



**CITY OF MOLALLA, OREGON**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2023**

**CITY OF MOLALLA, OREGON**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**Year Ended June 30, 2023**

**Prepared by the Finance Office of the City of Molalla**

**Cindy Chauran, Finance Director**

**117 N Molalla Ave**

**Molalla, OR 97038**

**503-829-6855**

[www.cityofmolalla.com](http://www.cityofmolalla.com)

# CITY OF MOLALLA

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## **INTRODUCTORY SECTION**

**CITY OF MOLALLA**  
**OFFICERS AND MEMBERS OF THE GOVERNING BODY**  
As of June 30, 2023

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**MAYOR**

Scott Keyser

**CITY COUNCIL MEMBERS\***

Jody Newland – Council President

Leota Childress

RaeLynn Botsford

Terry Shankle

Crystal Robles

Eric Vermillion

\*The Mayor and Councilors receive mail at the City address listed below

**CITY MANAGER**

Dan Huff

**CITY ADDRESS**

PO Box 248  
Molalla, Oregon 97038



## City of Molalla

117 N Molalla Avenue, PO Box 248, Molalla, Oregon 97038

Phone: (503) 829-6855

Fax: (503) 829-3676

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## Letter of Transmittal for the Fiscal Year Ended June 30, 2023

December 19, 2023

To the Honorable Mayor, City Council, and Citizens of the City of Molalla, Oregon:

We are pleased to submit the Annual Comprehensive Financial Report of the City of Molalla for the fiscal year ended June 30, 2023. Oregon law requires local governments to issue a complete set of audited financial statements each fiscal year. We believe this report is accurate in all material respects and presented in a manner designed to fairly set forth the financial position of the City.

Management assumes full responsibility for the completeness and reliability of the information contained in the report based upon a comprehensive framework of internal controls established for that purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide a reasonable, but not absolute, assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements that are fairly presented.

SingerLewak, LLP, a firm of independent certified public accountants, has issued an unmodified (“clean”) opinion on the City of Molalla’s financial statements for the year ended June 30, 2023. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### Profile of the City

The City of Molalla, incorporated in 1913, is located just west of the foothills of the Cascade Mountains. Surrounded by farms, ranches and the Molalla River Corridor recreation area, it is a growing city in a rural setting. Situated fifteen miles south of the Clackamas County seat of Oregon City and fifteen miles east of Interstate 5, it is well-positioned halfway between the state capital Salem and the City of Portland. The current area is just over 2.5 square miles, but growth beyond the current borders is likely under the State of Oregon measured growth standards. The City’s most recent measure of population stands at 10,298.

The City operates by Charter with an at-large council/manager form of government. Six Council members serve four-year terms, with three members elected every two years. The Mayor is elected for a four-year term. The City Manager is appointed as the administrative head of the city government by a majority of the Council.



The City of Molalla provides a full range of municipal services to the community which include police protection, transportation system improvements and maintenance, water, wastewater and stormwater utilities, planning and zoning, economic development support, a community library, a municipal court, parks, and general administrative services. The City is also financially accountable for the Molalla Urban Renewal Agency which is included as a part of the City of Molalla's financial statements. Fire protection is provided separately by the Molalla Fire District.

The City Council is required to adopt a budget for the fiscal year no later than June 30, preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Molalla's financial planning and control. The budget is prepared by fund and department.

## Local Economy

The City of Molalla, like other political subdivisions in the State of Oregon, continues to face increasing financial challenges in light of voter approved property tax limitations and the on-going increases in the costs of service delivery, driven in particular by inflation. But the City is also in a period of economic growth in both commercial and residential building as well as transportation improvements. The primary employers continue to be the agricultural and forestry industries, with increasing employment in consumer services and the construction trade. Local events such as the Molalla Buckeroo rodeo, Celebrate Molalla and a growing farmer's market draw interest to Molalla as well.

## Long-term Financial Planning

Under the adopted Financial Policies summarized below, the City of Molalla formulates its annual budget with a long-term focus, emphasizes conservatism, and requires minimum fund balances for stability in periods of economic uncertainty. The general fund balance has increased steadily over the past ten years; at year-end, it stood at nearly 50% of total general fund revenues. All other fund balances are also in line with policy.

- Budget Policy - Governs the budgeting process, monitoring of budget execution, performance monitoring, and any revision of the budget. The objective is to ensure that the annual budgeting process is performed timely and supports the City's financial and operational planning objectives and processes; actual costs versus budget are reviewed and monitored for significant variances; expenditures made are in line with program objectives; budgets are reviewed periodically for relevance and revised as necessary.
- Debt Policy - Established to help ensure that all debt is issued both prudently and cost effectively. This policy sets forth comprehensive guidelines for the financing of capital expenditures of the City. Adherence to the policy is essential to ensure that the City maintains a sound debt position and protects the credit quality of its obligations.
- Expenditure Policy - The policy objective is to ensure a fundamental level of integrity, directness, and transparency in how the City spends public funds, and to ensure City expenditures directly support services to customers and citizens.

- Fund Balance and Reserve Policy - Establishes threshold minimums for City funds and is intended to serve as a guide for operational, budgetary, and policy decisions made by the City Council and management.
- Grants Management Policy - Includes guidelines for pursuing, acquiring, and administering grant funding by providing clear guidelines for alignment with the overall purpose of the City and with specific project goals.
- Revenue Policy - Designed to provide general principles and guidelines to promote effective control over, and proper accounting of, revenues from external sources and the related accounts receivable. It also discusses the determination of fees and charges.
- Purchase Policy, and Usage of Purchase Orders – Intended to ensure efficiency and accountability in purchasing and establishing spending authority thresholds by position.

## Major Initiatives

Upcoming and on-going major initiatives include:

- Wastewater Treatment Plant Upgrade - This project will design and construct a new treatment process and facility at the plant and eliminate treatment from the storage lagoons. This large project will require debt funding.
- Infrastructure Investments - Several projects are scheduled to reconstruct water and sewer lines, upgrade substandard manholes, improve water intakes, increase water storage capacity, and complete ADA improvements to the Civic Center building.
- Planning: Updates to Parks and Stormwater master plans are scheduled, as well as an Emergency Operations Plan.
- Code Compliance: A new position has been created to address a backlog of code violations, assisting both the Police and Planning staff.
- New Police Department Facility – Preliminary design work is effectively complete for a new facility on cleared city-owned land. A general obligation bond initiative passed in November which allows us to move forward with the construction phase.
- Park Development - A new park in the western part of the City named for Chief Yelkus, the last chief of the Molalla people, is in development. Existing parks are being enhanced: Disc Golf at Ivor Davies and Pickleball courts at Long Park.
- Molalla Area Vision and Action Plan 2020-2030 – This visioning process incorporates a community-wide effort to produce a blueprint for Molalla’s future.

## Property Taxes

The permanent property tax rate for the City of Molalla is 5.3058 per \$1000 of assessed value. This rate is higher than most municipalities in Clackamas County, but its assessed value is lower. Oregon's property tax structure caps assessment rates at 3% annually, so new development is important to increasing tax revenues. The City does not currently have any operating levies or general obligation debt. Tax receipts for the current year were 8% greater than the previous year.

In addition to the Urban Renewal District, the City of Molalla also has an Enterprise Zone which provides a temporary tax abatement to encourage development of properties that carry substantial public improvement requirements.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Molalla the *Distinguished Budget Presentation Award* for its annual budget document for the 2023-2024 budget year, as it has for the previous four years. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

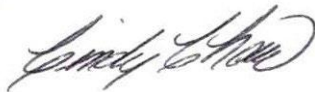
The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Finance Department.

We greatly appreciate the professionalism, commitment, and effort set forth by the Mayor, City Council, Budget Committee, and Department Directors whose leadership is integral to the health and success of the City of Molalla.

Respectfully submitted,

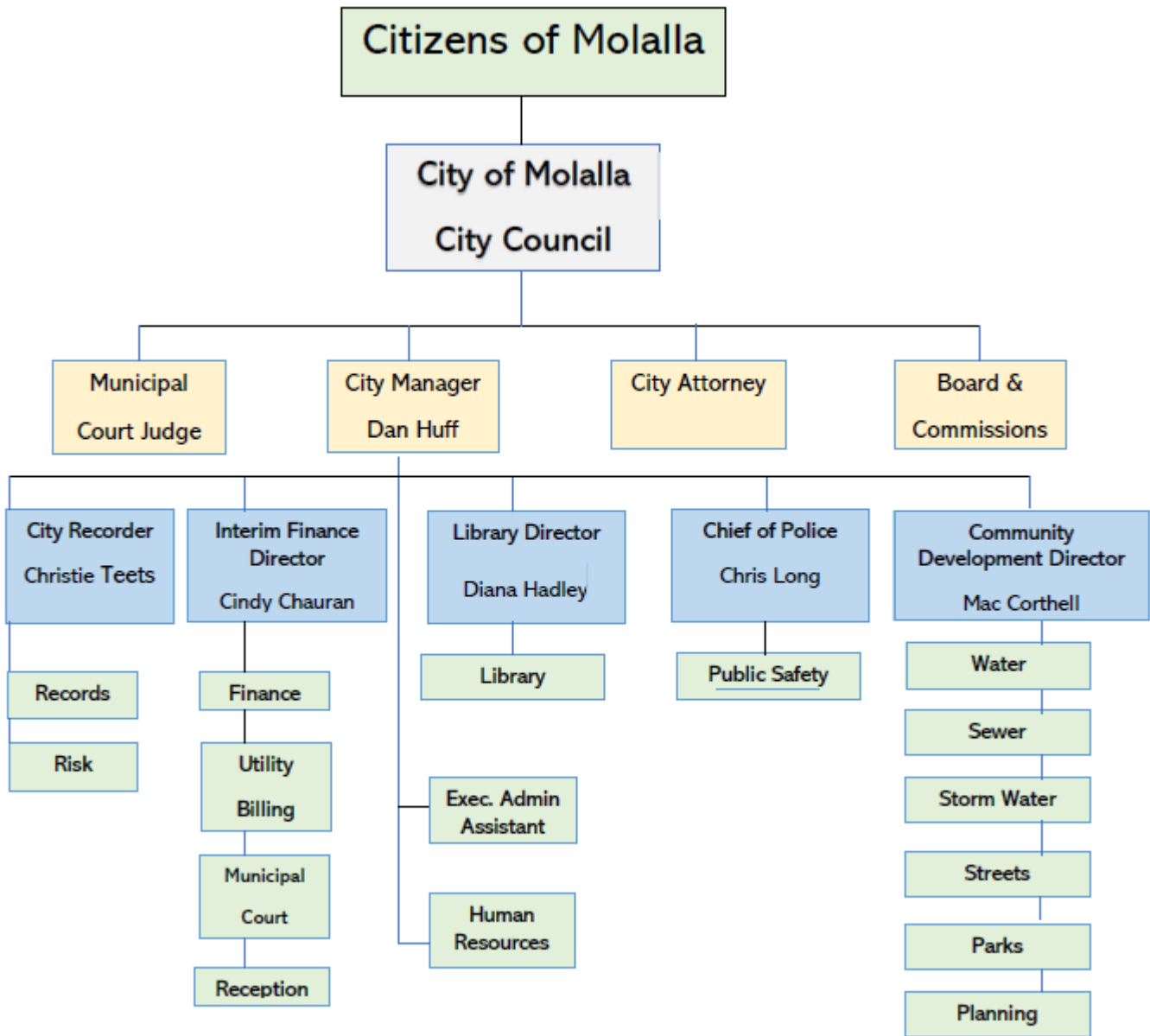


Dan Huff  
City Manager



Cindy Chauran  
Finance Director

**CITY OF MOLALLA**  
**ORGANIZATIONAL CHART**  
 As of June 30, 2023



## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members  
City of Molalla  
Molalla, Oregon

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Molalla, Oregon (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Molalla, Oregon, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Library, Street and Urban Renewal Agency Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

Honorable Mayor and Council Members  
City of Molalla, Oregon  
Independent Auditor's Report  
December 19, 2023

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect material misstatements when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a-g and the pension and OPEB schedules on pages 48 - 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and Council Members  
City of Molalla, Oregon  
Independent Auditor's Report  
December 19, 2023

**Supplementary Information**

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

**Other Information**

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

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

**Other Reporting Required by Oregon State Regulations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 19, 2023, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*Singer Lewak LLP*

December 19, 2023

By:



Brad Bingenheimer, Partner



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF MOLALLA, OREGON**  
**Management's Discussion and Analysis**  
**JUNE 30, 2023**

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, 2023. 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 \$61,712,894 on June 30, 2023, and consisted of \$23,855,038 in cash and cash equivalents; \$1,672,955 in accounts receivable and other assets; and \$36,184,901 in capital assets. Net position was \$52,467,898 on June 30, 2023, compared to \$45,831,845 at June 30, 2022 at year end.

