts reported in the statement of activities are different because:

Net change in fund balances		\$ 4,101,926
Governmental funds report pension contributions as expenditures. However, in the statements of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		(391,036)
Governmental funds report OPEB contributions as expenditures. However, in the statements of activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.		2,975
The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Current year depreciation	(984,254)	
Capital asset additions	<u>1,136,740</u>	152,486
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.		(170,520)
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.		
Accrued compensated absences		(47,007)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but does not have any effect on net position.		
Debt service principal payments	423,600	
Accrued interest expense	(2,270)	
Amortization of bond premiums	25,512	
Issuance of debt	<u>(2,530,400)</u>	<u>(2,083,558)</u>
Change in net position of governmental activities		<u>\$ 1,565,266</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds

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

Water Operations

Water Fund

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

Water SDC Fund

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

Sewer Operations

Sewer Fund

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

Sewer SDC Fund

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

Sewer Debt Retirement

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

CWSRF Fund

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

Storm Water Operations

Storm Water Fund

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

Storm Water SDC Fund

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

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

CITY OF MOLALLA, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Water Operations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 3,275,382	\$ 2,487,225	\$ 458,889	\$ 6,221,496
Accounts receivable, net	172,723	279,624	27,987	480,334
Total current assets	3,448,105	2,766,849	486,876	6,701,830
Noncurrent assets:				
Net OPEB assets	4,814	4,630	857	10,301
Capital assets, net	8,452,559	7,719,685	1,667,834	17,840,078
Total non current assets	8,457,373	7,724,315	1,668,691	17,850,379
Total assets	11,905,478	10,491,164	2,155,567	24,552,209
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts related to pension	225,534	234,534	41,725	501,793
Deferred amounts related to OPEB	1,594	1,533	284	3,411
Total deferred outflows of resources	227,128	236,067	42,009	505,204
Total asset & deferred outflows of resources	<u>\$ 12,132,606</u>	<u>\$ 10,727,231</u>	<u>\$ 2,197,576</u>	<u>\$ 25,057,413</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 48,180	\$ 71,373	\$ 8,985	\$ 128,538
Accrued interest payable	-	27,886	-	27,886
Current accrued compensated absences	32,293	31,046	5,733	69,072
Current portion of long-term debt	-	353,600	-	353,600
Total current liabilities	80,473	483,905	14,718	579,096
Noncurrent liabilities:				
Noncurrent accrued compensated absences	8,072	7,761	1,433	17,266
Noncurrent portion of long-term debt	-	1,726,572	-	1,726,572
Net pension liability	436,375	453,789	80,731	970,895
Total non current liabilities	444,447	2,188,122	82,164	2,714,733
Total liabilities	524,920	2,672,027	96,882	3,293,829
DEFERRED INFLOWS OF RESOURCES:				
Deferred charges on bond refunding	-	13,486	-	13,486
Deferred amounts related to pensions	24,257	25,225	4,488	53,970
Deferred amounts related to OPEB	791	760	141	1,692
Total deferred inflows of resources	25,048	39,471	4,629	69,148
NET POSITION:				
Net investment in capital assets	8,452,559	5,639,513	1,667,834	15,759,906
Restricted for:				
System development	614,935	710,937	221,116	1,546,988
Debt service	-	22,700	-	22,700
OPEB Asset	4,814	4,630	857	10,301
Unrestricted	2,510,330	1,637,953	206,258	4,354,541
Total net position	11,582,638	8,015,733	2,096,065	21,694,436
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,132,606</u>	<u>\$ 10,727,231</u>	<u>\$ 2,197,576</u>	<u>\$ 25,057,413</u>

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

CITY OF MOLALLA, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Water Operations	Total
OPERATING REVENUES:				
Charges for services	\$ 1,842,624	\$ 3,249,304	\$ 321,813	\$ 5,413,741
System development charges	212,204	407,119	85,260	704,583
Miscellaneous income	16,065	123,873	-	139,938
Total operating revenues	<u>2,070,893</u>	<u>3,780,296</u>	<u>407,073</u>	<u>6,258,262</u>
OPERATING EXPENSES:				
Operating and maintenance expenses	563,633	1,415,627	5,920	1,985,180
Personnel services	739,975	761,905	24,361	1,526,241
Depreciation	260,305	282,235	54,194	596,734
Total operating expenses	<u>1,563,913</u>	<u>2,459,767</u>	<u>84,475</u>	<u>4,108,155</u>
Operating income (loss)	<u>506,980</u>	<u>1,320,529</u>	<u>322,598</u>	<u>2,150,107</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	-	(43,295)	-	(43,295)
Grants	4,108	4,106	1,374	9,588
Total non-operating revenues (expenses)	<u>4,108</u>	<u>(39,189)</u>	<u>1,374</u>	<u>(33,707)</u>
Net income (loss) before transfers	511,088	1,281,340	323,972	2,116,400
TRANSFERS:				
Transfers in (out)	25,000	(25,000)	-	-
Change in net position	536,088	1,256,340	323,972	2,116,400
NET POSITION, BEGINNING	<u>11,046,550</u>	<u>6,759,393</u>	<u>1,772,093</u>	<u>19,578,036</u>
NET POSITION, ENDING	<u>\$ 11,582,638</u>	<u>\$ 8,015,733</u>	<u>\$ 2,096,065</u>	<u>\$ 21,694,436</u>

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

CITY OF MOLALLA, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Water Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,055,194	\$ 3,763,581	\$ 405,059	\$ 6,223,834
Cash paid to employees and others for salaries and benefits	(683,501)	(670,235)	(118,981)	(1,472,717)
Cash paid to suppliers and others	(522,280)	(1,444,820)	(74,775)	(2,041,875)
Net cash provided by (used for) operating activities	<u>849,413</u>	<u>1,648,526</u>	<u>211,303</u>	<u>2,709,242</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	25,000	(25,000)	-	-
Grant revenue	4,108	4,106	1,374	9,588
Net cash provided by (used for) non-capital financing activities	<u>29,108</u>	<u>(20,894)</u>	<u>1,374</u>	<u>9,588</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(1,017,862)	(333,437)	(26,937)	(1,378,236)
Debt principal payments	-	(2,925,962)	-	(2,925,962)
Interest paid	-	(51,387)	-	(51,387)
Loan proceeds	-	2,347,358	-	2,347,358
Net cash provided by (used for) capital and related financing activities	<u>(1,017,862)</u>	<u>(963,428)</u>	<u>(26,937)</u>	<u>(2,008,227)</u>
Net increase (decrease) in cash and cash equivalents	(139,341)	664,204	185,740	710,603
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,414,723</u>	<u>1,823,021</u>	<u>273,149</u>	<u>5,510,893</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,275,382</u>	<u>\$ 2,487,225</u>	<u>\$ 458,889</u>	<u>\$ 6,221,496</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating Income	\$ 506,980	\$ 1,320,529	\$ 322,598	\$ 2,150,107
Adjustments				
Depreciation and amortization	260,305	282,235	54,194	596,734
Decrease (increase) in:				
Accounts receivable and due from other funds	(15,699)	(16,715)	(2,014)	(34,428)
OPEB asset	1,536	2,276	318	4,130
Deferred outflows related to pension	(81,550)	(77,947)	(15,091)	(174,588)
Deferred outflows related to pension	(1,426)	(1,351)	(253)	(3,030)
Increase (decrease) in:				
Accounts payable and accrued expenses	41,353	16,642	(173,665)	(115,670)
Pension liability	148,708	140,943	27,518	317,169
Deferred inflows related to pension	(17,288)	(19,957)	(3,197)	(40,442)
Deferred inflows related to OPEB	(528)	(675)	(103)	(1,306)
Accrued compensated absences	7,022	2,546	998	10,566
Net cash provided by (used for) operating activities	<u>\$ 849,413</u>	<u>\$ 1,648,526</u>	<u>\$ 211,303</u>	<u>\$ 2,709,242</u>

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Reporting Entity

The City of Molalla, Oregon is governed by an elected mayor and council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a City Manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2021.

