

CITY OF MOLALLA

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
WITH
INDEPENDENT AUDITOR'S REPORT

CITY OF MOLALLA, OREGON
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INTRODUCTORY SECTION

MAYOR AND CITY COUNCIL

NAME

TERM EXPIRES

Mayor

Jimmy Thompson

December 2020

Councilors:

Leota Childress

December 2018

Glen Boreth

December 2018

Elizabeth Klein

December 2018

Keith Swigart

December 2020

DeLise Palumbo

December 2020

Cindy Dragowsky

December 2020

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

Honorable Mayor and Council Members
City of Molalla, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Molalla, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Molalla, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Molalla, Oregon, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended

in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the City of Molalla adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to these matter.

Other Matters

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, 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, schedule of proportionate share of the net OPEB liability, schedule of contributions (OPEB), 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.

Supplementary and Other Information

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

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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 March 27, 2019, on our consideration of City of Molalla, Oregon'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 & Company, LLP
Tualatin, Oregon
March 27, 2019

CITY OF MOLALLA, OREGON
Management's Discussion and Analysis
JUNE 30, 2018

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, 2018. 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 \$41,068,140 at June 30, 2018 and consisted of \$14,063,133 in cash and cash equivalents; \$1,041,564 in accounts receivable and other assets; and \$25,963,443 in capital assets.

Net position was \$33,091,222 at June 30, 2018 compared to \$30,341,994 at June 30, 2017 year end.

As of June 30, 2018, the City had \$6,461,630 in outstanding bonds, notes payable and accrued compensated absences.

The City's net position increased by \$2,716,400 from June 30, 2017, primarily due to capital asset additions, utility rate increases, increased collection on receivables and early payoff of bonds. The City's capital assets in Fiscal Year 2018 totaled \$25,963,443 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 ten individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Library Fund, Street Fund, Urban Renewal Agency Fund, and Park SDC Fund. All of these funds are considered to be major funds. Data from the other five non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining schedules in the other supplementary information described below.

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

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 \$33,091,222 at the close of the most recent fiscal year.

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

	2018			2017		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets						
Current assets	\$ 8,749,154	\$ 6,355,543	\$15,104,697	\$ 6,834,735	\$ 5,933,259	\$ 12,767,994
Net pension assets	-	-	-	-	-	-
Capital assets	11,646,054	14,317,389	25,963,443	11,773,486	14,375,223	26,148,709
Total assets	20,395,208	20,672,932	41,068,140	18,608,221	20,308,482	38,916,703
Deferred outflows of resources	678,006	252,415	930,421	1,031,424	352,511	1,383,935
Liabilities						
Current liabilities	115,395	177,243	292,638	35,960	121,002	156,962
Long-term liabilities	2,904,909	3,556,721	6,461,630	2,966,993	4,322,369	7,289,362
Net pension liability	1,490,280	554,816	2,045,096	1,848,846	631,883	2,480,729
Total liabilities	4,510,584	4,288,780	8,799,364	4,851,799	5,075,254	9,927,053
Deferred inflows of resources	78,682	29,293	107,975	11,620	3,971	15,591
Net position						
Net investment in capital assets	8,609,061	10,812,541	19,421,602	8,658,502	10,103,432	18,761,934
Restricted	4,587,201	2,921,729	7,508,930	3,511,668	2,703,957	6,215,625
Unrestricted	3,287,686	2,873,004	6,160,690	2,606,056	2,774,379	5,380,435
Total net position	\$16,483,948	\$16,607,274	\$33,091,222	\$14,776,226	\$15,581,768	\$ 30,357,994

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 \$7,508,930 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,160,690 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:

	2018			2017		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 1,422,724	\$ 5,196,202	\$ 6,618,926	\$ 1,088,030	\$ 4,432,507	\$ 5,520,537
Operating grants	47,332	-	47,332	15,489	-	15,489
Capital grants	-	-	-	-	-	-
General Revenues						
Property taxes	3,503,079	-	3,503,079	3,148,271	-	3,148,271
Other taxes	2,506,585	-	2,506,585	2,176,370	-	2,176,370
Other revenues	255,886	63,946	319,832	196,965	44,841	241,806
Total Revenues	7,735,606	5,260,148	12,995,754	6,625,125	4,477,348	11,102,473
Expenses						
Governmental						
General government	\$ 1,521,804	\$ -	\$ 1,521,804	\$ 1,635,670	\$ -	\$ 1,635,670
Public safety	2,542,513	-	2,542,513	2,548,515	-	2,548,515
Highways and streets	1,531,912	-	1,531,912	1,535,395	-	1,535,395
Culture and recreation	932,989	-	932,989	663,121	-	663,121
Community development	46,008	-	46,008	138,463	-	138,463
Interest long-term debt	74,565	-	74,565	75,892	-	75,892
Business-Type						
Water	-	1,156,816	1,156,816	-	910,285	910,285
Sewer	-	2,237,350	2,237,350	-	2,091,846	2,091,846
Storm water	-	258,864	258,864	-	116,548	116,548
Total expenses	6,649,791	3,653,030	10,302,821	6,597,056	3,118,679	9,715,735
Transfers	583,257	(583,257)	-	(782,644)	782,644	-
Change in Net Position	1,669,072	1,023,861	2,692,933	(754,575)	2,141,313	1,386,738
Net Position July, 1	14,777,631	15,581,768	30,359,399	15,530,801	13,347,557	28,878,358
Restatements	-	-	-	-	-	-
Net Position-as restated	14,777,631	15,581,768	30,359,399	15,530,801	13,347,557	28,878,358
Net Position--June 30	\$16,446,703	\$16,605,629	\$33,052,332	\$14,776,226	\$15,488,870	\$30,265,096

Governmental Activities. Governmental activities increased the City of Molalla's net position by \$1,669,072. This is primarily due to an increase in revenues.

Business-type Activities. Business-type activities increased the City of Molalla's net position by \$1,023,861. This is primarily due to an increase in revenues and a decrease in operating 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 \$8,210,610.

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 \$217,852 more than what was budgeted mostly due to higher property taxes and interest than expected.

The General Fund spent \$489,299 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		Business-Type		Total		Change
	Activities		Activities				+ (-)
	2018	2017	2018	2017	2018	2017	
Land	\$ 1,489,291	\$ 1,489,291	\$ 727,511	\$ 727,511	\$ 2,216,802	\$ 2,216,802	\$ -
Construction in Progress	65,669	-	59,322	-	124,991	-	124,991
Land improvement	179,209	174,475	7,208	8,519	186,417	182,994	3,423
Buildings	3,210,076	2,920,271	3,312,783	3,374,586	6,522,859	6,294,857	228,002
Infrastructure	6,233,404	6,993,600	9,085,803	9,354,972	15,319,207	16,348,572	(1,029,365)
Machinery and Equipmer	165,439	134,781	802,877	663,161	968,316	797,942	170,374
Vehicles	302,966	61,068	321,885	246,474	624,851	307,542	317,309
Total	\$11,646,054	\$11,773,486	\$14,317,389	\$14,375,223	\$25,963,443	\$26,148,709	\$ (185,266)

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, 2018, the City had bonded debt outstanding of \$4,523,490 compared to \$5,279,002 at June 30, 2017.

	Government		Business		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ 2,355,000	\$ 2,515,000	\$ 1,890,000	\$ 2,460,000	\$ 4,245,000	\$ 4,975,000
Bond premium	278,490	304,002	-	-	278,490	304,002
Notes payable	-	-	1,548,508	1,680,975	1,548,508	1,680,975
Compensated absences	139,335	147,991	51,873	50,578	191,208	198,569
Total	\$ 2,772,825	\$ 2,966,993	\$ 3,490,381	\$ 4,191,553	\$ 6,263,206	\$ 7,158,546

Economic Factors and Next Year’s Budget

Fiscal year 2017/2018 is a continued year of calming the water, performing core operational functions, and not repeating past practices. The primary change is the gauging how to move forward. The City is preparing to begin some capital projects in the near future. We are doing our due diligence to ensure that the fiscal impact of the improvements do not change the course of the river back to what it was before. We will continue forward to ensure the conservative approaches to all spending remain in play and that the correct staffing are functioning as needed to maximize the benefits to the residents of Molalla. The City of Molalla will continue the practice of utilizing a cost allocation plan for administrative costs that are indirect and unassignable to a specific cost objective. The method in use is based on budget percentage of the entire city-wide budget but imposed only on actual expenditures.