As of June 30, 2023, the City had \$9,313,957 in outstanding bonds, notes payable, accrued compensated absences, and net pension liabilities.

The City's net position increased by \$6,636,053 from June 30, 2022, primarily due to capital asset additions, and an increase in accounts receivable. The City's capital assets in Fiscal Year 2023 totaled \$36,184,901 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 like 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. 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 financed 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 the funds of the City of Molalla can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Molalla maintains nine individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Library Fund, Street Fund, Urban Renewal Agency Fund, and Capital Projects. All of these funds are considered to be major funds. Data from the other four 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 \$52,467,898 at the close of the most recent fiscal year.

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

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current assets	\$ 18,225,268	\$ 7,176,128	\$ 25,401,396	\$ 15,848,643	\$ 7,501,361	\$ 23,350,004
Net pension assets	\$ 95,234	\$ 31,363	\$ 126,597	\$ 71,819	\$ 22,792	\$ 94,611
Capital assets	\$ 15,623,169	\$ 20,561,732	\$ 36,184,901	\$ 13,649,023	\$ 17,898,152	\$ 31,547,175
<b>Total assets</b>	<b>\$ 33,943,671</b>	<b>\$ 27,769,223</b>	<b>\$ 61,712,894</b>	<b>\$ 29,569,485</b>	<b>\$ 25,422,305</b>	<b>\$ 54,991,790</b>
Deferred outflows of resources	\$ 1,194,315	\$ 393,324	\$ 1,587,639	\$ 1,515,264	\$ 480,887	\$ 1,996,151
<b>Liabilities</b>						
Current liabilities	\$ 647,408	\$ 76,097	\$ 723,505	\$ 376,219	\$ 161,000	\$ 537,219
Long-term liabilities	\$ 5,702,665	\$ 3,611,292	\$ 9,313,957	\$ 5,860,755	\$ 2,968,927	\$ 8,829,682
<b>Total liabilities</b>	<b>\$ 6,350,073</b>	<b>\$ 3,687,389</b>	<b>\$ 10,037,462</b>	<b>\$ 6,236,974</b>	<b>\$ 3,129,927</b>	<b>\$ 9,366,901</b>
Deferred inflows of resources	\$ 590,568	\$ 204,605	\$ 795,173	\$ 1,349,208	\$ 439,987	\$ 1,789,195
<b>Net position</b>						
Net investment in capital assets	\$ 11,745,536	\$ 17,673,354	\$ 29,418,890	\$ 9,704,248	\$ 15,526,339	\$ 25,230,587
Restricted	\$ 12,107,520	\$ 1,909,844	\$ 14,017,364	\$ 10,926,081	\$ 1,673,867	\$ 12,599,948
Unrestricted	\$ 4,344,289	\$ 4,687,355	\$ 9,031,644	\$ 2,868,238	\$ 5,133,072	\$ 8,001,310
<b>Total net position</b>	<b>\$ 28,197,345</b>	<b>\$ 24,270,553</b>	<b>\$ 52,467,898</b>	<b>\$ 23,498,567</b>	<b>\$ 22,333,278</b>	<b>\$ 45,831,845</b>

The

largest portion of the City of Molalla’s net position reflects 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 \$14,017,364 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,031,644 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:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 583,355	\$ 6,620,494	\$ 7,203,849	\$ 580,693	\$ 5,585,861	\$ 6,166,554
Operating grants	2,176,675		2,176,675	2,706,390	-	2,706,390
Capital grants	2,294,958	747,970	3,042,928	1,128,002	207,299	1,335,301
<b>General Revenues</b>						
Property taxes	4,745,833		4,745,833	4,419,983	-	4,419,983
Other taxes	1,284,904		1,284,904	1,276,073	-	1,276,073
Other revenues	2,170,174	(741,836)	1,428,338	957,099	(224,280)	732,819
<b>Total Revenues</b>	<b>13,255,899</b>	<b>6,626,628</b>	<b>19,882,527</b>	<b>11,068,240</b>	<b>5,568,880</b>	<b>16,637,120</b>
<b>Expenses</b>						
<b>Governmental</b>						
General government	\$ 1,441,529	\$ -	\$ 1,441,529	\$ 2,205,232	\$ -	\$ 2,205,232
Public safety	3,826,634	-	3,826,634	3,276,964	-	3,276,964
Highways and streets	1,751,296	-	1,751,296	556,359	-	556,359
Culture and recreation	1,049,101	-	1,049,101	1,952,616	-	1,952,616
Community development	417,449	-	417,449	308,145	-	308,145
Interest long-term debt	71,112	-	71,112	94,334	-	94,334
<b>Business-Type</b>						
Water		1,551,845	1,551,845		1,370,377	1,370,377
Sewer		2,857,409	2,857,409		2,724,856	2,724,856
Storm water		280,099	280,099		230,567	230,567
<b>Total expenses</b>	<b>8,557,121</b>	<b>4,689,353</b>	<b>13,246,474</b>	<b>8,393,650</b>	<b>4,325,800</b>	<b>12,719,450</b>
<b>Change in Net Position</b>	<b>4,698,778</b>	<b>1,937,275</b>	<b>6,636,053</b>	<b>2,674,590</b>	<b>1,243,080</b>	<b>3,917,670</b>
<b>Net Position July, 1</b>	<b>23,498,567</b>	<b>22,333,278</b>	<b>45,831,845</b>	<b>20,823,977</b>	<b>21,090,198</b>	<b>41,914,175</b>
<b>Net Position--June 30</b>	<b>\$ 28,197,345</b>	<b>\$ 24,270,553</b>	<b>\$ 52,467,898</b>	<b>\$ 23,498,567</b>	<b>\$ 22,333,278</b>	<b>\$ 45,831,845</b>

**Governmental Activities.** Governmental activities increased the City of Molalla’s net position by \$4,698,778. This is primarily due to an increase in revenues.

**Business-type Activities.** Business-type activities increased the City of Molalla’s net position by \$1,937,275. This is primarily due to an increase in operating revenues.

### 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.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$17.3 million, an increase of \$2.1 million in comparison with the prior year. Approximately 17% of this amount (\$3 million) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balances is either restricted for particular purposes (\$12 million) or committed for particular purposes (\$2.3 million).

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund decreased by approximately \$650,000 during the current fiscal year. This change is primarily due to one-time COVID Relief Funds and substantial donations being received in 2021/2022. Significant changes from the prior year are as follows:

- Property taxes revenues increased approximately \$216,000, or 5.9%. This increase relates to construction of new commercial properties and homes, and an increase in the property tax rate levied by 3%.
- Interest revenue increased substantially due to inflation.

The ending fund balances of the Library Fund, Street Fund and Urban Renewal Agency Fund balance remained relatively consistent with the prior year.

The Capital Projects Fund shows an increase in fund balance due to increased transfers-in for projects that have not yet been completed.

**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.

The net position of the enterprise funds proprietary funds increased by \$1.9 million (8.7%) over the prior fiscal year. This is primarily due to an increase in Sewer Fund capital assets. The Water Fund maintained a similar net position to the prior year.

### **General Fund Budgetary Highlights**

There were three supplemental budgets adopted in fiscal year 2022-23 that affected the General fund. The resulting changes increased beginning fund balance by \$868,197, increased expenditures for administration by \$310,000, police by \$456,000, municipal court by \$10,000, planning by \$5,000, and parks by \$2,500, decreased contingency by \$78,000, and increased transfers out by \$291,397.

General Fund actual revenue exceeded budget by 5.5% for a total received in the amount of \$370,828. The General Fund spent \$2,209,803 less than what was budgeted due to the lack of need for contingency and staffing changes and projects that were budgeted but did not happen. This leaves the City in a good position for future spending and project completions.

### **Capital Assets and Debt Administration**

**Capital Assets.** The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2023 is \$36,184,901. The investment in capital assets includes land, buildings, equipment, and infrastructure such as roads, water, and wastewater systems. The net increase in net capital assets for the year ended June 30, 2023 was \$4,637,726.

The Construction in progress will remain a larger number now and for future upcoming years as the new Wastewater Treatment Plant is being built. The same is true as a new Police Facility is constructed. The City estimates these two projects to encompass the next several years.

Major capital assets events during the current fiscal year included the following:

- Various infrastructure projects related to streets, sewer, and water improvements including in process and completed projects at a combined cost of \$3,072,081.
- Building projects such as the City Shops Decant Facility, Wastewater Treatment Plant upgrade, Molalla Civic Center Upgrades, and the new Police Facility at a combined cost of \$4,172,157.
- Land Improvements to Parks including completion of Strawberry Park and Fox Park Improvements at a cost of \$810,154.
- Machinery Equipment & Vehicles including a Book Mobile, Public Works pickup and tractor, Police vehicle at a total cost of \$ 629,256.

The following table compares capital assets for these fiscal years:

	Governmental Activities		Business-Type Activities		Total		Change + (-)
	2023	2022	2023	2022	2023	2022	
Land	1,584,290	1,584,290	727,509	727,509	2,311,799	2,311,799	0
Construction in Progress	2,731,175	1,749,718	2,372,681	1,182,348	5,103,856	2,932,066	2,171,790
Land improvement	1,337,171	759,033	77,011	4,320	1,414,182	763,353	650,829
Buildings	2,152,273	2,121,124	5,341,864	5,566,210	7,494,137	7,687,334	-193,197
Infrastructure	6,379,862	6,651,198	11,211,924	9,782,335	17,591,786	16,433,533	1,158,253
Machinery and Equipment	661,206	135,757	743,236	562,266	1,404,442	698,023	706,419
Vehicles	777,192	647,903	87,507	73,164	864,699	721,067	143,632
<b>Total</b>	<b>15,623,169</b>	<b>13,649,023</b>	<b>20,561,732</b>	<b>17,898,152</b>	<b>36,184,901</b>	<b>31,547,175</b>	<b>4,637,726</b>

For more detailed information regarding capital assets please refer to Note 5 in the Notes to the Financial Statements.

**Long-term Debt.** At the end of the current fiscal year the City had a total bonded debt outstanding of \$4,618,630. Of this amount, \$4,467,700 is debt backed by the full faith and credit of the government. The \$150,930 is the bond premium and the remainder of the City’s long-term obligations is comprised of notes payable.