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

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

Basic Financial Statements

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

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

Basis of Presentation

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

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

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

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

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

Governmental Fund Financial Statements

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

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

The GASB 34 reporting model sets forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

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

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

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

The *Urban Renewal Agency Fund* is used to account for the property tax revenue received for the rehabilitation of the blighted and deteriorated areas within the City's designated urban renewal area.

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

The *Capital Projects Fund* is used to account for resources, such as bond sale proceeds, to be used for major capital item purchase or construction.

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

The City reports the following proprietary funds:

- Water Operations
- Sewer Operations
- Storm Water Operations

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2021. Actual results may differ from such estimates.

Cash and Cash Equivalents

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

Receivables and Property Tax Calendar

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

Property taxes receivable for the governmental fund types, which have been collected within 60 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Clackamas County, Oregon.

Deferred Outflows/Inflows of Resources

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has six types of items that qualify for reporting in this category. Unavailable revenue from property taxes, franchise fees, and municipal court revenue is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to charges on bond funding, pensions and postemployment benefits other than pensions (OPEB). This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income.

Capital Assets

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

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

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

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position and is provided on the straight-line basis over the following estimated useful lives:

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

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

Long-Term Debt

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Compensated Absences

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Oregon Public Employees Retirement Systems (OPERS) plan. Additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Restricted Net Position

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

Fund Balance

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

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

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

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

the end of the fiscal year.

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

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

Use of Restricted Resources

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

2. CASH AND CASH EQUIVALENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type’s portion of this pool is displayed on the statement of net position as part of “cash and equivalents.”

At June 30, 2021 investments included in cash and cash equivalents consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$ 20,115,167
Total cash equivalents	0.00	\$ 20,115,167

Following is a summary of the City’s deposit and investment balances at June 30, 2021:

	2021
Demand Deposits	\$ 906,426
Cash on hand	300
Petty Cash	1,000
LGIP	20,115,167
Total	\$ 21,022,893

Interest Rate Risk

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2021, the book value of the City's deposits was \$906,426 and the bank balance was \$1,328,484. \$1,043,887 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

3. CAPITAL ASSETS

The changes in capital assets for the governmental activities for the year ended June 30, 2021 is as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>					
Land	\$ 1,827,525	\$ -	\$ -	\$ -	\$ 1,827,525
Construction in progress	282,159	650,191	-	(47,263)	885,087
Total capital assets, not being depreciated	<u>2,109,684</u>	<u>650,191</u>	<u>-</u>	<u>(47,263)</u>	<u>2,712,612</u>
<i>Capital assets, being depreciated:</i>					
Land Improvements	781,321	-	-	-	781,321
Buildings	5,146,009	28,890	-	15,393	5,190,292
Infrastructure	21,556,141	305,692	-	31,870	21,893,703
Machinery and equipment	611,740	-	-	-	611,740
Vehicles	1,285,907	151,967	-	-	1,437,874
Total capital assets, being depreciated	<u>29,381,118</u>	<u>486,549</u>	<u>-</u>	<u>47,263</u>	<u>29,914,930</u>
<i>Less accumulated depreciation for:</i>					
Land Improvements	(508,550)	(16,589)	-	-	(525,139)
Buildings	(780,386)	(58,533)	-	-	(838,919)
Infrastructure	(16,403,250)	(802,437)	-	-	(17,205,687)
Machinery and equipment	(436,454)	(20,544)	-	-	(456,998)
Vehicles	(765,122)	(86,151)	-	-	(851,273)
Total accumulated depreciation	<u>(18,893,762)</u>	<u>(984,254)</u>	<u>-</u>	<u>-</u>	<u>(19,878,016)</u>
Total capital assets, being depreciated, net	<u>10,487,356</u>	<u>(497,705)</u>	<u>-</u>	<u>47,263</u>	<u>10,036,914</u>
Governmental activities capital assets, net	<u>\$ 12,597,040</u>	<u>\$ 152,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,749,526</u>

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

<u>Governmental activities:</u>	<u>Depreciation</u>
General government	\$ 23,982
Public safety	70,226
Highway and streets	805,918
Culture and recreation	37,647
Community development	46,481
Total depreciation expense - governmental activities	<u>\$ 984,254</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

The changes in capital assets for business-type activities for the year ended June 30, 2021 is as follows:

Business-type activities:	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<i>Capital assets, not being depreciated:</i>					
Land	\$ 727,511	\$ -	\$ -	\$ -	\$ 727,511
Construction in progress	1,576,925	1,343,609	-	(2,535,079)	385,455
Total capital assets , not being depreciated	2,304,436	1,343,609	-	(2,535,079)	1,112,966
<i>Capital assets, being depreciated:</i>					
Land Improvements	161,212	-	-	2,880	164,092
Buildings	6,341,112	-	-	64,739	6,405,851
Infrastructure	15,735,925	-	-	2,467,460	18,203,385
Machinery and equipment	2,629,694	-	-	-	2,629,694
Vehicles	635,365	34,627	-	-	669,992
Total capital assets, being depreciated	25,503,308	34,627	-	2,535,079	28,073,013
<i>Less accumulated depreciation for:</i>					
Land Improvements	(155,642)	(738)	-	-	(156,380)
Buildings	(2,075,187)	(47,584)	-	-	(2,122,771)
Infrastructure	(6,688,452)	(473,783)	-	-	(7,162,235)
Machinery and equipment	(1,497,841)	(58,449)	-	-	(1,556,290)
Vehicles	(332,046)	(16,180)	-	-	(348,226)
Total accumulated depreciation	(10,749,168)	(596,734)	-	-	(11,345,902)
Total capital assets, being depreciated, net	14,754,140	(562,107)	-	2,535,079	16,727,111
Business-type activities capital assets, net	\$ 17,058,576	\$ 781,502	\$ -	\$ -	\$ 17,840,078

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

Business-type activities:	Depreciation
Water	\$ 260,305
Sewer	282,235
Stormwater	54,194
Total depreciation expense - business-type activities	<u>\$ 596,734</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

4. LONG-TERM DEBT

Long-term debt transactions for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Governmental Activities					
Governmental Bonds					
FF&C 2020 (URA)	\$ -	\$ 2,530,400	\$ (258,600)	\$ 2,271,800	\$ 237,800
Urban Renewal Series 2015	2,060,000	-	(165,000)	1,895,000	180,000
Bond Premium	227,466	-	(25,512)	201,954	-
Total Governmental Bonds	<u>2,287,466</u>	<u>2,530,400</u>	<u>(449,112)</u>	<u>4,368,754</u>	<u>417,800</u>
Compensated Absences	<u>212,837</u>	<u>47,007</u>	<u>-</u>	<u>259,844</u>	<u>207,875</u>
Total Governmental	<u>\$ 2,500,303</u>	<u>\$ 2,577,407</u>	<u>\$ (449,112)</u>	<u>\$ 4,628,598</u>	<u>\$ 625,675</u>
Business Type Activities					
Enterprise Bonds					
2010 Sewer Refunding	\$ 1,400,000	\$ -	\$ (1,400,000)	\$ -	\$ -
FF&C 2020 Sewer Refunding	<u>-</u>	<u>2,125,300</u>	<u>(253,700)</u>	<u>1,871,600</u>	<u>353,600</u>
Total Enterprise Bonds	<u>1,400,000</u>	<u>2,125,300</u>	<u>(1,653,700)</u>	<u>1,871,600</u>	<u>353,600</u>
Enterprise Loan/Notes					
Clean Water State Revolving Loan	1,272,262	-	(1,272,262)	-	-
Clean Water State Revolving Loan	<u>-</u>	<u>208,572</u>	<u>-</u>	<u>208,572</u>	<u>-</u>
Total Enterprise Loans	<u>1,272,262</u>	<u>208,572</u>	<u>(1,272,262)</u>	<u>208,572</u>	<u>-</u>
Compensated Absences	<u>75,772</u>	<u>10,566</u>	<u>-</u>	<u>86,338</u>	<u>69,072</u>
Total Enterprise	<u>\$ 2,748,034</u>	<u>\$ 2,344,438</u>	<u>\$ (2,925,962)</u>	<u>\$ 2,166,510</u>	<u>\$ 422,672</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Bonds