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

The City of Molalla budget committee considered all the following factors while preparing the City budget for the 2018/2019 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
For the Fiscal Year Ended June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 8,158,350	\$ 5,904,783	\$ 14,063,133
Accounts receivable, net	360,567	447,735	808,302
Property taxes receivable	210,714	-	210,714
Due from other governments	11,398	-	11,398
Net OPEB assets	8,125	3,025	11,150
Capital Assets:			
Non-depreciable	1,554,960	727,511	2,282,471
Depreciable	10,091,094	13,589,878	23,680,972
Total assets	20,395,208	20,672,932	41,068,140
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	668,397	248,838	917,235
Deferred outflows related to OPEB	9,609	3,577	13,186
Total asset & deferred outflows of resources	\$ 21,073,214	\$ 20,925,347	\$ 41,998,561
LIABILITIES:			
Accounts payable	\$ 103,520	\$ 130,757	\$ 234,277
Deposits	-	-	-
Accrued interest payable	11,875	46,486	58,361
Current portion of long-term debt	341,458	484,041	825,499
Non-current portion of long-term debt	2,563,451	3,072,680	5,636,131
Net pension liability	1,490,280	554,816	2,045,096
Total liabilities	4,510,584	4,288,780	8,799,364
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	74,919	27,892	102,811
Deferred inflows related to OPEB	3,763	1,401	5,164
Total deferred inflows of resources	78,682	29,293	107,975
NET POSITION:			
Net Investment in capital assets	8,609,061	10,812,541	19,421,602
Restricted for:			
Debt service	64,964	46,607	111,571
System development	2,672,468	2,875,122	5,547,590
Urban renewal projects	1,033,242	-	1,033,242
Highways and streets	795,603	-	795,603
Police department	20,924	-	20,924
Unrestricted	3,287,686	2,873,004	6,160,690
Total net position	16,483,948	16,607,274	33,091,222
Total liabilities, deferred inflows of resources and net position	\$ 21,073,214	\$ 20,925,347	\$ 41,998,561

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, 2018

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	\$ 1,488,976	\$ 708,068	\$ 18,675	\$ -	\$ (762,233)	\$ -	\$ (762,233)
Public safety	2,542,513	-	23,115	-	(2,519,398)	-	(2,519,398)
Highways and streets	1,531,912	259,922	-	-	(1,271,990)	-	(1,271,990)
Culture and recreation	932,989	17,654	5,542	-	(909,793)	-	(909,793)
Community Development	46,008	437,080	-	-	391,072	-	391,072
Interest on long-term debt	74,565	-	-	-	(74,565)	-	(74,565)
Total governmental activities	6,616,963	1,422,724	47,332	-	(5,146,907)	-	(5,146,907)
Business type activities:							
Water Operations	1,156,816	2,028,290	-	-	-	871,474	871,474
Sewer Operations	2,237,350	2,848,764	-	-	-	611,414	611,414
Storm Water Operations	258,864	319,148	-	-	-	60,284	60,284
Total business type activities	3,653,030	5,196,202	-	-	-	1,543,172	1,543,172
Total government	\$ 10,269,993	\$ 6,618,926	\$ 47,332	\$ -	(5,146,907)	1,543,172	(3,603,735)
General revenues:							
Taxes:							
Property taxes					3,503,079	-	3,503,079
Public Service taxes and state revenue sharing					2,012,180	-	2,012,180
Franchise taxes					494,405	-	494,405
Interest and investment earnings					208,982	-	208,982
Miscellaneous revenues					46,904	63,946	110,850
Transfers in (out)					583,257	(583,257)	-
Total general revenues and transfers					6,848,807	(519,311)	6,329,496
Change in net position					1,701,900	1,023,861	2,725,761
Net position - beginning					14,777,631	15,581,768	30,359,399
Prior period adjustment					4,417	1,645	6,062
Net position - ending					\$ 16,483,948	\$ 16,607,274	\$ 33,091,222

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, 2018**

	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	\$ 2,025,878	\$ 1,655,471	\$ 688,303	\$ 1,030,342	\$ 1,787,785	\$ -	\$ 970,571	\$ 8,158,350
Accounts receivable	252,396	-	108,171	-	-	-	-	360,567
Property taxes receivable	187,452	-	-	23,262	-	-	-	210,714
Due from other governments	9,885	-	-	1,513	-	-	-	11,398
Total assets	<u>\$ 2,475,611</u>	<u>\$ 1,655,471</u>	<u>\$ 796,474</u>	<u>\$ 1,055,117</u>	<u>\$ 1,787,785</u>	<u>\$ -</u>	<u>\$ 970,571</u>	<u>\$ 8,741,029</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES:								
Accounts payable	\$ 102,649	\$ -	\$ 871	\$ -	\$ -	\$ -	\$ -	\$ 103,520
Total liabilities	<u>102,649</u>	<u>-</u>	<u>871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,520</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - franchise fees	186,311	-	-	-	-	-	-	186,311
Unavailable revenue - property taxes	178,237	-	-	21,875	-	-	-	200,112
Unavailable revenue - municipal court	40,476	-	-	-	-	-	-	40,476
Total deferred inflows of resources	<u>405,024</u>	<u>-</u>	<u>-</u>	<u>21,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,899</u>
FUND BALANCES:								
Restricted for:								
Debt service	-	-	-	-	-	-	64,964	64,964
System development	-	-	-	-	1,787,785	-	884,683	2,672,468
Urban renewal projects	-	-	-	1,033,242	-	-	-	1,033,242
Highways and streets	-	-	795,603	-	-	-	-	795,603
Police department	-	-	-	-	-	-	20,924	20,924
Committed to:								
Library	-	1,655,471	-	-	-	-	-	1,655,471
Unassigned	<u>1,967,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,967,938</u>
Total fund balances	<u>1,967,938</u>	<u>1,655,471</u>	<u>795,603</u>	<u>1,033,242</u>	<u>1,787,785</u>	<u>-</u>	<u>970,571</u>	<u>8,210,610</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,475,611</u>	<u>\$ 1,655,471</u>	<u>\$ 796,474</u>	<u>\$ 1,055,117</u>	<u>\$ 1,787,785</u>	<u>\$ -</u>	<u>\$ 970,571</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.	11,646,054
Pension related changes	(896,802)
OPEB related changes	13,971
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	426,899
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	(2,904,909)
Interest payable	(11,875)
Net position of governmental activities	<u>\$ 16,483,948</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, 2018

	General Fund	Library Fund	Street Fund	Urban Renewal Agency Fund	Park SDC Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental
REVENUES:								
Property taxes	\$ 2,919,490	\$ -	\$ -	\$ 533,572	\$ -	\$ -	\$ 30,300	\$ 3,483,362
Franchise fees	220,842	-	177,492	-	-	-	-	398,334
Licenses, permits and fees	28,920	-	43,575	-	-	-	-	72,495
Intergovernmental	434,300	873,119	701,961	-	-	-	-	2,009,380
Grants	18,675	4,073	-	-	-	-	-	22,748
Fines and forfeitures	-	14,676	-	-	-	-	-	14,676
Charges for services	631,573	2,978	-	-	-	-	-	634,551
Interest revenue	207,985	-	-	997	-	-	-	208,982
Miscellaneous revenue	37,356	5,442	4,106	-	-	-	-	46,904
Contributions and donations	4,000	1,469	-	-	-	-	23,115	28,584
System development charges	-	-	-	-	437,080	-	259,922	697,002
Total revenues	4,503,141	901,757	927,134	534,569	437,080	-	313,337	7,617,018
EXPENDITURES:								
Current:								
General government	1,109,535	-	-	-	-	-	82,147	1,191,682
Public safety	2,491,805	-	-	-	-	-	-	2,491,805
Highways and streets	-	-	598,546	-	-	-	-	598,546
Culture and recreation	148,715	775,693	-	-	-	-	-	924,408
Community development	-	-	-	24,977	-	-	-	24,977
Capital outlay	123,049	-	66,991	-	-	740,989	-	931,029
Debt service:								
Principal	70,885	-	-	130,000	-	-	30,000	230,885
Interest	-	-	-	95,144	-	-	1,050	96,194
Total expenditures	3,943,989	775,693	665,537	250,121	-	740,989	113,197	6,489,526
Revenues over (under) expenditures	559,152	126,064	261,597	284,448	437,080	(740,989)	200,140	1,127,492
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	740,989	121,100	862,089
Transfers out	(50,000)	-	(50,282)	-	(125,736)	-	(52,814)	(278,832)
Total other financing sources (uses)	(50,000)	-	(50,282)	-	(125,736)	740,989	68,286	583,257
Net changes in fund balances	509,152	126,064	211,315	284,448	311,344	-	268,426	1,710,749
FUND BALANCES, BEGINNING	1,458,786	1,529,407	584,288	748,794	1,476,441	-	702,145	6,499,861
FUND BALANCES, ENDING	\$ 1,967,938	\$ 1,655,471	\$ 795,603	\$ 1,033,242	\$ 1,787,785	\$ -	\$ 970,571	\$ 8,210,610

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, 2018

Amounts reported in the statement of activities are different because:

Net change in fund balances		\$ 1,710,749
<p>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.</p>		
		(67,760)
<p>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.</p>		
		9,554
<p>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.</p>		
Current year depreciation	(975,481)	
Capital asset additions	<u>848,049</u>	(127,432)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.</p>		
<p>Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.</p>		118,588
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeded repayments.</p>		
Debt service principal payments	62,084	
Accrued interest expense	<u>(3,883)</u>	<u>58,201</u>
Change in net position of governmental activities		<u><u>\$ 1,701,900</u></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.

Water Debt Retirement

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

Utility Deposits

Utility deposits Fund accounts for funds in trust that are due back to residents, either through refund or applied to their utility account.