	Government Activities		Business Activities		Totals		Change + (-)
	2023	2022	2023	2022	2023	2022	
Bonds payable	3,307,700	3,749,000	1,160,000	1,518,000	4,467,700	5,267,000	-799,300
Bond premium	150,930	176,442			150,930	176,442	-25,512
Notes payable			1,718,264	831,641	1,718,264	831,641	886,623
<b>Total</b>	<b>3,458,630</b>	<b>3,925,442</b>	<b>2,878,264</b>	<b>2,349,641</b>	<b>6,336,894</b>	<b>6,275,083</b>	<b>61,811</b>

The City’s total debt increased by \$ 61,811 during the current fiscal year. The following are the reasons for the overall increase.

The City entered into a Clean Water State Revolving Fund Loan agreement in 2020. The amount drawn thus far, which includes an additional draw of \$886,623 this year, is for the design phase of required Wastewater Treatment Plant improvements. This amount was largely offset by the regularly scheduled principal reductions on the bonded debt.

The City has maintained a “AA” rating from Standard & Poor’s. For more detailed information regarding long-term debt please refer to Note 4 in the Notes to the Financial Statements.

### **Economic Factors and Next Year’s Budget**

The 2023/2024 Budget combines the intent to remain conservative with operating costs while preparing for significant capital projects necessary due to growth. Plans are underway for both a new wastewater treatment plant to be funded through a USDA loan program, and new police station funded by voter-approved bonds.

We will continue to ensure the conservative approaches to all spending remain in play and that the correct staffing is functioning as needed to maximize the benefits to the residents of Molalla. The City of Molalla will continue the practice of utilizing a cost allocation plan for administrative costs that are indirect and unassignable to a specific cost objective. The method in use is based on budget percentage of the entire city-wide budget but imposed only on actual expenditures.

The City of Molalla budget committee considered all the following factors while preparing the City budget for the 2023/2024 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:

Cindy Chauran, Interim Finance Director  
City of Molalla  
PO Box 248  
Molalla, Oregon 97038



## **BASIC FINANCIAL STATEMENTS**

**CITY OF MOLALLA**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 17,442,796	\$ 6,412,242	\$ 23,855,038
Accounts receivables	593,500	763,886	1,357,386
Property tax receivables	188,972	-	188,972
Net other postemployment benefit asset	95,234	31,363	126,597
Capital assets:			
Capital assets, nondepreciable	4,315,465	3,100,190	7,415,655
Capital assets, net of accumulated depreciation	<u>11,307,704</u>	<u>17,461,542</u>	<u>28,769,246</u>
 Total assets	 <u>33,943,671</u>	 <u>27,769,223</u>	 <u>61,712,894</u>
<b>Deferred outflows of resources</b>			
Pension related items	1,192,891	392,854	1,585,745
Other postemployment benefit related items	<u>1,424</u>	<u>470</u>	<u>1,894</u>
 Total deferred outflows of resources	 <u>1,194,315</u>	 <u>393,324</u>	 <u>1,587,639</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	567,083	68,171	635,254
Accrued interest payable	17,050	7,926	24,976
Deposits	52,180	-	52,180
Unearned revenue	11,095	-	11,095
Long-term liabilities:			
Due within one year	693,847	430,884	1,124,731
Due in more than one year	<u>5,008,818</u>	<u>3,180,408</u>	<u>8,189,226</u>
 Total liabilities	 <u>6,350,073</u>	 <u>3,687,389</u>	 <u>10,037,462</u>
<b>Deferred inflows of resources</b>			
Refunded debt charges	-	10,114	10,114
Pension related items	565,526	186,244	751,770
Other postemployment benefit related items	<u>25,042</u>	<u>8,247</u>	<u>33,289</u>
 Total deferred inflows of resources	 <u>590,568</u>	 <u>204,605</u>	 <u>795,173</u>
<b>Net position</b>			
Net investment in capital assets	11,745,536	17,673,354	29,418,890
Restricted for:			
Highways and streets	2,052,008	-	2,052,008
Library	3,144,526	-	3,144,526
Urban renewal projects	2,954,015	-	2,954,015
System development	3,953,178	1,887,137	5,840,315
Police department	3,793	-	3,793
Debt service	-	22,707	22,707
Unrestricted	<u>4,344,289</u>	<u>4,687,355</u>	<u>9,031,644</u>
 <b>Total net position</b>	 <b><u>\$ 28,197,345</u></b>	 <b><u>\$ 24,270,553</u></b>	 <b><u>\$ 52,467,898</u></b>

See notes to financial statements

**CITY OF MOLALLA**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General government	\$ 1,441,529	\$ 78,385	\$ 1,028,947	\$ 57,423	\$ (276,774)	\$ -	\$ (276,774)
Public safety	3,826,634	208,130	13,252	-	(3,605,252)	-	(3,605,252)
Highways and streets	1,751,296	210,468	-	1,559,914	19,086	-	19,086
Culture and recreation	1,049,101	10,397	1,134,476	677,621	773,393	-	773,393
Community development	417,449	75,975	-	-	(341,474)	-	(341,474)
Interest	71,112	-	-	-	(71,112)	-	(71,112)
Total governmental activities	<u>8,557,121</u>	<u>583,355</u>	<u>2,176,675</u>	<u>2,294,958</u>	<u>(3,502,133)</u>	<u>-</u>	<u>(3,502,133)</u>
<b>Business-type activities:</b>							
Water	1,551,845	2,188,755	-	170,338	-	807,248	807,248
Sewer	2,857,409	4,083,894	-	434,986	-	1,661,471	1,661,471
Stormwater	280,099	347,845	-	142,646	-	210,392	210,392
Total business-type activities	<u>4,689,353</u>	<u>6,620,494</u>	<u>-</u>	<u>747,970</u>	<u>-</u>	<u>2,679,111</u>	<u>2,679,111</u>
<b>Totals</b>	<b>\$ 13,246,474</b>	<b>\$ 7,203,849</b>	<b>\$ 2,176,675</b>	<b>\$ 3,042,928</b>	<b>(3,502,133)</b>	<b>2,679,111</b>	<b>(823,022)</b>
<b>General revenues:</b>							
Taxes levied for:							
General purposes					3,850,047	-	3,850,047
Specific purposes					895,786	-	895,786
Franchise fees					478,598	-	478,598
Fuel taxes					806,306	-	806,306
Grants and contributions not restricted to specific programs					434,326	-	434,326
Unrestricted investment earnings					693,686	-	693,686
Miscellaneous					243,491	56,835	300,326
<b>Transfers</b>					<u>798,671</u>	<u>(798,671)</u>	<u>-</u>
Total general revenues and transfers					<u>8,200,911</u>	<u>(741,836)</u>	<u>7,459,075</u>
Change in net position					4,698,778	1,937,275	6,636,053
Net position - beginning					<u>23,498,567</u>	<u>22,333,278</u>	<u>45,831,845</u>
<b>Net position - ending</b>					<b>\$ 28,197,345</b>	<b>\$ 24,270,553</b>	<b>\$ 52,467,898</b>

See notes to financial statements

**CITY OF MOLALLA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2023

	General	Library	Street	Urban Renewal Agency	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 3,030,886	\$ 3,156,112	\$ 1,692,176	\$ 3,149,727	\$ 2,010,322	\$ 4,403,573	\$ 17,442,796
Accounts receivables	205,044	-	388,456	-	-	-	593,500
Property tax receivables	155,731	-	-	33,241	-	-	188,972
<b>Total assets</b>	<b>\$ 3,391,661</b>	<b>\$ 3,156,112</b>	<b>\$ 2,080,632</b>	<b>\$ 3,182,968</b>	<b>\$ 2,010,322</b>	<b>\$ 4,403,573</b>	<b>\$ 18,225,268</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 129,060	\$ 11,586	\$ 28,624	\$ 228,953	\$ 168,860	\$ -	\$ 567,083
Unearned revenue	11,095	-	-	-	-	-	11,095
Consumer deposits	52,180	-	-	-	-	-	52,180
<b>Total liabilities</b>	<b>192,335</b>	<b>11,586</b>	<b>28,624</b>	<b>228,953</b>	<b>168,860</b>	<b>-</b>	<b>630,358</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue - franchise fees	91,500	-	90,000	-	-	-	181,500
Unavailable revenue - property taxes	96,561	-	-	20,343	-	-	116,904
<b>Total deferred inflows of resources</b>	<b>188,061</b>	<b>-</b>	<b>90,000</b>	<b>20,343</b>	<b>-</b>	<b>-</b>	<b>298,404</b>
<b>Fund balances</b>							
Restricted:							
Highways and streets	-	-	1,962,008	-	-	-	1,962,008
Library	-	3,144,526	-	-	-	-	3,144,526
Urban renewal projects	-	-	-	2,933,672	-	-	2,933,672
System development	-	-	-	-	-	3,953,178	3,953,178
Police department	-	-	-	-	-	3,793	3,793
Committed:							
Capital projects	-	-	-	-	1,841,462	-	1,841,462
Fleet replacement	-	-	-	-	-	446,602	446,602
Unassigned	3,011,265	-	-	-	-	-	3,011,265
<b>Total fund balances</b>	<b>3,011,265</b>	<b>3,144,526</b>	<b>1,962,008</b>	<b>2,933,672</b>	<b>1,841,462</b>	<b>4,403,573</b>	<b>17,296,506</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,391,661</b>	<b>\$ 3,156,112</b>	<b>\$ 2,080,632</b>	<b>\$ 3,182,968</b>	<b>\$ 2,010,322</b>	<b>\$ 4,403,573</b>	<b>\$ 18,225,268</b>

See notes to financial statements

**CITY OF MOLALLA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

*Amounts reported for governmental activities in the statement of net position are different because:*

Total fund balances - total governmental funds		\$ 17,296,506
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		15,623,169
The statement of net position reports a net other postemployment benefit asset for its participation in the retirement plan and other postemployment benefit plan for employees of the City		95,234
The government-wide statements report as a deferred outflow, contributions made to OPERS subsequent to the measurement date and changes in assumptions and investment returns related to its participation in OPERS and the retirement plan for employees of the City		1,192,891
The government-wide statements report as a deferred outflow, contributions made subsequent to the measurement date and the net difference between projected and actual earnings related to its participation in other postemployment benefit plans for employees of the City		1,424
Other assets are not available for current period expenditures and, therefore, are reported as unavailable revenue in the funds		
Property taxes	116,904	
Franchise fees	181,500	
Total unavailable revenues		298,404
The government-wide statements report a deferred inflow related to changes in assumptions and investment returns related to participation in OPERS and the retirement plan for employees of the City		(565,526)
The government-wide statements report a deferred inflow related to changes in assumptions and investment returns related to participation in other postemployment benefit plans for employees of the City		(25,042)
Long term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds		
Bonds payable	(3,307,700)	
Premium liability	(150,930)	
Net pension liability	(1,964,741)	
Compensated absences	(279,294)	
Accrued interest payable	(17,050)	
Total long-term liabilities		(5,719,715)
<b>Net position of governmental activities</b>		<b>\$ 28,197,345</b>