Governmental Activities:

During 2014-2015, the Urban Renewal Agency issued \$2,690,000 of series 2015 full faith and credit obligation bonds secured by the City of Molalla's full faith and credit. If bonds are defaulted, by failure to make required principal or interest payments or other covenants, action to enforce the financing agreement may take place for the amount of the obligation then outstanding to its satisfaction. This series bond was refunded in fiscal year 2021. \$ 1,895,000

During 2020-2021, the Urban Renewal Agency issued \$2,530,400 of series 2020 full faith and credit obligation bonds secured by the City of Molalla's full faith and credit. If bonds are defaulted, by failure to make required principal or interest payments or other covenants, action to enforce the financing agreement may take place for the amount of the obligation then outstanding to its satisfaction. However, the bonds are not subject to acceleration or mandatory redemption. 2,271,800
\$ 4,166,800

Annual debt service requirements to maturity are as follows:

	Total Governmental Bonds	
	Principal	Interest
2022	\$ 417,800	\$ 109,650
2023	441,300	98,907
2024	444,900	87,311
2025	473,500	75,662
2026	502,200	62,960
2027-2031	<u>1,887,100</u>	<u>108,093</u>
Total	<u>\$ 4,166,800</u>	<u>\$ 542,582</u>

Business-Type Activities:

In March 2010, the City of Molalla refunded series 2000 bonds that were for improvements to the sewer system. The City has pledged in the master declaration net sewer revenues as security of payment of the principal and interest. This pledge shall be maintained as long as the bonds are outstanding. If bonds are defaulted, owners may exercise any remedy available at law or in equity. However, the bonds are not subject to acceleration or mandatory redemption. With the issuance of the 2020 full faith and credit bonds, these bonds were refunded. \$ -

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

During 2020-2021, the City of Molalla issued \$2,125,300 of series 2020 full faith and credit obligation bonds to refund series 2010 Sewer Bond and a Clean Water State Revolving Loan. If bonds are defaulted, by failure to make required principal or interest payments or other covenants, action to enforce the financing agreement may take place for the amount of the obligation then outstanding to its satisfaction. However, the bonds are not subject to acceleration or mandatory redemption.

1,871,600

Annual debt service requirements to maturity are as follows:

	Total Enterprise Bonds	
	Principal	Interest
2022	\$ 353,600	\$ 27,886
2023	358,000	22,618
2024	362,100	17,284
2025	366,000	11,888
2026	141,900	6,436
2027-2031	<u>290,000</u>	<u>6,498</u>
Total	<u>\$ 1,871,600</u>	<u>\$ 92,610</u>

Loans/Notes

Business-Type Activities:

In December 2005 the City of Molalla signed an agreement to borrow \$2,670,000 for the purpose of improving the wastewater treatment plant. The funds were issued in 2007 and repayment of the loan began on August 1, 2008. In the event of default, outstanding amounts become immediately due. With the issuance of the 2020 full faith and credit bonds, the loan was refunded.

\$ -

In October 2020 the City of Molalla signed a Clean Water State Revolving Fund Loan agreement to borrow \$2,700,000 for the purpose of improving the wastewater treatment plant. The funds were issued in 2020 and repayment will begin at the end of the project. In the event of default, outstanding amounts become immediately due. At the end of the fiscal year, the City had drawn down:

208,572

5. NET POSITION

The government-wide statement of net position reports \$10,490,473 of restricted net position, of which \$6,561,870 is restricted by enabling legislation.

6. PENSION PLAN

Plan Description

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

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits provided

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

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$195,000 in 2020 and will be indexed with inflation in later years.

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

Death Benefits

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

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

Disability Benefits

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

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

B. OPSRP Defined Benefit Pension Program (OPSRP DB)

Pension Benefits

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

Police: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police member, the individual

CITY OF MOLALLA, OREGON
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must have been employed continuously as a police member for at least five years immediately preceding retirement.

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

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$195,000 in 2020, and will be indexed with inflation in later years.

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

C. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

A. Employer Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Employer contributions for the year ended June 30, 2021 were \$525,275, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2021 were 17.27 percent for Tier One/Tier Two General Service Member, 17.27 percent for Tier One/Tier Two Police, 10.94 percent for OPSRP Pension Program General Service Members, 15.57 percent for OPSRP Pension Program Police Members.

B. Employee Contributions

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were

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\$161,144 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$3,891,314 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was 0.01783%, which was an increase from its proportion of 0.01439% measured as of June 30, 2019.

For the year ended June 30, 2021, the City's recognized pension expense of \$493,175. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 171,265	\$ -
Changes of assumptions	208,834	7,317
Net difference between projected and actual earnings on investments	457,568	-
Changes in proportion	478,378	208,995
Differences between employer contributions and proportionate share of contributions	<u>169,551</u>	<u>-</u>
Total (prior to post-MD contributions)	1,485,596	216,312
Contributions subsequent to the MD	<u>525,575</u>	<u>-</u>
Total	<u>\$ 2,011,171</u>	<u>\$ 216,312</u>

City's contributions subsequent to the measurement date of \$525,575 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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<u>Year ended June 30:</u>	
2022	\$ 280,512
2023	356,357
2024	306,522
2025	279,187
2026	<u>46,706</u>
Total	<u>\$ 1,269,284</u>

Actuarial assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study Report	2018, published July 24, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			<u>100.0%</u>

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Foreign Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equities	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-Driven	0.38%	5.59%
Timber	1.12%	5.61%
Farmland	1.12%	6.12%
Infrastructure	2.24%	6.67%
Commodities	1.12%	3.79%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 5,778,279	\$ 3,891,314	\$ 2,309,005

Pension Plan Fiduciary Net Position

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

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Changes in Plan Provisions During the Measurement Period

A legislative change that occurred during the measurement period affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2020 measurement period that require disclosure.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PERS Retirement Health Insurance Account

The other postemployment benefits (OPEB) for the City are contributions to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The City’s OPEB plan is presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plan as follows:

	PERS RHIA Plan
Net OPEB Asset	\$ 41,285
Deferred Outflows of Resources	
Difference in Earnings	4,591
Change in Proportionate Share	8,344
Contributions After MD	737
Deferred Inflows of Resources	
Difference in Expected and Actual Experience	(4,221)
Change in Assumptions	(2,194)
Change in Proportionate Share	(365)
OPEB Expense/(Income)*	(2,601)

*Included in program expenses on Statement of Activities

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Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at <https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>.

Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The City contributed 0.06% of PERS-covered salaries for Tier One/Tier Two members to fund the normal cost portion of RHIA benefits and 0.00% of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. The City's total for the year ended June 30, 2021 contributions was \$737.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the City reported an asset of \$41,285 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the net OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement

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period relative to contributions from all participating employers. At June 30, 2020, the City's proportionate share was 0.02026%, which is a decrease from its proportion of 0.02844% as of June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB income from this plan of \$3,181. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,221
Changes of assumptions	-	2,194
Net difference between projected and actual earnings on investments	4,591	-
Changes in proportionate share	8,344	365
Total (prior to post-MD contributions)	<u>12,935</u>	<u>6,780</u>
Contributions subsequent to the MD	737	-
Total	<u>\$ 13,672</u>	<u>\$ 6,780</u>

Deferred outflows of resources related to OPEB of \$737 resulting from the City's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (58)
2023	3,067
2024	1,697
2025	1,449
2026	-
Total	<u>\$ 6,155</u>

Actuarial Methods and Assumptions

The net OPEB asset in the December 31, 2018 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in Note 6 – Pension Plan Actuarial Assumptions.