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

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, 2018

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Water Operations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 3,773,960	\$ 1,874,960	\$ 255,863	\$ 5,904,783
Accounts receivable, net	194,986	232,251	20,498	447,735
Total current assets	3,968,946	2,107,211	276,361	6,352,518
Noncurrent assets:				
Net OPEB assets	1,374	1,375	276	3,025
Capital assets, net	5,775,049	7,048,729	1,493,611	14,317,389
Total non current assets	5,776,423	7,050,104	1,493,887	14,320,414
Total assets	9,745,369	9,157,315	1,770,248	20,672,932
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts related to pension	113,051	113,109	22,678	248,838
Deferred amounts related to OPEB	1,625	1,626	326	3,577
Total deferred outflows of resources	114,676	114,735	23,004	252,415
Total asset & deferred outflows of resources	<u>\$ 9,860,045</u>	<u>\$ 9,272,050</u>	<u>\$ 1,793,252</u>	<u>\$ 20,925,347</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 2,954	\$ 115,555	\$ 12,248	\$ 130,757
Accrued interest payable	21,206	25,280	-	46,486
Current accrued compensated absences	18,852	18,864	3,782	41,498
Deposits	-	-	-	-
Current portion of long-term debt	-	442,543	-	442,543
Total current liabilities	43,012	602,242	16,030	661,284
Noncurrent liabilities:				
Noncurrent accrued compensated absences	4,714	4,716	945	10,375
Noncurrent portion of long-term debt	-	3,062,305	-	3,062,305
Net pension liability	252,061	252,192	50,563	554,816
Total non current liabilities	256,775	3,319,213	51,508	3,627,496
Total liabilities	299,787	3,921,455	67,538	4,288,780
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts related to pensions	12,672	12,678	2,542	27,892
Deferred amounts related to OPEB	636	637	128	1,401
Total deferred inflows of resources	13,308	13,315	2,670	29,293
NET POSITION:				
Net investment in capital assets	5,775,049	3,543,881	1,493,611	10,812,541
Restricted for:				
System development	2,081,037	681,347	112,738	2,875,122
Debt service	-	46,607	-	46,607
Unrestricted	1,690,864	1,065,445	116,695	2,873,004
Total net position	9,546,950	5,337,280	1,723,044	16,607,274
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,860,045</u>	<u>\$ 9,272,050</u>	<u>\$ 1,793,252</u>	<u>\$ 20,925,347</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, 2018

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Water Operations	Total
OPERATING REVENUES:				
Charges for services	\$ 1,787,279	\$ 2,546,771	\$ 252,072	\$ 4,586,122
System development charges	241,011	301,993	67,076	610,080
Miscellaneous income	723	63,223	-	63,946
Total operating revenues	<u>2,029,013</u>	<u>2,911,987</u>	<u>319,148</u>	<u>5,260,148</u>
OPERATING EXPENSES:				
Operating and maintenance expenses	328,634	1,286,009	86,069	1,700,712
Personnel services	629,312	585,067	129,719	1,344,098
Depreciation	197,663	234,691	43,076	475,430
Total operating expenses	<u>1,155,609</u>	<u>2,105,767</u>	<u>258,864</u>	<u>3,520,240</u>
Operating income (loss)	<u>873,404</u>	<u>806,220</u>	<u>60,284</u>	<u>1,739,908</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	<u>(1,207)</u>	<u>(131,583)</u>	<u>-</u>	<u>(132,790)</u>
Total non-operating revenues (expenses)	<u>(1,207)</u>	<u>(131,583)</u>	<u>-</u>	<u>(132,790)</u>
Net income (loss) before transfers	872,197	674,637	60,284	1,607,118
TRANSFERS:				
Transfers in (out)	<u>(75,970)</u>	<u>(494,874)</u>	<u>(12,413)</u>	<u>(583,257)</u>
Change in net position	796,227	179,763	47,871	1,023,861
NET POSITION, BEGINNING	8,749,976	5,156,769	1,675,023	15,581,768
PRIOR PERIOD ADJUSTMENT	<u>747</u>	<u>748</u>	<u>150</u>	<u>1,645</u>
NET POSITION, ENDING	<u>\$ 9,546,950</u>	<u>\$ 5,337,280</u>	<u>\$ 1,723,044</u>	<u>\$ 16,607,274</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, 2018

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Water Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,005,459	\$ 2,913,718	\$ 313,252	\$ 5,232,429
Cash paid to employees and others for salaries and benefits	(606,508)	(575,999)	(96,931)	(1,279,438)
Cash paid to suppliers and others	(340,169)	(1,205,938)	(90,215)	(1,636,322)
Net cash provided by (used for) operating activities	<u>1,058,782</u>	<u>1,131,781</u>	<u>126,106</u>	<u>2,316,669</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	<u>(75,970)</u>	<u>(494,874)</u>	<u>(12,413)</u>	<u>(583,257)</u>
Net cash provided by (used for) non-capital financing activities	<u>(75,970)</u>	<u>(494,874)</u>	<u>(12,413)</u>	<u>(583,257)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(175,182)	(230,001)	(12,413)	(417,596)
Debt principal payments	(340,000)	(426,943)	-	(766,943)
Interest paid	(5,200)	(134,728)	-	(139,928)
Net cash provided by (used for) capital and related financing activities	<u>(520,382)</u>	<u>(791,672)</u>	<u>(12,413)</u>	<u>(1,324,467)</u>
Net increase (decrease) in cash and cash equivalents	462,430	(154,765)	101,280	408,945
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,311,530</u>	<u>2,029,725</u>	<u>154,583</u>	<u>5,495,838</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,773,960</u>	<u>\$ 1,874,960</u>	<u>\$ 255,863</u>	<u>\$ 5,904,783</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating Income	\$ 873,404	\$ 806,220	\$ 60,284	\$ 1,739,908
Adjustments				
Depreciation and amortization	197,663	234,691	43,076	475,430
Decrease (increase) in:				
Accounts receivable and due from other funds	(6,149)	1,731	(5,896)	(10,314)
OPEB asset	(1,374)	(1,375)	(276)	(3,025)
Deferred outflows related to pension	43,002	63,885	(3,214)	103,673
Deferred outflows related to pension	14	15	3	32
Increase (decrease) in:				
Accounts payable and accrued expenses	(11,535)	80,071	12,248	80,784
Deposits	(17,405)	-	-	(17,405)
Pension liability	(27,667)	(65,074)	15,674	(77,067)
OPEB liability	(892)	(893)	(179)	(1,964)
Deferred inflows related to pension	10,914	10,684	2,323	23,921
Deferred inflows related to OPEB	636	637	128	1,401
Accrued compensated absences	(1,829)	1,189	1,935	1,295
Net cash provided by (used for) operating activities	<u>\$ 1,058,782</u>	<u>\$ 1,131,781</u>	<u>\$ 126,106</u>	<u>\$ 2,316,669</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

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, 2018

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
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recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure

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

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

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

The City reports the following major governmental funds:

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

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

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

The *Urban Renewal Agency Fund* is used to account for the 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. The City reports the following proprietary funds:

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- 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, 2018. Actual results may differ from such estimates.

Cash and Cash Equivalents

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

Receivables and Property Tax Calendar

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. They are the deferred amounts relating to 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.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for

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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 five types of items that qualify for reporting in this category. Unavailable revenue from property taxes, franchise fees, and municipal court revenue is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions 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.

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

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NOTES TO BASIC FINANCIAL STATEMENTS
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vacation pay and vested sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

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

Pensions

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

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's), state gas tax, and designated donations or grants.

Fund Balance

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

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

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

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

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

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

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Use of Restricted Resources

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

2. CASH AND CASH EQUIVALENTS

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

At June 30, 2018 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	\$ 12,718,114
Total cash equivalents	0.00	\$ 12,718,114

Following is a summary of the City’s deposit and investment balances at June 30, 2018:

	2018
Demand Deposits	\$ 1,343,719
Cash on hand	300
Petty Cash	1,000
LGIP	12,718,114
Total	<u>\$ 14,063,133</u>

Interest Rate Risk

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

Credit Risk

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

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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, 2018, the book value of the City's deposits was \$1,222,866 and the bank balance was \$1,343,719. \$1,093,719 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
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3. CAPITAL ASSETS

The changes in capital assets for the governmental activities for the year ended June 30, 2018 is as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,489,291	\$ -	\$ -	\$ 1,489,291
Construction in progress	-	65,669	-	65,669
Total capital assets, not being depreciated	1,489,291	65,669	-	1,554,960
<i>Capital assets, being depreciated:</i>				
Land Improvements	625,795	19,172	-	644,967
Buildings	3,598,813	330,552	-	3,929,365
Infrastructure	20,744,076	120,291	-	20,864,367
Machinery and equipment	510,517	46,512	-	557,029
Vehicles	657,437	265,853	-	923,290
Total capital assets, being depreciated	26,136,638	782,380	-	26,919,018
<i>Less accumulated depreciation for:</i>				
Land Improvements	(451,320)	(14,438)	-	(465,758)
Buildings	(678,542)	(40,747)	-	(719,289)
Infrastructure	(13,750,476)	(880,487)	-	(14,630,963)
Machinery and equipment	(375,736)	(15,854)	-	(391,590)
Vehicles	(596,369)	(23,955)	-	(620,324)
Total accumulated depreciation	(15,852,443)	(975,481)	-	(16,827,924)
Total capital assets, being depreciated, net	10,284,195	(193,101)	-	10,091,094
Governmental activities capital assets, net	<u>\$ 11,773,486</u>	<u>\$ (127,432)</u>	<u>\$ -</u>	<u>\$ 11,646,054</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
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All depreciation on governmental capital assets is allocated to governmental functions on the statement of activities as follows:

Governmental activities:	Depreciation
General government	\$ 7,490
Public safety	18,167
Public works	928,793
Community development	<u>21,031</u>
Total depreciation expense - governmental activities	<u>\$ 975,481</u>

The changes in capital assets for business-type activities for the year ended June 30, 2018 is as follows:

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 727,511	\$ -	\$ -	\$ 727,511
Construction in progress	<u>-</u>	<u>59,322</u>	<u>-</u>	<u>59,322</u>
Total capital assets , not being depreciated	<u>727,511</u>	<u>59,322</u>	<u>-</u>	<u>786,833</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	159,202	-	-	159,202
Buildings	5,313,429	26,680	-	5,340,109
Infrastructure	15,019,548	-	-	15,019,548
Machinery and equipment	1,971,135	205,375	-	2,176,510
Vehicles	<u>507,529</u>	<u>126,219</u>	<u>-</u>	<u>633,748</u>
Total capital assets, being depreciated	<u>22,970,843</u>	<u>358,274</u>	<u>-</u>	<u>23,329,117</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(150,683)	(1,311)	-	(151,994)
Buildings	(1,938,843)	(88,483)	-	(2,027,326)
Infrastructure	(5,664,576)	(269,169)	-	(5,933,745)
Machinery and equipment	(1,307,974)	(65,659)	-	(1,373,633)
Vehicles	<u>(261,055)</u>	<u>(50,808)</u>	<u>-</u>	<u>(311,863)</u>
Total accumulated depreciation	<u>(9,323,131)</u>	<u>(475,430)</u>	<u>-</u>	<u>(9,798,561)</u>
Total capital assets, being depreciated, net	<u>13,647,712</u>	<u>(117,156)</u>	<u>-</u>	<u>13,530,556</u>
Business-type activities capital assets, net	<u>\$ 14,375,223</u>	<u>\$ (57,834)</u>	<u>\$ -</u>	<u>\$ 14,317,389</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
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Depreciation expense is allocated to business-type functions as follows:

Business-type activities:	
Water	\$ 197,663
Sewer	234,691
Stormwater	<u>43,076</u>
Total depreciation expense - business-type activities	<u><u>\$ 475,430</u></u>

4. LONG-TERM DEBT

Long-term debt transactions for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance As Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Governmental Activities					
Governmental Bonds					
Water Refunding Bonds	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ -
Urban Renewal Series 2015	2,485,000	-	130,000	2,355,000	140,000
Bond Premium	<u>304,002</u>	<u>-</u>	<u>25,512</u>	<u>278,490</u>	<u>25,512</u>
Total Governmental Bonds	<u>2,819,002</u>	<u>-</u>	<u>185,512</u>	<u>2,633,490</u>	<u>165,512</u>
Governmental Loans					
Municipal Vehicles	<u>-</u>	<u>202,969</u>	<u>70,885</u>	<u>132,084</u>	<u>64,478</u>
Total Governmental Loans	<u>-</u>	<u>202,969</u>	<u>70,885</u>	<u>132,084</u>	<u>64,478</u>
Compensated Absences	<u>147,991</u>	<u>-</u>	<u>8,656</u>	<u>139,335</u>	<u>111,468</u>
Total Governmental	<u>\$ 2,966,993</u>	<u>\$ 202,969</u>	<u>\$ 265,053</u>	<u>\$ 2,904,909</u>	<u>\$ 341,458</u>
Business Type Activities					
Enterprise Bonds					
2010 Water Refunding	\$ 340,000	\$ -	\$ 340,000	\$ -	\$ -
2010 Sewer Refunding	<u>2,120,000</u>	<u>-</u>	<u>230,000</u>	<u>1,890,000</u>	<u>240,000</u>
Total Enterprise Bonds	<u>2,460,000</u>	<u>-</u>	<u>570,000</u>	<u>1,890,000</u>	<u>240,000</u>
Enterprise Loan/Notes					
Clean Water State Revolving Loan	1,680,975	-	132,467	1,548,508	136,203
Vactor Sewer Vacuum Truck	<u>130,816</u>	<u>-</u>	<u>64,476</u>	<u>66,340</u>	<u>66,340</u>
Total Enterprise Loans	<u>1,811,791</u>	<u>-</u>	<u>196,943</u>	<u>1,614,848</u>	<u>202,543</u>
Compensated Absences	<u>50,578</u>	<u>1,295</u>	<u>-</u>	<u>51,873</u>	<u>41,498</u>
Total Enterprise	<u>\$ 4,322,369</u>	<u>\$ 1,295</u>	<u>\$ 766,943</u>	<u>\$ 3,556,721</u>	<u>\$ 484,041</u>

CITY OF MOLALLA, OREGON
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Bonds

Governmental Activities:

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

During 2014-2015, the Urban Renewal Agency issued \$2,690,000 of series 2015 full faith and credit obligation bonds secured by the City of Molalla's full faith and credit. This series bond pays interest of 3.00%. The bond matures in June 2029. Loan principal and interest is payable annually through June 2029. \$ 2,355,000

	Urban Renewal Series 2015	
	Principal	Interest
2019	\$ 140,000	\$ 91,250
2020	155,000	87,050
2021	165,000	82,400
2022	180,000	75,800
2023	200,000	68,600
2024-2028	1,215,000	213,600
2029-2033	<u>300,000</u>	<u>12,000</u>
Total	<u>\$ 2,355,000</u>	<u>\$ 630,700</u>

Business-Type Activities:

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

In March 2010, the City of Molalla refunded series 2000 bonds that were for improvements to the sewer system. The interest is at a variable rate ranges from 3% to 4% per annum. Interest payments are due each March 1. \$ 1,890,000

CITY OF MOLALLA, OREGON
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2010 Sewer Refunding

	Principal	Interest
2019	\$ 240,000	\$ 75,600
2020	250,000	66,000
2021	260,000	56,000
2022	270,000	45,600
2023	280,000	29,400
2024-2028	<u>590,000</u>	<u>35,600</u>
Total	<u>\$ 1,890,000</u>	<u>\$ 308,200</u>

Loans/Notes

Governmental Activities:

In August 2017 the City of Molalla signed an agreement to finance \$202,969 for the purpose of purchasing municipal vehicles. The funds were issued in 2017 and repayment of the loan began on November 3, 2017. The repayment schedule is annual with payments on November 3 through 2019, including interest at the rate of 4.9% per annum. \$ 132,084

Municipal Vehicles

	Principal	Interest
2019	\$ 64,478	\$ 6,406
2020	<u>67,606</u>	<u>3,279</u>
Total	<u>\$ 132,084</u>	<u>\$ 9,685</u>

Business-Type Activities:

In December 2005 the City of Molalla signed an agreement to borrow \$2,670,000 for the purpose of improving the wastewater treatment plant. The funds were issued in 2007 and repayment of the loan began on August 1, 2008. The repayment schedule is semi-annual with payments on August 1 and February 1 through 2028, including interest at the rate of 2.8% per annum. \$ 1,548,508

In July 2013 the City of Molalla signed an agreement to finance \$381,383 for the purpose of purchasing a vactor sewer vacuum truck. The funds were issued in 2013 and repayment of the loan began on July 15, 2013. The repayment schedule is annual with payments on July 15 through 2018, including interest at the rate of 2.9% per annum. \$ 66,340

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	Clean Water State Revolving Loan		Vactor Sewer Vacuum Truck		Total Enterprise Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 136,203	\$ 42,411	\$ 66,340	\$ 1,917	\$ 202,543	\$ 44,328
2020	140,043	38,571	-	-	140,043	38,571
2021	143,991	34,623	-	-	143,991	34,623
2022	148,051	30,563	-	-	148,051	30,563
2023	152,226	26,388	-	-	152,226	26,388
2024-2028	827,994	65,076	-	-	827,994	65,076
2029-2033	-	-	-	-	-	-
Total	<u>\$1,548,508</u>	<u>\$ 237,632</u>	<u>\$ 66,340</u>	<u>\$ 1,917</u>	<u>\$ 1,614,848</u>	<u>\$ 239,549</u>

5. NET POSITION

The government-wide statement of net position reports \$7,508,930 of restricted net position, of which \$6,343,193 is restricted by enabling legislation.

6. PENSION PLAN

Plan Description

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

Benefits provided

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.

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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.

B. OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

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

C. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

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limit.

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2018 were \$323,855, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 15.19 percent for Tier One/Tier Two General Service Member, 15.19 percent for Tier One/Tier Two Police, 8.04 percent for OPSRP Pension Program General Service Members, 12.81 percent for OPSRP Pension Program Police Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2018, the City reported a liability of \$2,045,096 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the City's proportion was 0.01517 percent, which was decreased from its proportion of 0.01652 measured as of June 30, 2016.

For the year ended June 30, 2018, the City's recognized pension expense (income) of \$118,287. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,902	\$ -
Changes of assumptions	372,784	-
Net difference between projected and actual earnings on investments	21,069	-
Changes in proportion	15,155	93,466
Differences between employer contributions and proportionate share of contributions	85,470	9,345
Total (prior to post-MD contributions)	<u>593,380</u>	<u>102,811</u>
Contributions subsequent to the MD	<u>323,855</u>	<u>-</u>
Total	<u>\$ 917,235</u>	<u>\$ 102,811</u>

\$323,855 Reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 94,980
2020	258,851
2021	175,601
2022	(45,262)
2023	6,399
Total	<u>\$ 490,569</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal method.