**CITY OF MOLALLA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2023

	General	Library	Street	Urban Renewal Agency	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>							
Property taxes	\$ 3,873,774	\$ -	\$ -	\$ 898,199	\$ -	\$ -	\$ 4,771,973
Franchise fees	298,598	-	180,000	-	-	-	478,598
Licenses, permits and fees	85,967	-	210,468	-	-	-	296,435
Fines and forfeitures	148,907	3,985	-	-	-	-	152,892
Charges for services	132,041	1,987	-	-	-	-	134,028
Donations	5,487	2,580	-	-	-	4,246	12,313
System development charges	-	-	-	-	-	1,267,898	1,267,898
Intergovernmental	1,474,602	1,131,589	-	-	969,557	50,000	3,625,748
Fuel taxes	-	-	806,306	-	-	-	806,306
Interest	692,856	-	-	830	-	-	693,686
Miscellaneous	48,210	586	193,649	-	-	1,046	243,491
<b>Total revenues</b>	<b>6,760,442</b>	<b>1,140,727</b>	<b>1,390,423</b>	<b>899,029</b>	<b>969,557</b>	<b>1,323,190</b>	<b>12,483,368</b>
<b>Expenditures</b>							
Current:							
General government	1,266,205	-	-	-	-	-	1,266,205
Public safety	3,879,744	-	-	-	-	1,500	3,881,244
Highways and streets	-	-	912,659	-	-	-	912,659
Culture and recreation	143,319	985,121	-	-	-	-	1,128,440
Community development	295,698	-	-	56,501	-	-	352,199
Debt service:							
Principal	-	-	-	441,300	-	-	441,300
Interest	-	-	-	98,907	-	-	98,907
Capital outlay	489,249	-	-	293,756	5,106,122	211,896	6,101,023
<b>Total expenditures</b>	<b>6,074,215</b>	<b>985,121</b>	<b>912,659</b>	<b>890,464</b>	<b>5,106,122</b>	<b>213,396</b>	<b>14,181,977</b>
Excess (deficiency) of revenues over expenditures	686,227	155,606	477,764	8,565	(4,136,565)	1,109,794	(1,698,609)
<b>Other financing sources (uses)</b>							
Transfers in	441,194	-	-	-	5,667,207	276,050	6,384,451
Transfers out	(1,776,776)	(50,989)	(200,968)	(10,816)	-	(517,000)	(2,556,549)
<b>Total other financing sources (uses)</b>	<b>(1,335,582)</b>	<b>(50,989)</b>	<b>(200,968)</b>	<b>(10,816)</b>	<b>5,667,207</b>	<b>(240,950)</b>	<b>3,827,902</b>
Net change in fund balances	(649,355)	104,617	276,796	(2,251)	1,530,642	868,844	2,129,293
Fund balances at beginning of year	3,660,620	3,039,909	1,685,212	2,935,923	310,820	3,534,729	15,167,213
<b>Fund balance at end of year</b>	<b>\$ 3,011,265</b>	<b>\$ 3,144,526</b>	<b>\$ 1,962,008</b>	<b>\$ 2,933,672</b>	<b>\$ 1,841,462</b>	<b>\$ 4,403,573</b>	<b>\$ 17,296,506</b>

See notes to financial statements

**CITY OF MOLALLA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2023**

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

Net change in fund balances - total governmental funds		\$ 2,129,293
Governmental funds report the acquisition of capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between those two amounts is:		
Acquisition of capital assets	3,146,174	
Depreciation	<u>(1,112,689)</u>	
		2,033,485
The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to change the net position		(59,339)
The changes in net pension liability (asset) and deferred inflows and outflows related to the entity's participation in OPERS and the Retirement Plan for Employees of the City are reported as pension expense on the statement of activities		120,753
The changes in other postemployment benefit liability (asset) and deferred outflows related to the entity's participation in the Retirement Health Insurance Account for employees of the City are reported as other postemployment benefit revenue on the statement of activities		21,661
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:		
Taxes	<u>(26,140)</u>	
		(26,140)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest	2,283	
Changes in compensated absences	9,970	
Amortization of bond premiums	<u>25,512</u>	
		37,765
Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position.		<u>441,300</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 4,698,778</u></b>

**CITY OF MOLALLA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 3,865,000	\$ 3,865,000	\$ 3,829,342	\$ (35,658)
Franchise fees	198,550	198,550	298,652	100,102
Licenses, permits and fees	59,000	59,000	85,967	26,967
Fines and forfeitures	185,000	185,000	134,499	(50,501)
Charges for services	617,100	617,100	531,235	(85,865)
Intergovernmental	1,624,700	1,624,700	1,449,630	(175,070)
Donations	100	100	5,487	5,387
Interest	140,000	140,000	692,856	552,856
Miscellaneous	15,600	15,600	48,210	32,610
<b>Total revenues</b>	<u>6,705,050</u>	<u>6,705,050</u>	<u>7,075,878</u>	<u>370,828</u>
<b>Expenditures</b>				
Administration	1,688,880	1,998,880	1,659,175	339,705
Police	3,407,300	3,863,300	3,643,060	220,240
Municipal court	236,900	246,900	228,778	18,122
City council	70,350	70,350	39,729	30,621
Parks	285,925	159,725	148,467	11,258
Planning	444,950	449,950	282,093	167,857
Contingency	1,500,000	1,422,000	-	1,422,000
<b>Total expenditures</b>	<u>7,634,305</u>	<u>8,211,105</u>	<u>6,001,302</u>	<u>2,209,803</u>
Excess (deficiency) of revenues over expenditures	<u>(929,255)</u>	<u>(1,506,055)</u>	<u>1,074,576</u>	<u>2,580,631</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	42,000	42,000
Transfers out	(1,488,900)	(1,780,297)	(1,776,776)	3,521
<b>Total other financing sources (uses)</b>	<u>(1,488,900)</u>	<u>(1,780,297)</u>	<u>(1,734,776)</u>	<u>45,521</u>
Net change in fund balance	<u>(2,418,155)</u>	<u>(3,286,352)</u>	<u>(660,200)</u>	<u>2,626,152</u>
Fund balance at beginning of year	<u>2,708,155</u>	<u>3,576,352</u>	<u>3,636,531</u>	<u>60,179</u>
<b>Fund balance at end of year</b>	<u><b>\$ 290,000</b></u>	<u><b>\$ 290,000</b></u>	<u>2,976,331</u>	<u><b>\$ 2,686,331</b></u>
<b>Reconciliation to generally accepted accounting principles</b>				
Accounts receivable			205,044	
Property tax receivable			155,731	
Accounts payable			(74,707)	
Accrued payroll			(52,028)	
Deposits payable			50	
Unearned revenue			(11,095)	
Unavailable revenue - franchise fees			(91,500)	
Unavailable revenue - property taxes			(96,561)	
<b>Fund balance at end of year, GAAP Basis</b>			<u><b>\$ 3,011,265</b></u>	

See notes to financial statements



**CITY OF MOLALLA**  
**LIBRARY - SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and forfeitures	\$ 4,500	\$ 4,500	\$ 3,985	\$ (515)
Charges for services	1,500	1,500	1,987	487
Intergovernmental	1,899,600	1,899,600	1,131,589	(768,011)
Donations	750	750	2,580	1,830
Miscellaneous	100	100	586	486
 Total revenues	 <u>1,906,450</u>	 <u>1,906,450</u>	 <u>1,140,727</u>	 <u>(765,723)</u>
<b>Expenditures</b>				
Library	3,589,702	3,639,702	1,030,317	2,609,385
Contingency	244,149	244,149	-	244,149
 Total expenditures	 <u>3,833,851</u>	 <u>3,883,851</u>	 <u>1,030,317</u>	 <u>2,853,534</u>
Net change in fund balance	(1,927,401)	(1,977,401)	110,410	2,087,811
Fund balance at beginning of year	<u>1,932,401</u>	<u>1,982,401</u>	<u>3,047,076</u>	<u>1,064,675</u>
 <b>Fund balance at end of year</b>	 <b><u>\$ 5,000</u></b>	 <b><u>\$ 5,000</u></b>	 3,157,486	 <b><u>\$ 3,152,486</u></b>
<b>Reconciliation to generally accepted accounting principles</b>				
Accrued payroll			(7,470)	
Accounts payable			(5,490)	
 <b>Fund balance at end of year, GAAP Basis</b>			 <b><u>\$ 3,144,526</u></b>	

See notes to financial statements

**CITY OF MOLALLA**  
**STREET FUND - SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Franchise fees	\$ 180,000	\$ 180,000	\$ 180,000	\$ -
Licenses, permits and fees	165,000	165,000	209,436	44,436
Intergovernmental	2,000,000	2,000,000	-	(2,000,000)
Fuel taxes	778,000	778,000	800,415	22,415
Miscellaneous	200,000	200,000	4,441	(195,559)
	<u>3,323,000</u>	<u>3,323,000</u>	<u>1,194,292</u>	<u>(2,128,708)</u>
<b>Expenditures</b>				
Street	1,087,015	1,107,015	985,101	121,914
Contingency	1,115,362	1,104,362	-	1,104,362
	<u>2,202,377</u>	<u>2,211,377</u>	<u>985,101</u>	<u>1,226,276</u>
Excess (deficiency) of revenues over expenditures	<u>1,120,623</u>	<u>1,111,623</u>	<u>209,191</u>	<u>(902,432)</u>
<b>Other financing sources (uses)</b>				
Transfers out	(2,409,300)	(2,409,300)	(128,300)	2,281,000
	<u>(2,409,300)</u>	<u>(2,409,300)</u>	<u>(128,300)</u>	<u>2,281,000</u>
Net change in fund balance	(1,288,677)	(1,297,677)	80,891	1,378,568
Fund balance at beginning of year	1,313,677	1,322,677	1,611,285	288,608
<b>Fund balance at end of year</b>	<b><u>\$ 25,000</u></b>	<b><u>\$ 25,000</u></b>	<b>1,692,176</b>	<b><u>\$ 1,667,176</u></b>
<b>Reconciliation to generally accepted accounting principles</b>				
Accounts receivable			388,456	
Accounts payable			(11,842)	
Accrued payroll			(16,782)	
Unavailable revenue - franchise fees			(90,000)	
<b>Fund balance at end of year, GAAP Basis</b>			<b><u>\$ 1,962,008</u></b>	

See notes to financial statements

**CITY OF MOLALLA**  
**URBAN RENEWAL AGENCY - SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 766,000	\$ 766,000	\$ 888,154	\$ 122,154
Interest	50	50	830	780
<b>Total revenues</b>	<u>766,050</u>	<u>766,050</u>	<u>888,984</u>	<u>122,934</u>
<b>Expenditures</b>				
Materials and services	222,620	262,620	67,027	195,593
Capital outlay	1,816,427	1,776,427	65,093	1,711,334
Debt service	540,507	540,507	540,207	300
Contingency	150,000	150,000	-	150,000
<b>Total expenditures</b>	<u>2,729,554</u>	<u>2,729,554</u>	<u>672,327</u>	<u>2,057,227</u>
Net change in fund balance	(1,963,504)	(1,963,504)	216,657	2,180,161
Fund balance at beginning of year	<u>2,513,504</u>	<u>2,513,504</u>	<u>2,933,070</u>	<u>419,566</u>
<b>Fund balance at end of year</b>	<u><b>\$ 550,000</b></u>	<u><b>\$ 550,000</b></u>	3,149,727	<u><b>\$ 2,599,727</b></u>
<b>Reconciliation to generally accepted accounting principles</b>				
Property tax receivables			33,241	
Accounts payable			(228,953)	
Unavailabe revenue - property taxes			<u>(20,343)</u>	
<b>Fund balance at end of year, GAAP Basis</b>			<u><b>\$ 2,933,672</b></u>	