Long-Term Expected Rate of Return

Are the same as listed above in Note 6 – Pension Plan Long-term Expected Rate of Return.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.20% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially

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determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the RHIA Plan was applied to all periods of projected benefit payments to determine the net OPEB liability.

Sensitivity of the City’s proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

Discount Rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total OPEB Liability	\$ (33,331)	\$ (41,285)	\$ (48,086)

OPEB Plan Fiduciary Net Position

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

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes during the June 30, 2020 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2020 measurement period that require disclosure.

B. Oregon Teamster Employer’s Trust Plan

The Oregon Teamster Employer’s Trust Plan (the Trust) is a cost-sharing, multiple-employer employment defined benefit plan that provides eligible retirees medical insurance who participate in the Trust. This plan has assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Trust does not issue a publicly available financial report.

Eligible employees are defined as those employees working both within the public works classification and in non-supervisory roles, and who receive a minimum of one hundred twenty (120) hours of compensation in a calendar month. As of June 30, 2021, the Trust has 12 employees participating in the Trust Plan.

The program allows eligible retirees and their dependents to purchase continuation coverage under the Trust’s health insurance plans from the date of retirement until eligibility for Medicare. The City is required by ORS 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees.

The City’s required contributions per eligible employee are \$42.83 per month, under the current

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collective-bargaining agreement which expires on June 30, 2022. The City's total contributions to the Trust for the year ended June 30, 2021 were \$9,472.

8. INTERFUND TRANSFERS

Governmental Funds:	Transfer in	Transfer out
General Fund	\$ -	\$ 377,900
Street Fund	-	35,808
PD Restricted Revenue Fund	-	50,000
Park SDC Fund	-	497,937
Transportation SDC Fund	-	110,593
Capital Projects Fund	2,254,569	-
Fleet Replacement Fund	199,325	-
Total Governmental Funds	<u>\$ 2,453,894</u>	<u>\$ 1,072,238</u>
Proprietary Funds:	Transfer in	Transfer out
Sewer Fund	\$ -	\$ 747,997
Water Fund	25,000	420,275
Storm Water Fund	-	23,053
Sewer Debt Retirement Fund	322,508	-
CWSRF Fund	128,577	-
Sewer SDC Fund	-	71,679
Water SDC Fund	-	594,498
Storm Water SDC Fund	-	239
Total Proprietary Funds	<u>\$ 476,085</u>	<u>\$ 1,857,741</u>
Total All Funds	<u>\$ 2,929,979</u>	<u>\$ 2,929,979</u>

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

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

9. CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount.

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

10. RISK MANAGEMENT

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

11. TAX ABATEMENTS

The City has entered into property tax abatement agreements whereby the assessed value of property tax has been reduced. The City's property tax revenue from the year ended June 30, 2021 has been abated under the following programs:

<u>Program and statutory authority</u>	<u>Amount of Abatement</u>
Enterprise Zones	ORS Chapter 385C
	\$ 45,566

12. PRIOR PERIOD ADJUSTMENTS

In fiscal years 2018 and 2019, the City incorrectly recorded the closure of the Utility Deposit Fund and Bonded Debt Fund transfers into the General Fund twice. The net effect resulted in an overstatement of the General Fund's fund balance by \$79,870.

13. SUBSEQUENT EVENT

Through the Local Fiscal Recovery Funds program, the American Rescue Plan Act (ARPA) provides a second major infusion of federal relief dollars directly to the City, allowing an opportunity to deliver needed stabilization and care to our community. The City was awarded \$2.06 million of ARPA funds, with the first distribution of about \$1.03 million received in August 2021. The second distribution is expected in the Spring of 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule
 - General Fund
 - Library Fund
 - Street Fund
 - Urban Renewal Agency Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of the Proportionate Share of OPEB - RHIA
- Schedule of Contributions to OPEB - RHIA
- Schedule of Contributions - Oregon Teamster Employer's Trust

CITY OF MOLALLA, OREGON
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 3,373,000	\$ 3,373,000	\$ 3,521,404	\$ 148,404
Franchise fees	206,000	206,000	197,605	(8,395)
Licenses, permits and fees	95,000	95,000	72,002	(22,998)
Intergovernmental	291,000	291,000	435,813	144,813
Grants	28,400	298,200	306,214	8,014
Fines and forfeitures	200,000	200,000	240,377	40,377
Charges for services	408,100	408,100	547,194	139,094
Interest revenue	320,000	320,000	167,935	(152,065)
Miscellaneous revenue	24,500	24,500	10,730	(13,770)
Contributions and donations	-	-	53,102	53,102
Total revenues	4,946,000	5,215,800	5,552,376	336,576
EXPENDITURES:				
General government	1,230,700	1,357,000	1,114,985	242,015
Public safety	3,238,250	3,373,250	3,212,226	161,024
Culture and recreation	192,750	192,750	144,859	47,891
Community development	351,400	478,200	380,632	97,568
Capital outlay	35,000	288,700	41,484	247,216
Contingency	1,320,000	1,320,000	-	1,320,000
Total expenditures	6,368,100	7,009,900	4,894,186	2,115,714
Revenues over (under) expenditures	(1,422,100)	(1,794,100)	658,190	2,452,290
OTHER FINANCING SOURCES (USES):				
Transfers out	(377,900)	(377,900)	(377,900)	-
Total other financing sources (uses)	(377,900)	(377,900)	(377,900)	-
Net change in fund balance	(1,800,000)	(2,172,000)	280,290	2,452,290
FUND BALANCES, BEGINNING BUDGETARY BASIS	2,500,000	2,372,000	3,211,088	839,088
PRIOR PERIOD ADJUSTMENT	-	-	(79,870)	(79,870)
FUND BALANCES, ENDING BUDGETARY BASIS	\$ 700,000	\$ 200,000	3,411,508	\$ 3,211,508
Accounts receivable			142,743	
Property tax receivable			98,317	
Cash with county			13,281	
Unavailable revenue - franchise fees			(66,500)	
Unavailable revenue - property taxes			(91,651)	
Accounts payable			(94,018)	
FUND BALANCES, ENDING			\$ 3,413,680	

CITY OF MOLALLA, OREGON
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,825,000	\$ 1,825,000	\$ 1,003,215	\$ (821,785)
Grants	4,500	4,500	43,352	38,852
Fines and forfeitures	13,000	13,000	138	(12,862)
Charges for services	3,000	3,000	-	(3,000)
Miscellaneous revenue	100	100	95	(5)
Contributions and donations	3,000	3,000	1,198	(1,802)
Total revenues	<u>1,848,600</u>	<u>1,848,600</u>	<u>1,047,998</u>	<u>(800,602)</u>
EXPENDITURES:				
Personnel service	621,600	621,600	525,144	96,456
Materials and services	358,550	358,550	317,499	41,051
Capital outlay	2,435,450	2,435,450	-	2,435,450
Contingency	200,000	200,000	-	200,000
Total expenditures	<u>3,615,600</u>	<u>3,615,600</u>	<u>842,643</u>	<u>2,772,957</u>
Revenues over (under) expenditures	<u>(1,767,000)</u>	<u>(1,767,000)</u>	<u>205,355</u>	<u>1,972,355</u>
Net change in fund balance	(1,767,000)	(1,767,000)	205,355	1,972,355
FUND BALANCES, BEGINNING BUDGETARY BASIS				
	<u>1,767,000</u>	<u>1,767,000</u>	<u>1,874,389</u>	<u>107,389</u>
FUND BALANCES, ENDING BUDGETARY BASIS				
	<u>\$ -</u>	<u>\$ -</u>	<u>2,079,744</u>	<u>\$ 2,079,744</u>
Accounts payable			<u>(20,691)</u>	
FUND BALANCES, ENDING				
			<u>\$ 2,059,053</u>	