For the ORS 238 Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the ORS 238A OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service

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year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 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: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

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 2015 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.

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The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
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	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.30%	6.99%
Micro Cap US Equities	1.30%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-Driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
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.

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

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- 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 7.50 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 3,485,216	\$ 2,045,096	\$ 840,888

Pension plan fiduciary net position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2017 measurement period that require disclosure

Changes in Plan Provisions Subsequent to Measurement Date

On July 28, 2017, subsequent to the June 30, 2017 measurement date, the OSPERS Board lowered the assumed rate to 7.2 percent. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The

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effect on the City has not been determined.

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:

	<u>PERS RHIA Plan</u>
Net OPEB Asset	\$ 11,150
Deferred Outflows of Resources	
Change in Proportionate Share	11
Contributions After MD	13,175
Deferred Inflows of Resources	
Difference in Earnings	(5,164)
OPEB Expense/(Income)*	64

*Included in program expenses on Statement of Activities

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 http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

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

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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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2018 contributions was \$13,175.

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

At June 30, 2018, the City reported an asset of \$11,150 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.02672%, which is an increase from its proportion of 0.02666% as of June 30, 2016.

For the year ended June 30, 2018, the City recognized OPEB expense (income) from this plan of \$(13,110). At June 30, 2018, 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>
Net difference between projected and actual earnings on investments	\$ -	\$ 5,164
Changes in proportionate share	11	-
Contributions subsequent to the MD	<u>13,175</u>	<u>-</u>
Total	<u>\$ 13,186</u>	<u>\$ 5,164</u>

Deferred outflows of resources related to OPEB of \$13,186 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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<u>Year ended June 30:</u>	
2019	\$ (1,909)
2020	(1,909)
2021	(1,335)
2022	-
2023	-
Total	<u>\$ (5,153)</u>

Actuarial Methods and Assumptions

The total OPEB asset in the December 31, 2015 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in note 6 – Pension Plan Actuarial Assumptions and an additional assumption for healthcare cost trend rate ranging from 6.3% in 2016 to 4.4% in 2094.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered bases over a closed 10 year period
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Projected Salary Increases	3.50 percent
Mortality	Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.
Healthcare cost trend rate	Ranging from 6.3% in 2016 to 4.4% in 2094

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50% 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 determined.

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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 total 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Total OPEB Liability	\$ 1,554	\$ (11,150)	\$ (21,957)

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

The PE RS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods. The effect on the City has not been determined.

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, 2018, the Trust has nine 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 \$26.50 per month, under the current collective-bargaining agreement which expires on June 30, 2020. The City’s total contributions to the Trust for the year ended June 30, 2018 were \$3,816.

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8. INTERFUND TRANSFERS

Governmental Funds:	Transfer in	Transfer out
General Fund	\$ -	\$ 50,000
Street Fund	-	50,282
PD Restricted Revenue Fund	50,000	-
Park SDC Fund	-	125,736
Street SDC Fund	-	52,814
Capital Projects Fund	740,989	-
Fleet Replacement Fund	71,100	-
Total Governmental Funds	<u>\$ 862,089</u>	<u>\$ 278,832</u>
Proprietary Funds:	Transfer in	Transfer out
Sewer Fund	\$ -	\$ 625,344
Water Fund	-	63,719
Storm Water Fund	-	7,787
Sewer Debt Retirement Fund	316,350	-
CWSRF Debt Retirement Fund	189,552	-
Sewer SDC Fund	-	375,431
Water SDC Fund	-	12,251
Storm Water SDC Fund	-	4,626
Total Proprietary Funds	<u>\$ 505,902</u>	<u>\$ 1,089,159</u>
Total All Funds	<u>\$ 1,367,991</u>	<u>\$ 1,367,991</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 then, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. CONTINGENCIES

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

Management of the City believes that the total amount of liability if any, which may arise from claims and lawsuits pending against the City beyond which is covered by insurance, would not

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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. SUBSEQUENT EVENT

Management has evaluated subsequent events through March 27, 2019, the date on which the financial statements were issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

12. NEW ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement 75 replaces GASB Statement 45, GASB Statement 57, and GASB Statement 74 and establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The City implemented Statement 75 for the year ending June 30, 2018.

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 85, Omnibus 2017*. GASB Statement 85 replaces GASB Statement 74, and certain paragraphs of GASB Statement 75 and establishes new accounting and financial reporting requirements for defined benefit OPEB provided through a cost-sharing OPEB plan that is not a state or local governmental OPEB plan. The City implemented Statement 85 for the year ending June 30, 2018.

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 87, Leases*. GASB Statement 87 establishes new standards for accounting and financial reporting for leases by governments. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2019. The City implemented Statement 87 for the year ending June 30, 2018.

13. RESTATEMENT

Change in Accounting Principle

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize the City's proportionate share of the Net OPEB Asset of the Oregon Public Employees Retirement Systems (OPERS). The City had previously reported a Net OPEB Obligation in accordance with GASB Statement No. 45 related to the Implicit Rate Subsidy plan, which has been replaced with the Total OPEB Liability. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

measurement date.

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as reported)	\$ 14,760,226	\$ 15,581,768	\$ 30,341,994
Cumulative effect of change in accounting principle	<u>4,417</u>	<u>1,645</u>	<u>6,062</u>
Net position - beginning (as restated)	<u>\$ 14,764,643</u>	<u>\$ 15,583,413</u>	<u>\$ 30,348,056</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule
 - General Fund
 - Library Fund
 - Street Fund
 - Urban Renewal Agency Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Schedule of the Proportionate Share of the Net OPEB Liability
- Schedule of Contributions (OPEB)
- 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, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 2,922,000	\$ 2,922,000	\$ 2,991,458	\$ 69,458
Franchise fees	212,479	212,479	207,940	(4,539)
Licenses, permits and fees	49,000	49,000	28,920	(20,080)
Intergovernmental	250,850	416,850	389,274	(27,576)
Grants	14,500	14,500	18,675	4,175
Charges for services	547,000	547,000	631,573	84,573
Interest revenue	91,500	91,500	207,985	116,485
Miscellaneous revenue	46,000	46,000	37,356	(8,644)
Contributions and donations	-	-	4,000	4,000
Total revenues	4,133,329	4,299,329	4,517,181	217,852
EXPENDITURES:				
General government	1,077,010	1,097,010	1,015,450	81,560
Public safety	2,702,181	2,752,181	2,491,805	260,376
Culture and recreation	186,227	186,227	148,715	37,512
Capital outlay	86,900	132,900	123,049	9,851
Debt service:				
Principal	70,885	70,885	70,885	-
Contingency	100,000	100,000	-	100,000
Total expenditures	4,223,203	4,339,203	3,849,904	489,299
Revenues over (under) expenditures	(89,874)	(39,874)	667,277	707,151
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	-	-
Transfers out	(1,000)	(51,000)	(50,000)	1,000
Total other financing sources (uses)	(1,000)	(51,000)	(50,000)	1,000
Net change in fund balance	(90,874)	(90,874)	617,277	708,151
FUND BALANCES, BEGINNING BUDGETARY BASIS	1,215,874	1,215,874	1,391,196	175,322
Transferred from Utility Deposits Fund when it was closed	-	-	17,405	17,405
FUND BALANCES, ENDING BUDGETARY BASIS	\$ 1,125,000	\$ 1,125,000	2,025,878	\$ 900,878
Accounts receivable			252,396	
Property tax receivable			187,452	
Cash with county			9,885	
Unavailable revenue -franchise fees			(186,311)	
Unavailable revenue - property taxes			(178,237)	
Unavailable revenue -municipal court			(40,476)	
Accounts payable			(102,649)	
FUND BALANCES, ENDING			\$ 1,967,938	