**CITY OF MOLALLA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	<b>Business-type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Total Nonmajor Funds</b>	<b>Total Enterprise Funds</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 2,910,824	\$ 2,907,842	\$ 593,576	\$ 6,412,242
Receivables, net	279,828	448,030	36,028	763,886
Total current assets	<u>3,190,652</u>	<u>3,355,872</u>	<u>629,604</u>	<u>7,176,128</u>
Noncurrent assets				
Capital assets				
Capital assets, nondepreciable	301,525	2,774,494	24,171	3,100,190
Capital assets, net of accumulated depreciation	8,609,408	7,252,408	1,599,726	17,461,542
Total capital assets	8,910,933	10,026,902	1,623,897	20,561,732
Net other postemployment benefits asset	13,559	14,561	3,243	31,363
Total noncurrent assets	<u>8,924,492</u>	<u>10,041,463</u>	<u>1,627,140</u>	<u>20,593,095</u>
Total assets	<u>12,115,144</u>	<u>13,397,335</u>	<u>2,256,744</u>	<u>27,769,223</u>
<b>Deferred outflows of resources</b>				
Pension related items	169,843	182,396	40,615	392,854
Other postemployment benefit related items	203	218	49	470
Total deferred outflows of resources	<u>170,046</u>	<u>182,614</u>	<u>40,664</u>	<u>393,324</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	21,229	44,637	2,305	68,171
Accrued interest payable	-	7,926	-	7,926
Compensated absences	30,239	31,447	7,098	68,784
Bonds payable	-	362,100	-	362,100
Total current liabilities	<u>51,468</u>	<u>446,110</u>	<u>9,403</u>	<u>506,981</u>
Noncurrent liabilities				
Compensated absences	7,560	7,862	1,774	17,196
Bonds payable	-	797,900	-	797,900
Loans payable	-	1,718,264	-	1,718,264
Net pension liability	279,739	300,414	66,895	647,048
Total noncurrent liabilities	<u>287,299</u>	<u>2,824,440</u>	<u>68,669</u>	<u>3,180,408</u>
Total liabilities	<u>338,767</u>	<u>3,270,550</u>	<u>78,072</u>	<u>3,687,389</u>
<b>Deferred inflows of resources</b>				
Refunded debt charges	-	10,114	-	10,114
Pension related items	80,519	86,470	19,255	186,244
Other postemployment benefit related items	3,565	3,829	853	8,247
Total deferred inflows of resources	<u>84,084</u>	<u>100,413</u>	<u>20,108</u>	<u>204,605</u>
<b>Net position</b>				
Net investment in capital assets	8,910,933	7,138,524	1,623,897	17,673,354
Restricted for:				
System development	367,293	1,296,432	223,412	1,887,137
Debt service	-	22,707	-	22,707
Unrestricted	2,584,113	1,751,323	351,919	4,687,355
<b>Total net position</b>	<b><u>\$ 11,862,339</u></b>	<b><u>\$ 10,208,986</u></b>	<b><u>\$ 2,199,228</u></b>	<b><u>\$ 24,270,553</u></b>

See notes to financial statements

**CITY OF MOLALLA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2023**

	<b>Business-type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Total Nonmajor Funds</b>	<b>Totals Enterprise Funds</b>
<b>Operating revenues</b>				
Charges for services	\$ 2,188,755	\$ 4,083,894	\$ 347,845	\$ 6,620,494
Total operating revenues	<u>2,188,755</u>	<u>4,083,894</u>	<u>347,845</u>	<u>6,620,494</u>
<b>Operating expenses</b>				
Personnel services	709,028	797,471	177,200	1,683,699
Materials and services	533,497	1,799,668	56,628	2,389,793
Depreciation	309,320	241,784	46,271	597,375
Total operating expenses	<u>1,551,845</u>	<u>2,838,923</u>	<u>280,099</u>	<u>4,670,867</u>
Operating income (loss)	<u>636,910</u>	<u>1,244,971</u>	<u>67,746</u>	<u>1,949,627</u>
<b>Nonoperating revenues (expenses)</b>				
Miscellaneous	335	56,500	-	56,835
Interest expense	-	(18,486)	-	(18,486)
Total nonoperating revenue (expenses)	<u>335</u>	<u>38,014</u>	<u>-</u>	<u>38,349</u>
Income (loss) before capital contributions and transfers	637,245	1,282,985	67,746	1,987,976
Capital contributions	170,338	434,986	142,646	747,970
Transfers in	856,830	2,158,588	18,813	3,034,231
Transfers out	<u>(1,323,363)</u>	<u>(2,316,105)</u>	<u>(193,434)</u>	<u>(3,832,902)</u>
Change in net position	341,050	1,560,454	35,771	1,937,275
Net position - beginning	<u>11,521,289</u>	<u>8,648,532</u>	<u>2,163,457</u>	<u>22,333,278</u>
<b>Net position - ending</b>	<b><u>\$ 11,862,339</u></b>	<b><u>\$ 10,208,986</u></b>	<b><u>\$ 2,199,228</u></b>	<b><u>\$ 24,270,553</u></b>

**CITY OF MOLALLA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2023**

	<b>Business-type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Total Nonmajor Funds</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 2,093,954	\$ 4,011,190	\$ 346,408	\$ 6,451,552
Payments to suppliers	(527,791)	(1,889,917)	(54,542)	(2,472,250)
Payments to employees	(738,829)	(806,595)	(179,237)	(1,724,661)
Net cash provided by (used in) operating activities	<u>827,334</u>	<u>1,314,678</u>	<u>112,629</u>	<u>2,254,641</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers in	856,830	2,158,588	18,813	3,034,231
Transfers out	(1,323,363)	(2,316,105)	(193,434)	(3,832,902)
Net cash provided by (used in) noncapital financing activities	<u>(466,533)</u>	<u>(157,517)</u>	<u>(174,621)</u>	<u>(798,671)</u>
<b>Cash flows from capital and related financing activities</b>				
System development charges received	170,338	434,986	142,646	747,970
Other	335	56,500	-	56,835
Acquisition of capital assets	(928,915)	(2,292,133)	(39,907)	(3,260,955)
Issuance of long-term obligations	-	886,623	-	886,623
Principal paid on long-term obligations	-	(358,000)	-	(358,000)
Interest paid on long-term obligations	-	(22,618)	-	(22,618)
Net cash provided by (used in) capital and related financing activities	<u>(758,242)</u>	<u>(1,294,642)</u>	<u>102,739</u>	<u>(1,950,145)</u>
Net increase (decrease) in cash and cash equivalents	(397,441)	(137,481)	40,747	(494,175)
Cash and cash equivalents - beginning of year	<u>3,308,265</u>	<u>3,045,323</u>	<u>552,829</u>	<u>6,906,417</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 2,910,824</u></b>	<b><u>\$ 2,907,842</u></b>	<b><u>\$ 593,576</u></b>	<b><u>\$ 6,412,242</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 636,910	\$ 1,244,971	\$ 67,746	\$ 1,949,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	309,320	241,784	46,271	597,375
(Increase) decrease in assets and deferred outflows				
Receivables, net	(94,801)	(72,704)	(1,437)	(168,942)
Net other postemployment benefits asset	(3,356)	(4,173)	(1,042)	(8,571)
Deferred outflows - pension related items	44,711	36,046	5,663	86,420
Deferred outflows - other postemployment benefit related items	519	517	107	1,143
Increase (decrease) in liabilities and deferred inflows				
Accounts payable and accrued liabilities	5,706	(90,249)	2,086	(82,457)
Compensated absences payable	(9,958)	1,024	(1,980)	(10,914)
Net pension liability	45,883	62,320	16,453	124,656
Deferred inflows - pension related items	(107,337)	(104,790)	(21,265)	(233,392)
Deferred inflows - other postemployment benefit related items	(263)	(68)	27	(304)
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 827,334</u></b>	<b><u>\$ 1,314,678</u></b>	<b><u>\$ 112,629</u></b>	<b><u>\$ 2,254,641</u></b>

**NOTE 1 – FINANCIAL REPORTING ENTITY**

The City of Molalla (the “City”) was incorporated under the general laws of the State of Oregon. The City is governed by the Mayor and Council Members who are elected to office by voters within the City. The City Council exercises supervisory responsibilities over City operations, but day-to-day management operations are the responsibility of the City Manager, who reports to the Mayor and City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the City is a primary government with one blended component unit — Molalla Urban Renewal Agency.

Blended Component Unit

The Molalla Urban Renewal Agency (the “Agency”) was established in August 2008 under the provisions of Oregon Revised Statutes (ORS), Chapter 457, to assist in the redevelopment of blighted and deteriorated areas within the City’s designated urban renewal area. As provided by ORS 457, the City Council of the City of Molalla is designated as the governing body of the Agency. The Agency is reported as special revenue fund of the City as a blended component unit. Complete financial statements of the Agency can be obtained from the City’s Finance Department.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed 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 and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide and fund financial statements (continued)

Separate 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.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement focus, basis of accounting and financial statement presentation (continued)

The City reports the following major governmental funds:

- *General* – is the main operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Library* – accounts for the financial activities related to the City’s library. The primary source of revenue for the Library Fund comes from intergovernmental revenue from Clackamas County.
- *Street* – accounts for the maintenance of the City’s streets and street lighting. The primary sources of revenue include state fuel taxes, franchise fees and maintenance fees collected by the City.
- *Urban Renewal Agency* – accounts for the property tax revenue received for the rehabilitation of the blighted and deteriorated areas within the City’s designated urban renewal area.
- *Capital Projects* – accounts for major construction projects or equipment acquisition. The principal revenue source consists of transfers from other funds and proceeds from long-term obligations when necessary.

The City reports the following major proprietary funds:

- *Water* – accounts for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system and billing and collection activities. The primary source of revenue is user fees and charges.
- *Sewer* – accounts for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The primary source of revenue is user fees and charges.

The City also reports the following nonmajor governmental and proprietary fund types:

- *Special Revenue* – accounts for revenue derived from specific revenue sources which are legally restricted finance particular functions or activities.
- *Capital Projects* – are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type or proprietary funds).
- *Enterprise* – accounts for the operations of predominately self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The cash basis of accounting is used for all budgets of the City. All annual appropriations lapse at fiscal yearend.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds, which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City established the levels of budgetary control at the program or department level along with debt service, transfers and contingencies.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The City Council must authorize all appropriation transfers and supplementary budgetary appropriations.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly liquid debt instruments purchased with a maturity of three months or less.

Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

Uncollected property taxes are reported in governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred inflows of resources. Property taxes collected within 60 days of the end of the current period are considered measurable and available and are recognized as revenue.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

User charges and fines receivable

User charges and fines receivable are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and records an allowance for user charges at year end, based on their analysis of collectability.

Capital assets

Capital assets, which include property, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, storm sewers, sewers and similar items) and their improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the statement of net position in the proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value or materially extend the useful lives of the assets are not capitalized. Major capital assets and improvements are capitalized as projects are constructed.

Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in the statement of activities. Depreciation expense is allocated in the statement activities by program/function.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type:</u>	<u>Years:</u>
Land improvements	30 – 50 years
Buildings and improvements	25 – 65 years
Infrastructure	20 – 65 years
Machinery and equipment	5 – 30 years
Vehicles	5 – 10 years

Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related debt using the straight-line method. Bonds payable is reported net of the applicable bond premium or discount.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term obligations (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the period in which they are incurred. The face amount of the debt issued, and premiums, are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Premiums and discounts on bonded debt issuance

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The excess of bond amounts issued to refund previously issued debt over the refunded debt are reported as deferred charges and amortized over the term of the related debt.