CITY OF MOLALLA, OREGON
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Franchise fees	\$ 180,000	\$ 180,000	\$ 218,898	\$ 38,898
Licenses, permits and fees	151,000	151,000	200,727	49,727
Intergovernmental	710,000	710,000	712,142	2,142
Grants	5,200,000	5,200,000	1,839	(5,198,161)
Miscellaneous revenue	1,000	1,000	3,294	2,294
Total revenues	<u>6,242,000</u>	<u>6,242,000</u>	<u>1,136,900</u>	<u>(5,105,100)</u>
EXPENDITURES:				
Personnel service	412,900	412,900	328,565	84,335
Materials and services	563,700	563,700	356,587	207,113
Capital outlay	1,700	1,700	198	1,502
Contingency	228,116	228,116	-	228,116
Total expenditures	<u>1,206,416</u>	<u>1,206,416</u>	<u>685,350</u>	<u>521,066</u>
Revenues over (under) expenditures	<u>5,035,584</u>	<u>5,035,584</u>	<u>451,550</u>	<u>(4,584,034)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(5,469,800)</u>	<u>(5,469,800)</u>	<u>(35,808)</u>	<u>5,433,992</u>
Total other financing sources (uses)	<u>(5,469,800)</u>	<u>(5,469,800)</u>	<u>(35,808)</u>	<u>5,433,992</u>
Net change in fund balance	(434,216)	(434,216)	415,742	849,958
FUND BALANCES, BEGINNING BUDGETARY BASIS				
	<u>434,216</u>	<u>434,216</u>	<u>659,103</u>	<u>224,887</u>
FUND BALANCES, ENDING BUDGETARY BASIS				
	<u>\$ -</u>	<u>\$ -</u>	<u>1,074,845</u>	<u>\$ 1,074,845</u>
Accounts receivable			155,562	
Unavailable revenue - franchise fees			(90,000)	
Accounts payable			<u>(37,472)</u>	
FUND BALANCES, ENDING			<u>\$ 1,102,935</u>	

**CITY OF MOLALLA, OREGON
URBAN RENEWAL AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 570,000	\$ 570,000	\$ 761,294	\$ 191,294
Interest revenue	2,500	2,500	954	(1,546)
Total revenues	<u>572,500</u>	<u>572,500</u>	<u>762,248</u>	<u>189,748</u>
EXPENDITURES:				
Materials and services	150,000	150,000	80,340	69,660
Capital outlay	3,000,000	3,000,000	380,214	2,619,786
Debt service:				
Principal	400,000	400,000	423,600	(23,600) *
Interest	200,000	200,000	72,587	127,413 *
Contingency	150,000	150,000	-	150,000
Total expenditures	<u>3,900,000</u>	<u>3,900,000</u>	<u>956,741</u>	<u>2,943,259</u>
Revenues over (under) expenditures	(3,327,500)	(3,327,500)	(194,493)	3,133,007
OTHER FINANCING SOURCES (USES):				
Issuance of debt	2,411,500	2,411,500	2,530,400	118,900
Total other financing sources (uses)	<u>2,411,500</u>	<u>2,411,500</u>	<u>2,530,400</u>	<u>118,900</u>
Net changes in fund balances	(916,000)	(916,000)	2,335,907	3,251,907
FUND BALANCES, BEGINNING BUDGETARY BASIS				
	<u>1,516,000</u>	<u>1,516,000</u>	<u>1,500,597</u>	<u>(15,403)</u>
FUND BALANCES, ENDING BUDGETARY BASIS				
	<u>\$ 600,000</u>	<u>\$ 600,000</u>	3,836,504	<u>\$ 3,236,504</u>
Property tax receivable			17,556	
Cash with county			2,420	
Unavailable revenue - property taxes			(16,342)	
Accounts payable			<u>(16,925)</u>	
FUND BALANCES, ENDING			<u>\$ 3,823,213</u>	

* Expenditures are appropriated together as debt service

CITY OF MOLALLA, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.01783089%	\$ 3,891,314	\$ 3,519,985	110.55%	75.8%
2019	0.01439485%	2,489,964	3,497,725	71.19%	80.2%
2018	0.01689245%	2,558,984	3,248,982	78.76%	82.1%
2017	0.01517129%	2,045,096	2,993,583	68.32%	83.1%
2016	0.01652462%	2,480,729	2,891,160	85.80%	80.5%
2015	0.01656831%	951,263	2,627,835	36.20%	91.9%
2014	0.01495015%	(338,877)	2,773,860	-12.22%	103.6%
2013	0.01656831%	673,613	2,540,455	26.52%	92.0%

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

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Changes in Benefit Terms:

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

CITY OF MOLALLA, OREGON
SCHEDULE OF CONTRIBUTIONS - PENSION
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2021	\$ 525,575	\$ 525,575	\$ -	\$ 3,640,295	14.44%
2020	483,896	483,896	-	3,519,985	13.75%
2019	348,046	348,046	-	3,497,725	9.95%
2018	323,855	323,855	-	3,248,982	9.97%
2017	218,329	218,329	-	2,993,583	7.29%
2016	320,569	320,569	-	2,891,160	11.08%
2015	733,439	733,439	-	2,627,835	27.91%
2014	764,158	764,158	-	2,773,860	27.55%

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

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined: Contributions

	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Actuarial valuation Effective	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method	Entry Age Normal			Projected Unit Credit
Amortization method	Level percentage of payroll			
Asset valuation method	Market Value			
Remaining amortization periods	20 years			N/A
Actuarial assumptions:				
Inflation rate	2.50 percent		2.75 percent	
Projected salary increases	3.50 percent			
Investment rate of return	7.20 percent	7.50 percent	7.75 percent	8.00 percent

CITY OF MOLALLA, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF OPEB - RHIA
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.02026147%	\$ (41,285)	\$ 3,519,985	-1.17%	150.1%
2019	0.02844408%	(54,964)	3,497,725	-1.57%	144.40%
2018	0.02720970%	(30,373)	3,248,982	-0.93%	124.00%
2017	0.02671796%	(11,150)	2,993,583	-0.37%	108.90%

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

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

CITY OF MOLALLA, OREGON
SCHEDULE OF CONTRIBUTIONS TO OPEB - RHIA
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2021	\$ 737	\$ 737	\$ -	\$ 3,640,295	0.02%
2020	1,447	1,447	-	3,519,985	0.04%
2019	14,097	14,097	-	3,497,725	0.40%
2018	13,175	13,175	-	3,248,982	0.41%
2017	13,302	13,302	-	2,993,583	0.44%

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

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined: Contributions

Actuarial valuation:	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	December 31, 2011
Actuarial cost method:	Entry Age Normal			Projected Unit Credit
Amortization method:	Level percentage of payroll, closed			
Amortization period:	10 years			
Asset valuation method:	Market value			
Remaining amortization periods:	10 years	20 years		N/A
Actuarial assumptions	2.50 percent		2.75 percent	
Inflation rate	3.50 percent		3.75 percent	
Projected salary increases	7.20 percent	7.50 percent	7.75 percent	8.00 percent
Investment rate of return	None. Statute stipulates \$60 monthly payment for healthcare insurance			
Healthcare cost trend rates				

CITY OF MOLALLA, OREGON
SCHEDULE OF CONTRIBUTIONS - OREGON TEAMSTER EMPLOYER'S TRUST
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)
2021	\$ 9,472	\$ 9,472	-
2020	8,396	8,396	-
2019	8,400	8,400	-
2018	3,816	3,816	-

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

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF MOLALLA, OREGON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

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

Such schedules include:

- Budgetary Comparison - Park SDC Fund
- Budgetary Comparison - Capital Projects Fund
- Combining Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules
- Budgetary Comparison Schedules – Enterprise Funds

COMBINING SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

Police Department Restricted Revenue Fund

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

Capital Projects Fund

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

Transportation SDC Fund

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

Fleet Replacement Fund

The Fleet Replacement Fund is used for purchase of replacement vehicles and equipment. Funds will be transferred each year from enterprise funds, governmental funds, and the Park Fund for future purchases.