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,685,000	\$ 1,685,000	\$ 873,119	\$ (811,881)
Grants	3,750	3,750	4,073	323
Fines and forfeitures	15,000	15,000	14,676	(324)
Charges for services	2,500	2,500	2,978	478
Miscellaneous revenue	1,000	1,000	5,442	4,442
Contributions and donations	1,500	1,500	1,469	(31)
Total revenues	<u>1,708,750</u>	<u>1,708,750</u>	<u>901,757</u>	<u>(806,993)</u>
EXPENDITURES:				
Personnel service	587,800	587,800	507,923	79,877
Materials and service	369,201	369,201	271,701	97,500
Capital outlay	2,054,632	2,054,632	-	2,054,632
Contingency	75,000	75,000	-	75,000
Total expenditures	<u>3,086,633</u>	<u>3,086,633</u>	<u>779,624</u>	<u>2,307,009</u>
Net change in fund balance	(1,377,883)	(1,377,883)	122,133	1,500,016
FUND BALANCES, BEGINNING BUDGETARY	<u>1,377,883</u>	<u>1,377,883</u>	<u>1,533,338</u>	<u>155,455</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,655,471</u>	<u>\$ 1,655,471</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Franchise fees	\$ 154,000	\$ 154,000	\$ 177,492	\$ 23,492
Licenses, permits and fees	9,000	9,000	43,575	34,575
Intergovernmental	540,000	540,000	593,790	53,790
Grants	-	-	-	-
Miscellaneous revenue	1,000	1,000	4,106	3,106
Total revenues	<u>704,000</u>	<u>704,000</u>	<u>818,963</u>	<u>114,963</u>
EXPENDITURES:				
Personnel service	307,000	307,000	274,158	32,842
Materials and service	435,609	435,609	326,088	109,521
Capital outlay	66,991	66,991	66,991	-
Contingency	70,524	70,524	-	70,524
Total expenditures	<u>880,124</u>	<u>880,124</u>	<u>667,237</u>	<u>212,887</u>
Revenues over (under) expenditures	<u>(176,124)</u>	<u>(176,124)</u>	<u>151,726</u>	<u>327,850</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(237,000)</u>	<u>(237,000)</u>	<u>(50,282)</u>	<u>186,718</u>
Total other financing sources (uses)	<u>(237,000)</u>	<u>(237,000)</u>	<u>(50,282)</u>	<u>186,718</u>
Net change in fund balance	<u>(413,124)</u>	<u>(413,124)</u>	<u>101,444</u>	<u>514,568</u>
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>413,124</u>	<u>413,124</u>	<u>586,859</u>	<u>173,735</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>688,303</u>	<u>\$ 688,303</u>
Accounts receivable			108,171	
Accounts payable			<u>(871)</u>	
FUND BALANCES, ENDING			<u>\$ 795,603</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 350,000	\$ 350,000	\$ 531,966	\$ 181,966
Interest revenue	1,000	1,000	997	(3)
Total revenues	<u>351,000</u>	<u>351,000</u>	<u>532,963</u>	<u>181,963</u>
EXPENDITURES:				
Materials and service	125,000	125,000	24,977	100,023
Debt service:				
Principal	130,000	130,000	130,000	-
Interest	95,150	95,150	95,144	6
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>450,150</u>	<u>450,150</u>	<u>250,121</u>	<u>200,029</u>
Net changes in fund balances	(99,150)	(99,150)	282,842	381,992
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>750,000</u>	<u>750,000</u>	<u>747,500</u>	<u>(2,500)</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 650,850</u>	<u>\$ 650,850</u>	1,030,342	<u>\$ 379,492</u>
Property tax receivable			23,262	
Cash with county			1,513	
Unavailable revenue - property taxes			<u>(21,875)</u>	
FUND BALANCES, ENDING			<u>\$ 1,033,242</u>	

CITY OF MOLALLA, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Five 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
2017	0.01517129%	\$ 2,045,096	\$ 2,993,583	68.32%	83.10%
2016	0.01652462%	2,480,729	2,891,160	85.80%	80.53%
2015	0.01656831%	951,263	2,627,835	36.20%	91.90%
2014	0.01495015%	(338,877)	2,773,860	-12.22%	103.60%
2013	0.01656831%	673,613	2,540,455	26.52%	91.97%

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
SCHEDULE OF CONTRIBUTIONS
For the Last Five 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
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.

CITY OF MOLALLA, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Last Fiscal Year¹

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
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.

CITY OF MOLALLA, OREGON
SCHEDULE OF CONTRIBUTIONS (OPEB)
For the Last Two 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
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.

CITY OF MOLALLA, OREGON
SCHEDULE OF CONTRIBUTIONS - OREGON TEAMSTER EMPLOYER'S TRUST
For the Last Fiscal Year¹

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)
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.

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.

B. 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.

C. Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 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.

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.

Debt Service Fund

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

Bonded Debt Fund

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

Capital Projects Fund

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

Transportation SDC Fund

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

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 144,460	\$ 144,460	\$ 437,080	\$ 292,620
Total revenues	144,460	144,460	437,080	292,620
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,000,000)	(1,000,000)	(125,736)	874,264
Total other financing sources (uses)	(1,000,000)	(1,000,000)	(125,736)	874,264
Net changes in fund balances	(855,540)	(855,540)	311,344	1,166,884
FUND BALANCES, BEGINNING	1,243,860	1,243,860	1,476,441	232,581
FUND BALANCES, ENDING	<u>\$ 388,320</u>	<u>\$ 388,320</u>	<u>\$ 1,787,785</u>	<u>\$ 1,399,465</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ 132,000	\$ -	\$ (132,000)
Total revenues	-	132,000	-	(132,000)
EXPENDITURES:				
Capital outlay	3,521,000	4,314,429	740,989	3,573,440
Total expenditures	3,521,000	4,314,429	740,989	3,573,440
Revenues over (under) expenditures	(3,521,000)	(4,182,429)	(740,989)	3,441,440
OTHER FINANCING SOURCES (USES):				
Transfers in	3,521,000	4,182,429	740,989	(3,441,440)
Total other financing sources (uses)	3,521,000	4,182,429	740,989	(3,441,440)
Net changes in fund balances	-	-	-	-
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	\$ -	\$ -	\$ -	\$ -

**CITY OF MOLALLA, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018**

	Police Department Restricted Revenue Fund	Bonded Debt Fund	Total Nonmajor Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 20,924	\$ 64,964	\$ 884,683	\$ 970,571
Total assets	<u>\$ 20,924</u>	<u>\$ 64,964</u>	<u>\$ 884,683</u>	<u>\$ 970,571</u>
FUND BALANCES				
Restricted for:				
Debt service	\$ -	\$ 64,964	\$ -	\$ 64,964
System development	-	-	884,683	884,683
Police department	<u>20,924</u>	<u>-</u>	<u>-</u>	<u>20,924</u>
Total fund balances	<u>\$ 20,924</u>	<u>\$ 64,964</u>	<u>\$ 884,683</u>	<u>\$ 970,571</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, 2018

	Police Department Restricted Revenue Fund	Bonded Debt Fund	Total Nonmajor Capital Projects Funds	Total
REVENUES:				
Property taxes	\$ -	\$ 30,300	\$ -	\$ 30,300
Contributions and donations	23,115	-	-	23,115
System development charges	-	-	259,922	259,922
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	23,115	30,300	259,922	313,337
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
General government	82,147	-	-	82,147
Debt service:				
Principal	-	30,000	-	30,000
Interest	-	1,050	-	1,050
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	82,147	31,050	-	113,197
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(59,032)	(750)	259,922	200,140
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	-	71,100	121,100
Transfers out	-	-	(52,814)	(52,814)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	50,000	-	18,286	68,286
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	(9,032)	(750)	278,208	268,426
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, BEGINNING	29,956	65,714	606,475	702,145
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, ENDING	\$ 20,924	\$ 64,964	\$ 884,683	\$ 970,571
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF MOLALLA, OREGON
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	<u>Transportation SDC Fund</u>	<u>Fleet Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 813,583	\$ 71,100	\$ 884,683
Total assets	<u>\$ 813,583</u>	<u>\$ 71,100</u>	<u>\$ 884,683</u>
 FUND BALANCES			
Restricted for:			
System development	\$ 813,583	\$ 71,100	\$ 884,683
Total fund balances	<u>\$ 813,583</u>	<u>\$ 71,100</u>	<u>\$ 884,683</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, 2018**

	Transportation SDC Fund	Fleet Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
System development charges	\$ 259,922	\$ -	\$ 259,922
	<u> </u>	<u> </u>	<u> </u>
Total revenues	259,922	-	259,922
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	71,100	71,100
Transfers out	(52,814)	-	(52,814)
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	(52,814)	71,100	18,286
	<u> </u>	<u> </u>	<u> </u>
Net changes in fund balances	207,108	71,100	278,208
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES, BEGINNING	606,475	-	606,475
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES, ENDING	\$ 813,583	\$ 71,100	\$ 884,683
	<u> </u>	<u> </u>	<u> </u>

BUDGETARY COMPARISON SCHEDULES

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

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

- General Fund Schedule of Expenditures - Budgetary Basis

Nonmajor Governmental Budgetary Comparison schedules included the following:

- Special Revenue Funds
 - Police Department Restricted Revenue Fund
- Debt Service Fund
 - Bonded Debt 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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Police operations:				
Personnel services	\$ 2,028,700	\$ 2,028,700	\$ 1,902,952	\$ 125,748
Materials and services	466,756	516,756	423,912	92,844
Capital outlay	55,000	55,000	55,000	-
Debt service	70,885	70,885	70,885	-
Subtotal	<u>2,621,341</u>	<u>2,671,341</u>	<u>2,452,749</u>	<u>218,592</u>
Municipal court:				
Personnel services	118,900	118,900	110,366	8,534
Materials and services	87,825	87,825	54,575	33,250
Subtotal	<u>206,725</u>	<u>206,725</u>	<u>164,941</u>	<u>41,784</u>
City council:				
Materials and services	-	29,000	23,731	5,269
Subtotal	<u>-</u>	<u>29,000</u>	<u>23,731</u>	<u>5,269</u>
Parks:				
Personnel services	126,300	126,300	115,213	11,087
Materials and services	59,927	59,927	33,502	26,425
Capital outlay	4,900	50,900	14,762	36,138
Subtotal	<u>191,127</u>	<u>237,127</u>	<u>163,477</u>	<u>73,650</u>
Planning:				
Personnel services	85,270	85,270	85,624	(354)
Materials and services	29,200	29,200	26,310	2,890
Subtotal	<u>114,470</u>	<u>114,470</u>	<u>111,934</u>	<u>2,536</u>
Office of governance and management:				
Personnel services	644,540	644,540	626,361	18,179
Materials and services	318,000	309,000	253,424	55,576
Capital outlay	27,000	27,000	53,287	(26,287)
Subtotal	<u>989,540</u>	<u>980,540</u>	<u>933,072</u>	<u>47,468</u>
Total expenditures	<u>\$ 4,123,203</u>	<u>\$ 4,239,203</u>	<u>\$ 3,849,904</u>	<u>\$ 389,299</u>