Compensated absences

The City allows the employees to accumulate earned but unused vacation benefits. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. The vacation accrual cannot exceed 360 hours at the beginning of the calendar year. Any vacation hours exceeding the maximum limit will be transferred to non-cashable sick leave, not to exceed 528 hours. A liability for vacation pay is reported in the governmental funds only if the time has matured i.e. employee resignations or retirements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employee Retirement System (OPERS) and additions to/deductions from OPERS' 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.

Other postemployment benefits (OPEB)

For purposes of measuring the net other postemployment benefit liability (asset), 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 OPERS Retirement Health Insurance Account and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by the City's OPERS' Retirement Health Insurance Account. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred outflow / inflows of resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. These include pension related items and OPEB related items.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents amounts that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Refunded debt charges, pension related items and OPEB related items, which are amortized over specified periods, are reported as deferred inflows of resources.

The balance sheet of governmental funds will report as deferred inflows, unavailable revenues from property taxes and franchise fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position

*Government-wide and proprietary fund financial statements*

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

*Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings and liabilities that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

*Unrestricted net position* – All amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt” are reported as “unrestricted net position.”

In the government-wide and proprietary fund financial statements, 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.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund balance

*Governmental fund type fund balance reporting*

Governmental type fund balances are to be properly reported within one of the fund balance categories lists below:

**Non-spendable** — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

**Assigned** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the City Manager to assign fund balance amounts.

**Unassigned** — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Risk management

The City is exposed to various risks of loss related to errors and omissions, automobile, damage to and destruction of assets, bodily injury, and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

The City's cash and cash equivalents and investments at June 30, 2023 are as follows:

Deposits with financial institutions	\$ 743,983
State of Oregon Local Government Investment Pool	23,109,755
Cash on hand	<u>1,300</u>
Total cash and cash equivalents	<u>\$ 23,855,038</u>

The City maintains a pool of cash and cash equivalents that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and cash equivalents. Interest earned on pooled cash and cash equivalents is allocated to participating funds based upon their combined cash and cash equivalents balances.

Deposits with financial institutions

*Custodial Credit Risk – Deposits:* This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all noninterest-bearing accounts and the aggregate of all interest-bearing accounts at each institution.

Deposits in excess of FDIC coverage with financial institutions participating in the Oregon Public Funds Collateralization Program are collateralized under the Public Funds Collateralization Program (PFCP) of the Oregon State Treasurer. The PFCP is a shared liability structure for participating financial institutions and is considered additional depository insurance as defined in GASB 40. Participating financial institutions are required to pledge securities, held by the Federal Home Loan Bank of Seattle in the name of the financial institution, with a value equal to at least 10%, with limited exceptions that may require up to 110%, of the amount of deposits of Oregon municipal corporations in excess of FDIC depository insurance. In the event of a failure of a participating financial institution the collective amount of all pledged securities under the PFCP are available to return the City's deposits. As of June 30, 2023, none of the City's deposits with financial institutions were exposed to custodial credit risk.

State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

*Credit Risk.* Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

*Concentration of Credit Risk:* The City does not have a formal policy that places a limit on the amount that may be invested in any one issuer.

*Interest Rate Risk:* The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

*Custodial Credit Risk – Investments:* This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

**NOTE 4 – RECEIVABLES**

The City's receivables at June 30, 2023, are shown below:

	Governmental Activities / Funds				Business-type Activities / Proprietary Funds			
	General	Street	Urban Renewal Agency	Total Governmental Funds	Water	Sewer	Nonmajor Stormwater	Total Proprietary Funds
User charges	\$ -	\$ -	\$ -	\$ -	\$ 289,828	\$ 456,030	\$ 37,028	\$ 782,886
Accounts	205,044	388,456	-	593,500	-	-	-	-
Property taxes	155,731	-	33,241	188,972	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	(10,000)	(8,000)	(1,000)	(19,000)
<b>Total</b>	<b>\$ 360,775</b>	<b>\$ 388,456</b>	<b>\$ 33,241</b>	<b>\$ 782,472</b>	<b>\$ 279,828</b>	<b>\$ 448,030</b>	<b>\$ 36,028</b>	<b>\$ 763,886</b>

Court fines in the amount of \$2,746,324 are not included in the General Fund receivable balance due to the uncertainty of collections.



**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended June 30, 2023 is as follows:

	Balances July 1, 2022	Additions	Deletions and Reclassification	Balances June 30, 2023
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 1,584,290	\$ -	\$ -	\$ 1,584,290
Construction in progress	<u>1,749,718</u>	<u>2,161,020</u>	<u>(1,179,563)</u>	<u>2,731,175</u>
Total capital assets not being depreciated	<u>3,334,008</u>	<u>2,161,020</u>	<u>(1,179,563)</u>	<u>4,315,465</u>
Capital assets being depreciated				
Land Improvements	1,323,271	615,002	-	1,938,273
Buildings	3,092,504	108,546	-	3,201,050
Infrastructure	25,367,268	570,189	-	25,937,457
Machinery and Equipment	624,484	560,243	(110,210)	1,074,517
Vehicles	<u>1,601,069</u>	<u>310,737</u>	<u>(491,763)</u>	<u>1,420,043</u>
Total capital assets being depreciated	<u>32,008,596</u>	<u>2,164,717</u>	<u>(601,973)</u>	<u>33,571,340</u>
Less accumulated depreciation for:				
Land Improvements	564,238	36,864	-	601,102
Buildings	971,380	77,397	-	1,048,777
Infrastructure	18,716,070	841,525	-	19,557,595
Machinery and Equipment	488,727	34,794	(110,210)	413,311
Vehicles	<u>953,166</u>	<u>122,109</u>	<u>(432,424)</u>	<u>642,851</u>
Total accumulated depreciation	<u>21,693,581</u>	<u>1,112,689</u>	<u>(542,634)</u>	<u>22,263,636</u>
Total capital assets being depreciated, net	<u>10,315,015</u>	<u>1,052,028</u>	<u>(59,339)</u>	<u>11,307,704</u>
Governmental activities capital assets, net	<u>\$ 13,649,023</u>	<u>\$ 3,213,048</u>	<u>\$ (1,238,902)</u>	<u>\$ 15,623,169</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 85,649
Public safety	78,258
Highway and streets	846,453
Culture and recreation	54,399
Community development	<u>47,930</u>
Total depreciation expense - governmental activities	<u>\$ 1,112,689</u>

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Capital asset activity for the business-type activities for the year ended June 30, 2023 is as follows:

	Balances July 1, 2022	Additions	Deletions and Reclassifications	Balances June 30, 2023
<i>Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 727,509	\$ -	\$ -	\$ 727,509
Construction in progress	<u>1,182,348</u>	<u>3,029,231</u>	<u>(1,838,898)</u>	<u>2,372,681</u>
Total capital assets not being depreciated	<u>1,909,857</u>	<u>3,029,231</u>	<u>(1,838,898)</u>	<u>3,100,190</u>
Capital assets being depreciated				
Land Improvements	148,730	74,572	-	223,302
Buildings	8,406,499	-	-	8,406,499
Infrastructure	16,968,091	1,711,527	-	18,679,618
Machinery and Equipment	2,245,183	256,505	(11,300)	2,490,388
Vehicles	<u>627,922</u>	<u>28,018</u>	<u>(48,357)</u>	<u>607,583</u>
Total capital assets being depreciated	<u>28,396,425</u>	<u>2,070,622</u>	<u>(59,657)</u>	<u>30,407,390</u>
Less accumulated depreciation for:				
Land Improvements	144,410	1,881	-	146,291
Buildings	2,840,289	224,346	-	3,064,635
Infrastructure	7,185,756	281,938	-	7,467,694
Machinery and Equipment	1,682,917	75,535	(11,300)	1,747,152
Vehicles	<u>554,758</u>	<u>13,675</u>	<u>(48,357)</u>	<u>520,076</u>
Total accumulated depreciation	<u>12,408,130</u>	<u>597,375</u>	<u>(59,657)</u>	<u>12,945,848</u>
Total capital assets being depreciated, net	<u>15,988,295</u>	<u>1,473,247</u>	<u>-</u>	<u>17,461,542</u>
Business-type activities capital assets, net	<u>\$ 17,898,152</u>	<u>\$ 4,502,478</u>	<u>\$ (1,838,898)</u>	<u>\$ 20,561,732</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

*Business-type activities:*

Water	\$ 309,320
Sewer	241,784
Stormwater	<u>46,271</u>
Total depreciation expense - business-type activities	<u>\$ 597,375</u>

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – UNAVAILABLE REVENUE**

As of June 30, 2023, property taxes which are due the City, but not received within 60 days after year end are reported as unavailable revenue in the governmental funds as follows:

	Governmental Funds			Total Governmental Funds
	General	Street	Urban Renewal Agency	
Franchise fees	\$ 91,500	\$ 90,000	-	\$ 181,500
Property taxes	96,561	-	20,343	116,904
Total unavailable revenue	\$ 188,061	\$ 90,000	\$ 20,343	\$ 298,404

**NOTE 7 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2023 were as follows:

	Outstanding July 1, 2022	Additions	Reductions	Outstanding June 30, 2023	Due Within One Year
<u>Governmental activities</u>					
Long-term debt					
General obligation bonds:					
URA - 2015 Full Faith and Credit	\$ 1,715,000	-	\$ 200,000	\$ 1,515,000	\$ 200,000
URA - 2020 Full Faith and Credit Refunding	2,034,000	-	241,300	1,792,700	244,900
Unamortized premium	176,442	-	25,512	150,930	25,512
Total long-term debt	3,925,442	-	466,812	3,458,630	470,412
Other long-term obligations					
Compensated absences	\$ 289,264	\$ 279,294	\$ 289,264	\$ 279,294	\$ 223,435
Net pension liability	1,646,049	318,692	-	1,964,741	-
Total long-term obligations - governmental activities	\$ 5,860,755	\$ 597,986	\$ 756,076	\$ 5,702,665	\$ 693,847
	Outstanding July 1, 2022	Additions	Reductions	Outstanding June 30, 2023	Due Within One Year
<u>Business-type activities</u>					
Long-term debt					
General obligation bonds:					
2020 Full Faith and Credit Refunding	\$ 1,518,000	-	\$ 358,000	\$ 1,160,000	\$ 362,100
Direct borrowing:					
Clean Water State Revolving Loan	831,641	886,623	-	1,718,264	-
Total long-term debt	2,349,641	886,623	358,000	2,878,264	362,100
Other long-term obligations					
Compensated absences	96,894	85,980	96,894	85,980	68,784
Net pension liability	522,392	124,656	-	647,048	-
Total long-term obligations - business-type activities	\$ 2,968,927	\$ 1,097,259	\$ 454,894	\$ 3,611,292	\$ 430,884

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

Governmental activities long-term debt obligations:

Full Faith and Credit Obligation Bonds, Series 2015 – The Urban Renewal Agency issued \$2,690,000 of bonds secured by the City’s full faith and credit. Interest on the bonds range from 2% - 4% depending on maturity dates.

Full Faith and Credit Obligation Bonds, Series 2020 – The Urban Renewal Agency issued \$2,530,400 of refunding bonds to refund previously issued long-term obligations secured by the City’s full faith and credit. Interest on the refunding bonds is a fixed rate of 1.49%.

Business-type activities long-term debt obligations:

Full Faith and Credit Obligation Bonds, Series 2020 – The City issued \$2,125,300 of refunding bonds to refund series 2010 Sewer bond and a clean water revolving state revolving loan previously issued. Interest on the refunding bonds is a fixed rate of 1.49%.

Clean Water Revolving Loan Fund – The City signed a Clean Water State Revolving Loan Fund agreement in October 2020 to borrow \$2,700,000 for the purpose of improving the wastewater treatment plant. The funds are issued on a reimbursement basis and repayment will begin upon completion of the project.