CITY OF MOLALLA, OREGON
PARK SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 12,750	\$ 12,750	\$ 114,768	\$ 102,018
Total revenues	12,750	12,750	114,768	102,018
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,000,000)	(1,000,000)	(497,937)	502,063
Total other financing sources (uses)	(1,000,000)	(1,000,000)	(497,937)	502,063
Net changes in fund balances	(987,250)	(987,250)	(383,169)	604,081
FUND BALANCES, BEGINNING BUDGETARY BASIS	2,309,567	2,309,567	2,417,513	107,946
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 1,322,317</u>	<u>\$ 1,322,317</u>	<u>\$ 2,034,344</u>	<u>\$ 712,027</u>

**CITY OF MOLALLA, OREGON
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 10,153,588	\$ 10,278,688	\$ 1,959,539	\$ 8,319,149
Total expenditures	<u>10,153,588</u>	<u>10,278,688</u>	<u>1,959,539</u>	<u>8,319,149</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>10,063,588</u>	<u>10,188,688</u>	<u>2,254,569</u>	<u>(7,934,119)</u>
Total other financing sources (uses)	<u>10,063,588</u>	<u>10,188,688</u>	<u>2,254,569</u>	<u>(7,934,119)</u>
Net changes in fund balances	(90,000)	(90,000)	295,030	385,030
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>90,000</u>	<u>90,000</u>	<u>96,237</u>	<u>6,237</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	391,267	<u>\$ 391,267</u>
Accounts payable			<u>(181,657)</u>	
FUND BALANCES, ENDING			<u>\$ 209,610</u>	

CITY OF MOLALLA, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021

	Police Department Restricted Revenue Fund	Total Nonmajor Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 41,405	\$ 1,877,604	\$ 1,919,009
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 41,405</u>	<u>\$ 1,877,604</u>	<u>\$ 1,919,009</u>
FUND BALANCES			
Restricted for:			
System development	\$ -	\$ 1,877,604	\$ 1,877,604
Police department	41,405	-	41,405
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>\$ 41,405</u>	<u>\$ 1,877,604</u>	<u>\$ 1,919,009</u>

**CITY OF MOLALLA, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2021**

	Police Department Restricted Revenue Fund	Total Nonmajor Capital Projects Funds	Total
REVENUES:			
Intergovernmental	\$ 50,000	\$ -	\$ 50,000
Contributions and donations	6,600	-	6,600
System development charges	-	829,782	829,782
	<u>56,600</u>	<u>829,782</u>	<u>886,382</u>
Total revenues			
	<u>56,600</u>	<u>829,782</u>	<u>886,382</u>
EXPENDITURES:			
General government	1,100	-	1,100
Capital outlay	-	183,646	183,646
	<u>1,100</u>	<u>183,646</u>	<u>184,746</u>
Total expenditures			
	<u>1,100</u>	<u>183,646</u>	<u>184,746</u>
Revenues over (under) expenditures	55,500	646,136	701,636
OTHER FINANCING SOURCES (USES):			
Transfers in	-	199,325	199,325
Transfers out	(50,000)	(110,593)	(160,593)
	<u>(50,000)</u>	<u>88,732</u>	<u>38,732</u>
Total other financing sources (uses)			
	<u>(50,000)</u>	<u>88,732</u>	<u>38,732</u>
Net change in fund balance	5,500	734,868	740,368
FUND BALANCES, BEGINNING	<u>35,905</u>	<u>1,142,736</u>	<u>1,178,641</u>
FUND BALANCES, ENDING	<u>\$ 41,405</u>	<u>\$ 1,877,604</u>	<u>\$ 1,919,009</u>

CITY OF MOLALLA, OREGON
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2021

	<u>Transportation SDC Fund</u>	<u>Fleet Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 1,607,056</u>	<u>\$ 270,548</u>	<u>\$ 1,877,604</u>
Total assets	<u><u>\$ 1,607,056</u></u>	<u><u>\$ 270,548</u></u>	<u><u>\$ 1,877,604</u></u>
FUND BALANCES			
Restricted for:			
System development	<u>\$ 1,607,056</u>	<u>\$ 270,548</u>	<u>\$ 1,877,604</u>
Total fund balances	<u><u>\$ 1,607,056</u></u>	<u><u>\$ 270,548</u></u>	<u><u>\$ 1,877,604</u></u>

CITY OF MOLALLA, OREGON
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2021

	Transportation SDC Fund	Fleet Replacement Fund	Total
REVENUES:			
System development charges	\$ 829,782	\$ -	\$ 829,782
Total revenues	829,782	-	829,782
EXPENDITURES:			
Capital outlay	-	183,646	183,646
Total expenditures	-	183,646	183,646
Revenues over (under) expenditures	829,782	(183,646)	646,136
OTHER FINANCING SOURCES (USES):			
Transfers in	-	199,325	199,325
Transfers out	(110,593)	-	(110,593)
Total other financing sources (uses)	(110,593)	199,325	88,732
Net changes in fund balances	719,189	15,679	734,868
FUND BALANCES, BEGINNING	887,867	254,869	1,142,736
FUND BALANCES, ENDING	\$ 1,607,056	\$ 270,548	\$ 1,877,604

BUDGETARY COMPARISON SCHEDULES

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

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

- General Fund Schedule of Expenditures - Budgetary Basis

Nonmajor Governmental Budgetary Comparison schedules included the following:

- Special Revenue Funds
 - Police Department Restricted Revenue Fund
- Capital Project Fund
 - Transportation SDC Fund
 - Fleet Replacement Fund

CITY OF MOLALLA, OREGON
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
Police operations:				
Personnel services	\$ 2,374,600	\$ 2,489,600	\$ 2,488,252	\$ 1,348
Materials and services	624,000	624,000	488,974	135,026
Subtotal	2,998,600	3,113,600	2,977,226	136,374
Municipal court:				
Personnel services	154,850	154,850	150,265	4,585
Materials and services	84,800	104,800	84,735	20,065
Subtotal	239,650	259,650	235,000	24,650
City council:				
Materials and services	63,700	63,700	25,134	38,566
Subtotal	63,700	63,700	25,134	38,566
Parks:				
Personnel services	110,200	110,200	95,364	14,836
Materials and services	82,550	82,550	49,495	33,055
Subtotal	192,750	192,750	144,859	47,891
Planning:				
Personnel services	258,600	258,600	226,778	31,822
Materials and services	92,800	219,600	153,854	65,746
Subtotal	351,400	478,200	380,632	97,568
Office of governance and management:				
Personnel services	796,900	803,900	745,092	58,808
Materials and services	370,100	489,400	344,759	144,641
Capital outlay	35,000	288,700	41,484	247,216
Subtotal	1,202,000	1,582,000	1,131,335	450,665
Total expenditures	\$ 5,048,100	\$ 5,689,900	\$ 4,894,186	\$ 795,714

CITY OF MOLALLA, OREGON
POLICE DEPARTMENT RESTRICTED REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Contributions and donations	16,320	16,320	6,600	(9,720)
Total revenues	66,320	66,320	56,600	(9,720)
EXPENDITURES:				
Materials and services	27,284	27,284	1,100	26,184
Total expenditures	27,284	27,284	1,100	26,184
Revenues over (under) expenditures	39,036	39,036	55,500	16,464
OTHER FINANCING SOURCES (USES):				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	(50,000)	(50,000)	(50,000)	-
Net change in fund balance	(10,964)	(10,964)	5,500	16,464
FUND BALANCES, BEGINNING BUDGETARY BASIS				
	10,964	10,964	35,905	24,941
FUND BALANCES, ENDING BUDGETARY BASIS				
	\$ -	\$ -	\$ 41,405	\$ 41,405