* Appropriation level is at the department level

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Contributions and donations	\$ 5,850	\$ 5,850	\$ 23,115	\$ 17,265
Total revenues	5,850	5,850	23,115	17,265
EXPENDITURES:				
Materials and service	32,850	82,850	82,147	703
Total expenditures	32,850	82,850	82,147	703
Revenues over (under) expenditures	(27,000)	(77,000)	(59,032)	17,968
OTHER FINANCING SOURCES (USES):				
Transfers in	-	50,000	50,000	-
Total other financing sources (uses)	-	50,000	50,000	-
Net change in fund balance	(27,000)	(27,000)	(9,032)	17,968
FUND BALANCES, BEGINNING BUDGETARY BASIS	27,000	27,000	29,956	2,956
FUND BALANCES, ENDING	\$ -	\$ -	\$ 20,924	\$ 20,924

CITY OF MOLALLA, OREGON
BONDED DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 30,300	\$ 30,300	\$ 30,300	\$ -
Total revenues	<u>30,300</u>	<u>30,300</u>	<u>30,300</u>	<u>-</u>
EXPENDITURES:				
Debt service:				
Principal	65,000	65,000	30,000	35,000
Interest	<u>3,164</u>	<u>3,164</u>	<u>1,050</u>	<u>2,114</u>
Total expenditures	<u>68,164</u>	<u>68,164</u>	<u>31,050</u>	<u>37,114</u>
Net changes in fund balances	(37,864)	(37,864)	(750)	37,114
FUND BALANCES, BEGINNING	<u>68,914</u>	<u>68,914</u>	<u>65,714</u>	<u>(3,200)</u>
FUND BALANCES, ENDING	<u>\$ 31,050</u>	<u>\$ 31,050</u>	<u>\$ 64,964</u>	<u>\$ 33,914</u>

CITY OF MOLALLA, OREGON
TRANSPORTATION SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 78,440	\$ 78,440	\$ 259,922	\$ 181,482
Total revenues	78,440	78,440	259,922	181,482
EXPENDITURES:				
Materials and service	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Revenues over (under) expenditures	73,440	73,440	259,922	186,482
OTHER FINANCING SOURCES (USES):				
Transfers out	(330,000)	(563,000)	(52,814)	510,186
Total other financing sources (uses)	(330,000)	(563,000)	(52,814)	510,186
Net changes in fund balances	(256,560)	(489,560)	207,108	696,668
FUND BALANCE, BEGINNING	490,979	490,979	606,475	115,496
FUND BALANCE, ENDING	\$ 234,419	\$ 1,419	\$ 813,583	\$ 812,164

**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, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 228,000	\$ 228,000	\$ 71,100	\$ (156,900)
Total other financing sources (uses)	228,000	228,000	71,100	(156,900)
Net changes in fund balances	228,000	228,000	71,100	(156,900)
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	<u>\$ 228,000</u>	<u>\$ 228,000</u>	<u>\$ 71,100</u>	<u>\$ (156,900)</u>

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

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

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water SDC Fund
 - Water Debt Retirement
 - Utility Deposits

- 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, 2018**

	<u>Water Fund</u>	<u>Water SDC Fund</u>	<u>Water Debt Retirement</u>	<u>Utility Deposits</u>	<u>Total Water Operations</u>
REVENUES:					
Charges for services	\$ 1,781,130	\$ -	\$ -	\$ -	\$ 1,781,130
Miscellaneous revenue	723	-	-	-	723
System development charges	-	241,011	-	-	241,011
	<u>1,781,853</u>	<u>241,011</u>	<u>-</u>	<u>-</u>	<u>2,022,864</u>
EXPENDITURES:					
Personnel service	606,508	-	-	-	606,508
Materials and service	491,274	-	-	-	491,274
Capital outlay	24,077	-	-	-	24,077
Debt service:					
Principal	-	-	340,000	-	340,000
Interest	-	-	5,200	-	5,200
	<u>1,121,859</u>	<u>-</u>	<u>345,200</u>	<u>-</u>	<u>1,467,059</u>
Revenues over (under) expenditures	<u>659,994</u>	<u>241,011</u>	<u>(345,200)</u>	<u>-</u>	<u>555,805</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(63,719)	(12,251)	-	-	(75,970)
	<u>(63,719)</u>	<u>(12,251)</u>	<u>-</u>	<u>-</u>	<u>(75,970)</u>
Total other financing sources (uses)	<u>(63,719)</u>	<u>(12,251)</u>	<u>-</u>	<u>-</u>	<u>(75,970)</u>
Net change in fund balance	596,275	228,760	(345,200)	-	479,835
FUND BALANCES, BEGINNING BUDGETARY BASIS					
	1,082,123	1,852,277	359,725	17,405	3,311,530
Transferred to General Fund when Utility Deposits fund was closed	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,405)</u>	<u>(17,405)</u>
FUND BALANCES, ENDING BUDGETARY BASIS					
	<u>\$ 1,678,398</u>	<u>\$ 2,081,037</u>	<u>\$ 14,525</u>	<u>\$ -</u>	<u>3,773,960</u>
Accounts receivable					194,986
Accounts payable					(2,954)
Capital assets					5,775,049
Accrued interest payable					(21,206)
Compensated absences					(23,566)
Net pension liability					(252,061)
Deferred outflow related to pension					113,051
Deferred inflows related to pension					(12,672)
Net OPEB asset					1,374
Deferred outflow related to OPEB					1,625
Deferred inflows related to OPEB					(636)
NET POSITION, ENDING					<u>\$ 9,546,950</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 1,555,000	\$ 1,564,000	\$ 1,781,130	\$ 217,130
Miscellaneous revenue	5,000	5,000	723	(4,277)
Total revenues	<u>1,560,000</u>	<u>1,569,000</u>	<u>1,781,853</u>	<u>212,853</u>
EXPENDITURES:				
Personnel service	561,365	610,923	606,508	4,415
Materials and service	566,650	536,092	491,274	44,818
Capital outlay	65,729	24,077	24,077	-
Contingency	365,499	339,151	-	339,151
Total expenditures	<u>1,559,243</u>	<u>1,510,243</u>	<u>1,121,859</u>	<u>388,384</u>
Revenues over (under) expenditures	<u>757</u>	<u>58,757</u>	<u>659,994</u>	<u>601,237</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(774,800)</u>	<u>(832,800)</u>	<u>(63,719)</u>	<u>769,081</u>
Total other financing sources (uses)	<u>(774,800)</u>	<u>(832,800)</u>	<u>(63,719)</u>	<u>769,081</u>
Net change in fund balance	<u>(774,043)</u>	<u>(774,043)</u>	<u>596,275</u>	<u>1,370,318</u>
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>774,043</u>	<u>774,043</u>	<u>1,082,123</u>	<u>308,080</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,678,398</u>	<u>\$ 1,678,398</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 74,860	\$ 74,860	\$ 241,011	\$ 166,151
Total revenues	74,860	74,860	241,011	166,151
EXPENDITURES:				
Materials and service	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Revenues over (under) expenditures	69,860	69,860	241,011	171,151
OTHER FINANCING SOURCES (USES):				
Transfers out	(855,200)	(900,200)	(12,251)	887,949
Total other financing sources (uses)	(855,200)	(900,200)	(12,251)	887,949
Net change in fund balance	(785,340)	(830,340)	228,760	1,059,100
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>1,784,004</u>	<u>1,784,004</u>	<u>1,852,277</u>	<u>68,273</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 998,664</u>	<u>\$ 953,664</u>	<u>\$ 2,081,037</u>	<u>\$ 1,127,373</u>

**CITY OF MOLALLA, OREGON
WATER DEBT RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Debt service:				
Principal	\$ 340,000	\$ 340,000	\$ 340,000	\$ -
Interest	10,200	10,200	5,200	5,000
Net changes in fund balances	(350,200)	(350,200)	(345,200)	5,000
FUND BALANCE, BEGINNING BUDGETARY BASIS	354,849	354,849	359,725	4,876
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 4,649</u>	<u>\$ 4,649</u>	<u>\$ 14,525</u>	<u>\$ 9,876</u>

**CITY OF MOLALLA, OREGON
UTILITY DEPOSITS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Total revenues	30,000	30,000	-	(30,000)
EXPENDITURES:				
Materials and service	46,500	46,500	-	46,500
Net changes in fund balances	(16,500)	(16,500)	-	16,500
FUND BALANCE, BEGINNING BUDGETARY BASIS	16,500	16,500	17,405	905
Transferred to General Fund when this fund was closed	-	-	(17,405)	(17,405)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ -	\$ -

**CITY OF MOLALLA, OREGON
SEWER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

	<u>Sewer Fund</u>	<u>Sewer SDC Fund</u>	<u>Sewer Debt Retirement</u>	<u>CWSRF Fund</u>	<u>Total Sewer Operations</u>
REVENUES:					
Charges for services	\$ 2,548,502	\$ -	\$ -	\$ -	\$ 2,548,502
Miscellaneous revenue	63,223	-	-	-	63,223
System development charges	-	301,993	-	-	301,993
	<u>-</u>	<u>301,993</u>	<u>-</u>	<u>-</u>	<u>301,993</u>
Total revenues	<u>2,611,725</u>	<u>301,993</u>	<u>-</u>	<u>-</u>	<u>2,913,718</u>
EXPENDITURES:					
Personnel service	585,067	-	-	-	585,067
Materials and service	1,353,066	-	-	8,076	1,361,142
Capital outlay	65,729	-	-	-	65,729
Debt service:					
Principal	64,476	-	230,000	132,467	426,943
Interest	3,781	-	84,800	46,147	134,728
	<u>2,072,119</u>	<u>-</u>	<u>314,800</u>	<u>186,690</u>	<u>2,573,609</u>
Total expenditures	<u>2,072,119</u>	<u>-</u>	<u>314,800</u>	<u>186,690</u>	<u>2,573,609</u>
Revenues over (under) expenditures	<u>539,606</u>	<u>301,993</u>	<u>(314,800)</u>	<u>(186,690)</u>	<u>340,109</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	316,350	189,552	505,902
Transfers out	(625,345)	(375,431)	-	-	(1,000,776)
	<u>(625,345)</u>	<u>(375,431)</u>	<u>316,350</u>	<u>189,552</u>	<u>(494,874)</u>
Total other financing sources (uses)	<u>(625,345)</u>	<u>(375,431)</u>	<u>316,350</u>	<u>189,552</u>	<u>(494,874)</u>
Net change in fund balance	(85,739)	(73,438)	1,550	2,862	(154,765)
FUND BALANCES, BEGINNING BUDGETARY BASIS					
	777,734	754,785	314,050	183,156	2,029,725
FUND BALANCES, ENDING BUDGETARY BASIS					
	<u>\$ 691,995</u>	<u>\$ 681,347</u>	<u>\$ 315,600</u>	<u>\$ 186,018</u>	1,874,960
Accounts receivable					232,251
Accounts payable					(115,555)
Capital assets					7,048,729
Accrued interest payable					(25,280)
Long-term debt					(3,504,848)
Compensated absences					(23,580)
Net pension liability					(252,192)
Deferred outflow related to pension					113,109
Deferred inflows related to pension					(12,678)
Net OPEB asset					1,375
Deferred outflow related to OPEB					1,626
Deferred inflows related to OPEB					<u>(637)</u>
NET POSITION, ENDING					<u>\$ 5,337,280</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 2,131,000	\$ 2,381,000	\$ 2,548,502	\$ 167,502
Miscellaneous revenue	2,000	2,000	63,223	61,223
Total revenues	2,133,000	2,383,000	2,611,725	228,725
EXPENDITURES:				
Personnel service	588,575	603,927	585,067	18,860
Materials and service	947,862	1,368,363	1,353,066	15,297
Capital outlay	66,652	66,652	65,729	923
Debt service:				
Principal	64,476	64,476	64,476	-
Interest	3,781	3,781	3,781	-
Contingency	215,240	-	-	-
Total expenditures	1,886,586	2,107,199	2,072,119	35,080
Revenues over (under) expenditures	246,414	275,801	539,606	263,805
OTHER FINANCING SOURCES (USES):				
Transfers out	(626,435)	(655,822)	(625,345)	30,477
Total other financing sources (uses)	(626,435)	(655,822)	(625,345)	30,477
Net change in fund balance	(380,021)	(380,021)	(85,739)	294,282
FUND BALANCE, BEGINNING BUDGETARY BASIS	380,021	380,021	777,734	397,713
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 691,995	\$ 691,995

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 94,000	\$ 94,000	\$ 301,993	\$ 207,993
Total revenues	94,000	94,000	301,993	207,993
EXPENDITURES:				
Materials and service	155,000	5,000	-	5,000
Total expenditures	155,000	5,000	-	5,000
Revenues over (under) expenditures	(61,000)	89,000	301,993	212,993
OTHER FINANCING SOURCES (USES):				
Transfers out	(415,467)	(376,467)	(375,431)	1,036
Total other financing sources (uses)	(415,467)	(376,467)	(375,431)	1,036
Net change in fund balance	(476,467)	(287,467)	(73,438)	214,029
FUND BALANCE, BEGINNING BUDGETARY BASIS	711,701	711,701	754,785	43,084
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 235,234</u>	<u>\$ 424,234</u>	<u>\$ 681,347</u>	<u>\$ 257,113</u>

**CITY OF MOLALLA, OREGON
SEWER DEBT RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Debt service:				
Principal	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
Interest	84,800	84,800	84,800	-
Total expenditures	314,800	314,800	314,800	-
OTHER FINANCING SOURCES (USES):				
Transfers in	316,350	316,350	316,350	-
Total other financing sources (uses)	316,350	316,350	316,350	-
Net changes in fund balances	1,550	1,550	1,550	-
FUND BALANCE, BEGINNING BUDGETARY BASIS	314,050	314,050	314,050	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 315,600</u>	<u>\$ 315,600</u>	<u>\$ 315,600</u>	<u>\$ -</u>

CITY OF MOLALLA, OREGON
CWSRF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Materials and service	\$ 8,076	\$ 8,076	\$ 8,076	\$ -
Debt service:				
Principal	132,467	132,467	132,467	-
Interest	46,147	46,147	46,147	-
Total expenditures	186,690	186,690	186,690	-
OTHER FINANCING SOURCES (USES):				
Transfers in	189,552	189,552	189,552	-
Total other financing sources (uses)	189,552	189,552	189,552	-
Net changes in fund balances	2,862	2,862	2,862	-
FUND BALANCE, BEGINNING BUDGETARY BASIS	183,156	183,156	183,156	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 186,018</u>	<u>\$ 186,018</u>	<u>\$ 186,018</u>	<u>\$ -</u>

CITY OF MOLALLA, OREGON
STORM WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018

	Storm Water Fund	Storm Water SDC Fund	Total Storm Water Operations
REVENUES:			
Charges for services	\$ 246,176	\$ -	\$ 246,176
System development charges	-	67,076	67,076
Total revenues	<u>246,176</u>	<u>67,076</u>	<u>313,252</u>
EXPENDITURES:			
Personnel service	113,325	-	113,325
Materials and service	36,556	-	36,556
Capital outlay	49,678	-	49,678
Total expenditures	<u>199,559</u>	<u>-</u>	<u>199,559</u>
Revenues over (under) expenditures	<u>46,617</u>	<u>67,076</u>	<u>113,693</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	<u>(7,787)</u>	<u>(4,626)</u>	<u>(12,413)</u>
Total other financing sources (uses)	<u>(7,787)</u>	<u>(4,626)</u>	<u>(12,413)</u>
Net change in fund balance	38,830	62,450	101,280
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>104,295</u>	<u>50,288</u>	<u>154,583</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u><u>\$ 143,125</u></u>	<u><u>\$ 112,738</u></u>	<u>255,863</u>
Accounts receivable			20,498
Accounts payable			(12,248)
Capital assets			1,493,611
Compensated absences			(4,727)
Net pension liability			(50,563)
Deferred outflow related to pension			22,678
Deferred inflows related to pension			(2,542)
Net OPEB asset			276
Deferred outflow related to OPEB			326
Deferred inflows related to OPEB			(128)
NET POSITION, ENDING			<u><u>\$ 1,723,044</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 130,000	\$ 264,460	\$ 246,176	\$ (18,284)
Total revenues	130,000	264,460	246,176	(18,284)
EXPENDITURES:				
Personnel service	128,081	128,081	113,325	14,756
Materials and service	32,360	61,869	36,556	25,313
Capital outlay	8,026	49,678	49,678	-
Contingency	5,165	12,535	-	12,535
Total expenditures	173,632	252,163	199,559	52,604
Revenues over (under) expenditures	(43,632)	12,297	46,617	34,320
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(55,929)	(7,787)	48,142
Total other financing sources (uses)	-	(55,929)	(7,787)	48,142
Net change in fund balance	(43,632)	(43,632)	38,830	82,462
FUND BALANCE, BEGINNING BUDGETARY BASIS	43,632	43,632	104,295	60,663
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 143,125	\$ 143,125

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 17,480	\$ 17,480	\$ 67,076	\$ 49,596
Total revenues	17,480	17,480	67,076	49,596
OTHER FINANCING SOURCES (USES):				
Transfers out	(15,000)	(51,000)	(4,626)	46,374
Total other financing sources (uses)	(15,000)	(51,000)	(4,626)	46,374
Net change in fund balance	2,480	(33,520)	62,450	95,970
FUND BALANCE, BEGINNING BUDGETARY BASIS	34,575	34,575	50,288	15,713
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 37,055</u>	<u>\$ 1,055</u>	<u>\$ 112,738</u>	<u>\$ 111,683</u>

**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***

**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**

Honorable Mayor and City Council
City of Molalla, Oregon

We have audited the basic financial statements of City of Molalla, Oregon, as of and for the year ended June 30, 2018 and have issued our report thereon dated March 27, 2019. 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.

Compliance

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

- 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 of Molalla 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. In connection with our testing, nothing came to our attention that caused us to believe City of Molalla, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

The City made budget transfer appropriations from reserves in the Stormwater Fund, Sewer SDC Fund, Water SDC Fund and Transportation Fund without declaring an emergency.

OAR 162-10-0230 Internal Control


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

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

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

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 & Company, LLP
Tualatin, Oregon
March 27, 2019