**CITY OF MOLALLA, OREGON
TRANSPORTATION SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 63,505	\$ 63,505	\$ 829,782	\$ 766,277
Total revenues	63,505	63,505	829,782	766,277
OTHER FINANCING SOURCES (USES):				
Transfers out	(657,488)	(657,488)	(110,593)	546,895
Total other financing sources (uses)	(657,488)	(657,488)	(110,593)	546,895
Net changes in fund balances	(593,983)	(593,983)	719,189	1,313,172
FUND BALANCES, BEGINNING BUDGETARY BASIS	593,983	593,983	887,867	293,884
FUND BALANCES, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 1,607,056	\$ 1,607,056

**CITY OF MOLALLA, OREGON
FLEET REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 217,000	\$ 217,000	\$ 183,646	\$ 33,354
Total expenditures	217,000	217,000	183,646	33,354
OTHER FINANCING SOURCES (USES):				
Transfers in	199,325	199,325	199,325	-
Total other financing sources (uses)	199,325	199,325	199,325	-
Net changes in fund balances	(17,675)	(17,675)	15,679	33,354
FUND BALANCES, BEGINNING BUDGETARY BASIS	245,095	245,095	254,869	9,774
FUND BALANCES, ENDING BUDGETARY BASIS	\$ 227,420	\$ 227,420	\$ 270,548	\$ 43,128

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

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

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water SDC Fund

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

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

CITY OF MOLALLA, OREGON
WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2021

	Water Fund	Water SDC Fund	Total Water Operations
REVENUES:			
Grants	\$ 4,108	\$ -	\$ 4,108
Charges for services	1,826,925	-	1,826,925
Miscellaneous revenue	16,065	-	16,065
System development charges	-	212,204	212,204
	<u>1,847,098</u>	<u>212,204</u>	<u>2,059,302</u>
EXPENDITURES:			
Personnel service	683,501	-	683,501
Materials and services	525,369	-	525,369
	<u>1,208,870</u>	<u>-</u>	<u>1,208,870</u>
	<u>638,228</u>	<u>212,204</u>	<u>850,432</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	25,000	-	25,000
Transfers out	(420,275)	(594,498)	(1,014,773)
	<u>(395,275)</u>	<u>(594,498)</u>	<u>(989,773)</u>
	242,953	(382,294)	(139,341)
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>2,417,494</u>	<u>997,229</u>	<u>3,414,723</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 2,660,447</u>	<u>\$ 614,935</u>	3,275,382
Accounts receivable			172,723
Accounts payable			(48,180)
Capital assets			8,452,559
Compensated absences			(40,365)
Net pension liability			(436,375)
Deferred outflow related to pension			225,534
Deferred inflows related to pension			(24,257)
Net OPEB asset			4,814
Deferred outflow related to OPEB			1,594
Deferred inflows related to OPEB			(791)
NET POSITION, ENDING			<u>\$ 11,582,638</u>

CITY OF MOLALLA, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ -	\$ 4,108	\$ 4,108
Charges for services	2,101,600	2,101,600	1,826,925	(274,675)
Miscellaneous revenue	1,000	1,000	16,065	15,065
Total revenues	2,102,600	2,102,600	1,847,098	(255,502)
EXPENDITURES:				
Personnel service	736,800	736,800	683,501	53,299
Materials and services	676,700	676,700	525,369	151,331
Capital outlay	1,700	1,700	-	1,700
Contingency	841,000	841,000	-	841,000
Total expenditures	2,256,200	2,256,200	1,208,870	1,047,330
Revenues over (under) expenditures	(153,600)	(153,600)	638,228	791,828
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000	25,000	-
Transfers out	(940,200)	(940,200)	(420,275)	519,925
Total other financing sources (uses)	(915,200)	(915,200)	(395,275)	519,925
Net change in fund balance	(1,068,800)	(1,068,800)	242,953	1,311,753
FUND BALANCE, BEGINNING BUDGETARY BASIS	2,399,264	2,399,264	2,417,494	18,230
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 1,330,464</u>	<u>\$ 1,330,464</u>	<u>\$ 2,660,447</u>	<u>\$ 1,329,983</u>

CITY OF MOLALLA, OREGON
WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 19,810	\$ 19,810	\$ 212,204	\$ 192,394
Total revenues	19,810	19,810	212,204	192,394
EXPENDITURES:				
Personnel service	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
Revenues over (under) expenditures	9,810	9,810	212,204	202,394
OTHER FINANCING SOURCES (USES):				
Transfers out	(502,900)	(628,000)	(594,498)	33,502
Total other financing sources (uses)	(502,900)	(628,000)	(594,498)	33,502
Net change in fund balance	(493,090)	(618,190)	(382,294)	235,896
FUND BALANCE, BEGINNING BUDGETARY BASIS				
	563,750	688,850	997,229	308,379
FUND BALANCE, ENDING BUDGETARY BASIS				
	\$ 70,660	\$ 70,660	\$ 614,935	\$ 544,275

CITY OF MOLALLA, OREGON
SEWER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2021

	<u>Sewer Fund</u>	<u>Sewer SDC Fund</u>	<u>Sewer Debt Retirement</u>	<u>CWSRF Fund</u>	<u>Total Sewer Operations</u>
REVENUES:					
Grants	\$ 4,106	\$ -	\$ -	\$ -	\$ 4,106
Charges for services	3,232,589	-	-	-	3,232,589
Miscellaneous revenue	123,873	-	-	-	123,873
System development charges	-	407,119	-	-	407,119
	<u>3,360,568</u>	<u>407,119</u>	<u>-</u>	<u>-</u>	<u>3,767,687</u>
EXPENDITURES:					
Personnel service	716,070	-	-	-	716,070
Materials and services	1,339,142	-	36,829	12,861	1,388,832
Debt service:					
Principal	-	-	1,653,700	1,272,262	2,925,962
Interest	-	-	37,352	14,035	51,387
	<u>2,055,212</u>	<u>-</u>	<u>1,727,881</u>	<u>1,299,158</u>	<u>5,082,251</u>
Total expenditures	<u>2,055,212</u>	<u>-</u>	<u>1,727,881</u>	<u>1,299,158</u>	<u>5,082,251</u>
Revenues over (under) expenditures	<u>1,305,356</u>	<u>407,119</u>	<u>(1,727,881)</u>	<u>(1,299,158)</u>	<u>(1,314,564)</u>
OTHER FINANCING SOURCES (USES):					
Issuance of debt	208,572	-	1,112,823	1,025,963	2,347,358
Transfers in	-	-	322,508	128,577	451,085
Transfers out	(747,996)	(71,679)	-	-	(819,675)
	<u>(539,424)</u>	<u>(71,679)</u>	<u>1,435,331</u>	<u>1,154,540</u>	<u>1,978,768</u>
Total other financing sources (uses)	<u>(539,424)</u>	<u>(71,679)</u>	<u>1,435,331</u>	<u>1,154,540</u>	<u>1,978,768</u>
Net change in fund balance	765,932	335,440	(292,550)	(144,618)	664,204
FUND BALANCES, BEGINNING					
BUDGETARY BASIS	<u>947,656</u>	<u>375,497</u>	<u>315,250</u>	<u>184,618</u>	<u>1,823,021</u>
FUND BALANCES, ENDING					
BUDGETARY BASIS	<u>\$ 1,713,588</u>	<u>\$ 710,937</u>	<u>\$ 22,700</u>	<u>\$ 40,000</u>	<u>2,487,225</u>
Accounts receivable					279,624
Accounts payable					(71,373)
Capital assets					7,719,685
Accrued interest payable					(27,886)
Long-term debt					(2,080,172)
Compensated absences					(38,807)
Net pension liability					(453,789)
Deferred charges on refunding					(13,486)
Deferred outflow related to pension					234,534
Deferred inflows related to pension					(25,225)
Net OPEB asset					4,630
Deferred outflow related to OPEB					1,533
Deferred inflows related to OPEB					(760)
NET POSITION, ENDING					<u>\$ 8,015,733</u>

CITY OF MOLALLA, OREGON
SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ -	\$ 4,106	\$ 4,106
Charges for services	3,242,781	3,242,781	3,232,589	(10,192)
Miscellaneous revenue	1,000	1,000	123,873	122,873
Total revenues	3,243,781	3,243,781	3,360,568	116,787
EXPENDITURES:				
Personnel service	907,300	907,300	716,070	191,230
Materials and services	2,025,300	2,025,300	1,339,142	686,158
Capital outlay	89,225	89,225	-	89,225
Contingency	455,014	415,106	-	415,106
Total expenditures	3,476,839	3,436,931	2,055,212	1,381,719
Revenues over (under) expenditures	(233,058)	(193,150)	1,305,356	1,498,506
OTHER FINANCING SOURCES (USES):				
Issuance of debt	1,100,000	1,100,000	208,572	(891,428)
Transfers out	(1,539,222)	(1,579,130)	(747,996)	831,134
Total other financing sources (uses)	(439,222)	(479,130)	(539,424)	(60,294)
Net change in fund balance	(672,280)	(672,280)	765,932	1,438,212
FUND BALANCE, BEGINNING BUDGETARY BASIS	672,280	672,280	947,656	275,376
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 1,713,588	\$ 1,713,588

CITY OF MOLALLA, OREGON
SEWER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 54,105	\$ 54,105	\$ 407,119	\$ 353,014
Total revenues	54,105	54,105	407,119	353,014
OTHER FINANCING SOURCES (USES):				
Transfers out	(143,991)	(146,751)	(71,679)	75,072
Total other financing sources (uses)	(143,991)	(146,751)	(71,679)	75,072
Net change in fund balance	(89,886)	(92,646)	335,440	428,086
FUND BALANCE, BEGINNING BUDGETARY BASIS	114,339	117,099	375,497	258,398
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 24,453	\$ 24,453	\$ 710,937	\$ 686,484

**CITY OF MOLALLA, OREGON
SEWER DEBT RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Materials and services	\$ -	\$ -	\$ 36,829	\$ (36,829)
Debt service:				
Principal	260,000	591,858	1,653,700	(1,061,842) *
Interest	56,000	56,000	37,352	18,648
Total expenditures	316,000	647,858	1,727,881	(1,080,023)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	1,112,823	1,112,823
Transfers in	282,600	325,268	322,508	(2,760)
Total other financing sources (uses)	282,600	325,268	1,435,331	1,110,063
Net changes in fund balances	(33,400)	(322,590)	(292,550)	30,040
FUND BALANCE, BEGINNING BUDGETARY BASIS	349,000	349,000	315,250	(33,750)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 315,600	\$ 26,410	\$ 22,700	\$ (3,710)

* Exception to Oregon Budget Law

CITY OF MOLALLA, OREGON
CWSRF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Materials and services	\$ 6,004	\$ 6,004	\$ 12,861	\$ (6,857)
Debt service:				
Principal	143,991	238,572	1,272,262	(1,033,690) *
Interest	54,623	54,623	14,035	40,588
Total expenditures	204,618	299,199	1,299,158	(999,959)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	1,025,963	1,025,963
Transfers in	203,888	203,888	128,577	(75,311)
Total other financing sources (uses)	203,888	203,888	1,154,540	950,652
Net changes in fund balances	(730)	(95,311)	(144,618)	(49,307)
FUND BALANCE, BEGINNING BUDGETARY BASIS	184,618	184,618	184,618	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 183,888</u>	<u>\$ 89,307</u>	<u>\$ 40,000</u>	<u>\$ (49,307)</u>

* Exception to Oregon Budget Law

CITY OF MOLALLA, OREGON
STORM WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2021

	Storm Water Fund	Storm Water SDC Fund	Total Storm Water Operations
REVENUES:			
Grants	\$ 1,374	\$ -	\$ 1,374
Charges for services	319,799	-	319,799
System development charges	-	85,260	85,260
Total revenues	<u>321,173</u>	<u>85,260</u>	<u>406,433</u>
EXPENDITURES:			
Personnel service	129,171	-	129,171
Materials and services	<u>68,230</u>	<u>-</u>	<u>68,230</u>
Total expenditures	<u>197,401</u>	<u>-</u>	<u>197,401</u>
Revenues over (under) expenditures	<u>123,772</u>	<u>85,260</u>	<u>209,032</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	<u>(23,053)</u>	<u>(239)</u>	<u>(23,292)</u>
Total other financing sources (uses)	<u>(23,053)</u>	<u>(239)</u>	<u>(23,292)</u>
Net change in fund balance	100,719	85,021	185,740
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>137,054</u>	<u>136,095</u>	<u>273,149</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u><u>\$ 237,773</u></u>	<u><u>\$ 221,116</u></u>	458,889
Accounts receivable			27,987
Accounts payable			(8,985)
Capital assets			1,667,834
Compensated absences			(7,166)
Net pension liability			(80,731)
Deferred outflow related to pension			41,725
Deferred inflows related to pension			(4,488)
Net OPEB asset			857
Deferred outflow related to OPEB			284
Deferred inflows related to OPEB			<u>(141)</u>
NET POSITION, ENDING			<u><u>\$ 2,096,065</u></u>

CITY OF MOLALLA, OREGON
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ -	\$ 1,374	\$ 1,374
Charges for services	285,500	285,500	319,799	34,299
Total revenues	285,500	285,500	321,173	35,673
EXPENDITURES:				
Personnel service	144,400	144,400	129,171	15,229
Materials and services	105,800	105,800	68,230	37,570
Capital outlay	3,100	3,100	-	3,100
Contingency	57,262	57,262	-	57,262
Total expenditures	310,562	310,562	197,401	113,161
Revenues over (under) expenditures	(25,062)	(25,062)	123,772	148,834
OTHER FINANCING SOURCES (USES):				
Transfers out	(67,900)	(67,900)	(23,053)	44,847
Total other financing sources (uses)	(67,900)	(67,900)	(23,053)	44,847
Net change in fund balance	(92,962)	(92,962)	100,719	193,681
FUND BALANCE, BEGINNING BUDGETARY BASIS	92,962	92,962	137,054	44,092
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 237,773	\$ 237,773

**CITY OF MOLALLA, OREGON
STORM WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 4,660	\$ 4,660	\$ 85,260	\$ 80,600
Total revenues	4,660	4,660	85,260	80,600
OTHER FINANCING SOURCES (USES):				
Transfers out	(25,000)	(25,000)	(239)	24,761
Total other financing sources (uses)	(25,000)	(25,000)	(239)	24,761
Net change in fund balance	(20,340)	(20,340)	85,021	105,361
FUND BALANCE, BEGINNING BUDGETARY BASIS	98,814	98,814	136,095	37,281
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 78,474</u>	<u>\$ 78,474</u>	<u>\$ 221,116</u>	<u>\$ 142,642</u>

AUDIT COMMENTS AND DISCLOSURES

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON STATE REGULATION***

The Honorable Mayor and Council Members
City of Molalla, Oregon

We have audited the basic financial statements of the City of Molalla, as of and for the year ended June 30, 2021 and have issued our report thereon dated February 16, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Report on Compliance

As part of obtaining reasonable assurance about whether the 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, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

Internal Control Over OAR 162-10-0230

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control and have communicated them in a separate letter to management dated February 16, 2022 that we consider to be a material weakness.

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 *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
February 16, 2022