Future maturities of long-term obligations

As of June 30, 2023, the future maturities of long-term obligations are as follows:

*Governmental activities:*

Fiscal Year	URA - 2015 Full Faith and Credit		URA - 2020 Full Faith and Credit Refunding		Unamortized Premium	Total Governmental Activities	
	Principal	Interest	Principal	Interest	Amortization	Principal	Interest
2024	\$ 200,000	\$ 60,600	\$ 244,900	\$ 26,711	\$ 25,512	\$ 470,412	\$ 87,311
2025	225,000	52,600	248,500	23,062	25,512	499,012	75,662
2026	250,000	43,600	252,200	19,360	25,512	527,712	62,960
2027	260,000	33,600	256,000	15,602	25,512	541,512	49,202
2028	280,000	23,200	259,800	11,787	25,512	565,312	34,987
2029-33	300,000	12,000	531,300	11,904	23,370	854,670	23,904
	<u>\$ 1,515,000</u>	<u>\$ 225,600</u>	<u>\$ 1,792,700</u>	<u>\$ 108,426</u>	<u>\$ 150,930</u>	<u>\$ 3,458,630</u>	<u>\$ 334,026</u>

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

Future maturities of long-term obligations (continued)

*Business-type activities:*

Fiscal Year	2020 Full Faith and Credit		Total	
	Refunding		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 362,100	\$ 17,284	\$ 362,100	\$ 17,284
2025	366,000	11,888	366,000	11,888
2026	141,900	6,436	141,900	6,436
2027	144,000	4,322	144,000	4,322
2028	146,000	2,176	146,000	2,176
2029-33	-	-	-	-
	<u>\$ 1,160,000</u>	<u>\$ 42,106</u>	<u>\$ 1,160,000</u>	<u>\$ 42,106</u>

For governmental activities compensated absences, pension and OPEB liabilities are generally liquidated by the fund in which they were incurred, including the General, Library, Street, Sewer, Water and Stormwater Funds.

**NOTE 8 – INTERFUND TRANSACTIONS**

The interfund transfers during the year ended June 30, 2023, were as follows:

	Transfers in						Total
	Governmental activities			Business-type activities			
	General	Capital Projects	Nonmajor governmental	Water	Sewer	Stormwater (nonmajor)	
<u>Transfers out:</u>							
<u>Governmental activities</u>							
General	\$ -	\$ 1,658,876	\$ 117,900	\$ -	\$ -	\$ -	\$ 1,776,776
Library	50,989	-	-	-	-	-	50,989
Street	72,668	90,000	38,300	-	-	-	200,968
URA	10,816	-	-	-	-	-	10,816
Capital projects (non-cash)	-	-	-	851,830	2,158,588	18,813	3,029,231
Nonmajor governmental	-	467,000	50,000	-	-	-	517,000
<u>Business-type activities</u>							
Water	74,307	1,227,331	21,725	-	-	-	1,323,363
Sewer	219,380	2,070,000	21,725	5,000	-	-	2,316,105
Stormwater (nonmajor)	13,034	154,000	26,400	-	-	-	193,434
	<u>\$ 441,194</u>	<u>\$ 5,667,207</u>	<u>\$ 276,050</u>	<u>\$ 856,830</u>	<u>\$ 2,158,588</u>	<u>\$ 18,813</u>	<u>\$ 9,418,682</u>

As part of the budget, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. Non-cash transfers occurred when capital assets were acquired that will be used in the operation of different fund's resources.

**NOTE 8 – INTERFUND TRANSACTIONS (Continued)**

The primary purpose for significant transfers includes the following:

- The General fund transferred \$1,658,876 to the capital project fund to provide resources for projects in process.
- The Sewer fund transferred \$2,070,000 to the capital project fund to provide resources for projects in process.
- The Water fund transferred \$1,227,331 to the capital projects fund to provide resources for projects in process.
- The Capital Projects fund had non-cash transfers to the Water and Sewer funds totaling \$851,830 and 2,158,588 for capital assets placed in service.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS**

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement Systems (OPERS).

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan. The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at: [oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf](http://oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf)

Description of benefit terms

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

Tier 1/Tier 2 retirement benefit (Chapter 238)

Tier 1/Tier 2 Retirement Benefit Plan is closed to new members hired on or after August 29, 2003.

*Pension benefits*

The OPERS 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 (1.67% for general service employees and 2% for police and fire 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.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

Tier 1/Tier 2 retirement benefit (Chapter 238) (continued)

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 and fire members). General service employees may retire after reaching age 55, and police and fire members after age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier 2 members are eligible for full benefits at age 60.

*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 an OPERS employer at the time of death,
- the member died within 120 days after termination of OPERS-covered employment,
- the member died as a result of injury sustained while employed in an OPERS-covered job, or
- the member was on an official leave of absence from an OPERS-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 OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

*Benefit changes after retirement*

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

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP) (continued)

*Pension benefits*

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:

General service: 1.5% 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.

Police and fire: 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 60, or age 53 with 25 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% 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% 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.

Contributions

OPERS funding policy provides for periodic member and employer contributions at actuarial determined rates, subject to limits set in statute. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation.

Tier 1/Tier 2 employer contribution rates are 16.21%. The OPSRP employer contribution rates are 11.97% for general service employees and 16.33% for police and fire employees. Employer contributions for the year ended June 30, 2023 were \$649,928.



**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

*Net pension liability*

At June 30, 2023, the City reported a liability of \$2,611,789 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The City's proportion of the net pension liability was actuarially determined based on a projection of the City's long-term contributions effort to the pension plan relative to the long-term projected contributions effort of all participating employers. The projected long-term contribution effort is equal to the sum of the present value of future normal costs (PVFNC) and the unfunded actuarial liability (UAL)

Normal Cost Rate: The PVFNC represents the portion of the projected long-term contribution effort related to future service. An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

UAL Rate: A UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service.

After the employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses as of the valuation date. Side accounts decrease the employer's projected long-term contribution effort because side accounts are effectively prepaid contributions. The employer's projected long-term contribution effort does not include payments toward the current value of transition liabilities and pre-SLGRP liabilities.

At June 30, 2022, the City's proportion was 0.01705714%, which was a decrease of 0.00106381% from its proportion measured as of June 30, 2021.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

*Pension expense*

For the year ended June 30, 2023, the City recognized pension expense of \$763,664.

*Deferred inflows of resources and deferred outflows of resources*

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2022, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Net differences between projected and actual investment earnings
- Changes in employer proportion since the prior measurement date
- Differences between employer contributions and employer's proportionate share of system contributions
- Contributions subsequent to the measurement date

*Deferred inflows of resources and deferred outflows of resources (continued)*

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are:

- Fiscal Year ended June 30, 2022 - 5.5 years
- Fiscal Year ended June 30, 2021 - 5.4 years
- Fiscal Year ended June 30, 2020 - 5.3 years
- Fiscal Year ended June 30, 2019 - 5.2 years
- Fiscal Year ended June 30, 2018 - 5.2 years
- Fiscal Year ended June 30, 2017 - 5.3 years
- Fiscal Year ended June 30, 2016 - 5.3 years
- Fiscal Year ended June 30, 2015 - 5.4 years
- Fiscal Year ended June 30, 2014 - 5.6 years

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 126,781	\$ 16,288
Changes in assumptions	409,804	3,744
Net difference between projected and actual earnings on pension plan investments	-	466,938
Changes in proportionate share	254,149	213,629
Differences between contributions and proportionate share of system contributions	145,083	51,171
Contributions subsequent to the measurement date	649,928	-
	\$ 1,585,745	\$ 751,770

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement in the amount of \$649,928 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2024	\$ 104,357
2025	57,446
2026	(159,931)
2027	198,255
2028	(16,080)
	\$ 184,047

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

Actuarial methods and assumptions used in developing the total pension liability

The total pension liability measured as of June 30, 2022 was based on an actuarial valuation as of December 31, 2020 using the following methods and assumptions:

Experience study report	2020, published July 20, 2021
Actuarial cost method	Entry age normal
Inflation rate	2.4%
Long-term expected rate of return	6.9%
Discount rate	6.9%
Administrative expenses – Tier 1/Tier 2	\$40.9 million per year added to normal cost
Administrative expenses – OPSRP	\$8 million per year added to normal cost
Projected salary increases	3.4%
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/.015) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<p><b>Healthy retirees and beneficiaries:</b> Pub-2010 Health Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Pub-2010 employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</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 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

Actuarial methods and assumptions used in developing the total pension liability (continued)

*UAL amortization*

The Tier 1/Tier 2 UAL amortization period was reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 20-year period from the valuation in which they are first recognized. Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tire 2 UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which will set actuarially determined contribution rates for the 2021-2023 biennium.

The OPSRP UAL as of December 31, 2007 is amortized as a level percentage of projected combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed period 16-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

*Discount rate*

The discount rate used to measure the total pension liability was 6.9%, a reduction from 7.2% from the prior fiscal year. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

*Assumed asset allocation*

Asset Class	Target Allocation
Cash	0.00%
Debt securities	20.00%
Public equity	30.00%
Private equity	20.00%
Real estate	12.50%
Real assets	7.50%
Diversifying strategies	7.50%
Risk parity	2.50%
	100.00%

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

*Long-term expected rate of return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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 forward-looking capital market economic model.

Long-Term Expected Rate of Return<sup>1</sup>

Asset Class	Annual Target Allocation	Annual Arithmetic Return <sup>2</sup>	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62%	7.11%	5.85%	17.05%
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds – Multi-Strategy	1.25	5.42	5.11	8.45
Hedge Fund Equity – Hedge	0.63	5.85	5.31	11.05
Hedge Fund – Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 <sup>3</sup>	1.77	1.76	1.20
Assumed Inflation – Mean			2.40%	1.65%

<sup>1</sup>Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

<sup>2</sup>The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

<sup>3</sup>Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

*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 (fair market value of assets) 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 asset values. 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 OPERS:

- OPERS 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 of 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 OPERS 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.

*Changes in actuarial methods and assumptions*

There have been no changes in actuarial methods or assumptions since the December 31, 2020 valuation used for determining the collective net pension liability that are expected to have a significant effect on the City's proportionate share of the collective net pension liability.

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9 – DEFINED BENEFIT PENSION PLAN – OPERS (Continued)**

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate  
The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate:

	1% Lower	Current Discount Rate	1% Higher
Proportionate share of net pension liability	\$ 4,631,784	\$ 2,611,789	\$ 921,149

**NOTE 10 – DEFINED CONTRIBUTION PLAN – OPERS INDIVIDUAL ACCOUNT PROGRAM**

Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

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

Death benefits

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



**NOTE 10 – DEFINED CONTRIBUTION PLAN – OPERS INDIVIDUAL ACCOUNT PROGRAM (Continued)**

Contributions

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit Pension Plan. If the member earns more than \$2,500 per month (increased to \$2,535 per month on January 1, 2021) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

The City makes the employee contributions of 6% of covered payroll to the IAP. Contributions for the year ended June 30, 2023 were \$253,714.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

**NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN - RHIA**

Plan description

The City contributes to the Oregon PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Contributions are mandatory for each employer that is a member of PERS.

The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at: [oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf](https://oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf)

Description of benefit terms

All benefits of the System are established by the legislature pursuant to Oregon Revised Statutes Chapters 238 and 238A.

The RHIA is closed to new members hired on or after August 29, 2003.

*Other Postemployment Healthcare benefits*

Eligible retired members receive a monthly healthcare benefit for life up to \$60 toward the monthly cost health insurance.

**NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN – RHIA (Continued)**

To be eligible, the member must:

- 1) Have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS
- 2) Receive both Medicare Parts A and B coverage
- 3) Enroll in a PERS-sponsored health plan

*Surviving spouse or dependent benefits*

A surviving spouse or dependent of a deceased retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

Contributions

OPERS funding policy provides for periodic member and employer contributions at the rates established by the Public Employees Retirement Board, subject to limits set in statute. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation.

The City contributed 0.06% of PERS-covered salaries for Tier 1 and Tier 2 members to fund the normal cost portion of RHIA benefits. Since the funded status of the RHIA UAL is in excess of 100%, no contributions were required to fund the RHIA UAL. For the year ended June 30, 2023, the City made contributions in the amount of \$903 to the RHIA.

Net OPEB liability/(asset), pension expense and deferred outflows of resources and deferred inflows of resources related to other postemployment benefits

*Net OPEB liability (asset)*

At June 30, 2023, the City reported an (asset) of \$126,597 for its proportionate share of the net OPEB liability/(asset). The net OPEB liability/(asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020. The City's proportion of the net OPEB liability/(asset) was based on its actual, legally required contributions made during the fiscal year with the total actual contributions of all employers during the fiscal year.

At June 30, 2022, the City's proportion was 0.03562746%, which was an increase of 0.00807627% from its proportion measured as of June 30, 2021.

*OPEB expense*

For the year ended June 30, 2023, the City recognized OPEB expense of \$(28,490).

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN – RHIA (Continued)**

*Deferred inflows of resources and deferred outflows of resources*

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2022, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Net difference between projected and actual investment earnings
- Contributions subsequent to the measurement date

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period “layers” attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

- Fiscal Year ended June 30, 2022 – 2.5 years
- Fiscal Year ended June 30, 2021 – 2.7 years
- Fiscal Year ended June 30, 2020 – 2.9 years
- Fiscal Year ended June 30, 2019 – 3.1 years
- Fiscal Year ended June 30, 2018 – 3.3 years
- Fiscal Year ended June 30, 2017 – 3.7 years

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,431
Changes in assumptions	991	4,220
Net difference between projected and actual earnings on investments	-	9,655
Change in proportionate share	-	15,983
City's contributions subsequent to the measurement date	<u>903</u>	<u>-</u>
	<u>\$ 1,894</u>	<u>\$ 33,289</u>

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN – RHIA (Continued)**

Deferred outflows of resources related to OPEB resulting from the City’s contributions subsequent to the measurement date in the amount of \$903 will be recognized as an adjustment to the net OPEB (asset) / liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2024	\$ (19,318)
2025	(9,979)
2026	(6,093)
2027	3,092
2028	-
	\$ (32,298)

Actuarial methods and assumptions used in developing total OPEB liability

Except as identified below, actuarial methods and assumptions used in developing the total OPEB liability are the same as those used to develop the total PERS pension liability as discussed in Note 10.

*Retiree healthcare participation*

Healthy retirees are assumed to participate 32% of the time while disabled retirees are assumed to participate 20% of the time.

*Healthcare cost trend rate*

A healthcare cost trend rate is not utilized in the actuarial valuation as statute stipulates a \$60 monthly payment to retirees for health insurance.

*Depletion date projection*

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB 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 (fair market value of assets) 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 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 82) 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.

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN – RHIA (Continued)**

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS (OPERS):

- OPERS 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 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of 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 OPERS independent actuary’s opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

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

The following presents the proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.9%, as well as what the proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net other postemployment benefit liability (asset)	\$ (114,099)	\$ (126,597)	\$ (137,310)

**NOTE 12 – 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 No. 75. The Trust does not issue a publicly available financial report.

**NOTE 12 – OREGON TEAMSTER EMPLOYER’S TRUST PLAN (Continued)**

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, 2023, the Trust has 13 employees participating in the Trust.

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 \$74 per month under the current collective bargaining agreement, which expires on June 30, 2025. The City’s total contributions to the Trust for the year ended June 30, 2023 were \$10,249.

**NOTE 13 – NET POSITION RESTRICTED THROUGH ENABLING LEGISLATION**

As of June 30, 2023, the amount of net position restricted by enabling legislation is as follows:

Governmental activities

System development – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	\$ 3,953,178
Highways and streets – Street maintenance fees are restricted for maintenance of public streets	2,052,008
Urban renewal taxes – Taxes are restricted to improving and redeveloping designated areas (community development)	2,954,015

Business-type activities

System development – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	1,887,137
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**NOTE 14 – TAX ABATEMENTS**

The City has entered into property tax abatement agreements whereby the assessed value of property tax has been reduced under ORS 285C for partial abatement on enterprise zones. As a result, the City’s property tax revenue from the year ended June 30, 2023 has been abated by \$23,036, of which \$4,339 relate to the Urban Renewal Agency.

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 – COMMITMENTS**

At June 30, 2023, the City has contract commitments on the Police Facility project totaling \$214,972 and on the Wastewater Treatment Plant project totaling \$2,296,449.

**NOTE 16 – BUDGETARY PERSPECTIVE DIFFERENCES**

The budget of the City is prepared differently from accounting principles generally accepted in the United States of America (GAAP). Therefore, the statements of revenues, expenditures and changes in fund balances (budgetary basis) – budget and actual for governmental funds are presented on a budgetary basis and are adjusted to the statement of revenues, expenditures and changes in fund balance – governmental funds in accordance with GAAP. The following is a reconciliation of the differences between the budgetary basis and GAAP for revenues and other financing sources over (under) expenditures and other financing uses for the aforementioned statements:

	<u>General</u>	<u>Library</u>	<u>Street</u>	<u>URA</u>	<u>Capital Projects</u>
<b>Net change in fund balances - generally accepted accounting principles basis</b>	\$ (649,355)	\$ 104,617	\$ 276,796	\$ (2,251)	\$ 1,530,642
<b>Revenues:</b>					
(Increase) decrease in property taxes and other receivables susceptible to accrual, recognized as revenues on the generally accepted accounting principles basis	(60,031)	-	(196,131)	(7,632)	-
Increase (decrease) in unavailable revenues	<u>(23,727)</u>	<u>-</u>	<u>-</u>	<u>(2,413)</u>	<u>-</u>
	<u>(83,758)</u>	<u>-</u>	<u>(196,131)</u>	<u>(10,045)</u>	<u>-</u>
<b>Expenditures:</b>					
Increase (decrease) in accounts and accrued expenditures and deposits recognized as expenditures on the generally accepted accounting principles basis	<u>72,913</u>	<u>5,793</u>	<u>226</u>	<u>228,953</u>	<u>(27,426)</u>
<b>Net change in fund balances - budgetary basis</b>	<u>\$ (660,200)</u>	<u>\$ 110,410</u>	<u>\$ 80,891</u>	<u>\$ 216,657</u>	<u>\$ 1,503,216</u>

**CITY OF MOLALLA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 – BUDGETARY PERSPECTIVE DIFFERENCES (Continued)**

In addition, a reconciliation of the differences between budgetary basis and GAAP in beginning and ending fund balances is as follows:

	General	Library	Street	URA	Capital Projects
<b>Beginning fund balances - generally accepted accounting principles basis</b>	\$ 3,660,620	\$ 3,039,909	\$ 1,685,212	\$ 2,935,923	\$ 310,820
Differences in revenue recognition	(77,861)	-	(102,325)	(2,853)	-
Differences in expenditure recognition	<u>53,772</u>	<u>7,167</u>	<u>28,398</u>	<u>-</u>	<u>196,286</u>
<b>Beginning fund balance - budgetary basis</b>	<u>\$ 3,636,531</u>	<u>\$ 3,047,076</u>	<u>\$ 1,611,285</u>	<u>\$ 2,933,070</u>	<u>\$ 507,106</u>
<b>Ending fund balances - generally accepted accounting principles basis</b>	\$ 3,011,265	\$ 3,144,526	\$ 1,962,008	\$ 2,933,672	\$ 1,841,462
Differences in revenue recognition	(161,619)	-	(388,456)	(33,241)	-
Differences in expenditures recognition	<u>126,685</u>	<u>12,960</u>	<u>118,624</u>	<u>249,296</u>	<u>168,860</u>
<b>Ending fund balance - budgetary basis</b>	<u>\$ 2,976,331</u>	<u>\$ 3,157,486</u>	<u>\$ 1,692,176</u>	<u>\$ 3,149,727</u>	<u>\$ 2,010,322</u>

**NOTE 17 – NEWLY ISSUED ACCOUNTING STANDARDS**

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The statement improves financial reporting by addressing issues related to public-private partnership arrangements (PPPs) by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) by requiring governments engaged in APAs that contain multiple components to recognize each component as a separate arrangement, and when related to operating or maintaining a nonfinancial asset, to report an outflow of resources in the period to which payments relate. Implementation of this standard had no impact on the City's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users, including defining a SBITA, establishing that a SBITA results in an intangible right-to-use subscription asset and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. Implementation of this standard had no impact on the City's financial statements.

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2023, \$533,302 in additional funds have been drawn on the Clean Water State Revolving Loan Fund (CWSRF) loan.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MOLALLA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last 10 Plan Years Ended June 30, \***

<b>Year Ended June 30,</b>	<b>City's proportion of the net pension liability (asset)</b>	<b>City's proportionate share of the net pension liability (asset)</b>	<b>City's covered payroll</b>	<b>City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2022	0.01705714%	\$ 2,611,789	\$ 4,334,032	60%	85%
2021	0.01812095%	2,168,441	3,640,295	60%	88%
2020	0.01783089%	3,891,314	3,519,985	111%	76%
2019	0.01439485%	2,489,964	3,497,725	71%	80%
2018	0.01689245%	2,558,984	3,248,982	79%	82%
2017	0.15171290%	2,045,096	2,993,583	68%	83%
2016	0.01652462%	2,480,729	2,891,160	86%	81%
2015	0.01495015%	951,263	2,627,835	36%	92%
2014	0.01495015%	(338,877)	2,773,860	-12%	104%
2013	0.01656831%	673,613	2,540,455	27%	92%

**Notes to schedule**

***Changes in Benefit Terms and Assumptions***

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.

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, and the inflation rate was lowered from 2.5 to 2.4 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. There were no change for the year ended June 30, 2022.

**CITY OF MOLALLA**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last 10 Fiscal Years Ended June 30, \***

<b>Year Ended June 30,</b>	<b>Statutorily required contribution</b>	<b>Contributions in relation to the statutorily required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>City's covered payroll</b>	<b>Contributions as a percent of covered payroll</b>
2023	\$ 649,928	\$ 649,928	-	\$ 4,473,010	14.53%
2022	628,354	628,354	-	4,334,032	14.50%
2021	525,575	525,575	-	3,640,295	14.44%
2020	483,896	483,896	-	3,519,985	13.75%
2019	348,046	348,046	-	3,497,725	9.95%
2018	323,855	323,855	-	3,248,982	9.97%
2017	218,329	218,329	-	2,993,583	7.29%
2016	320,569	320,569	-	2,891,160	11.09%
2015	722,439	722,439	-	2,627,835	27.49%
2014	764,154	764,154	-	2,773,860	27.55%

**CITY OF MOLALLA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE**  
**NET OTHER POST EMPLOYMENT BENEFIT LIABILITY (ASSET)**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last 10 Plan Years Ended June 30, \***

<b>Year Ended June 30,</b>	<b>City's proportion of the net OPEB liability (asset)</b>	<b>City's proportionate share of the net OPEB liability (asset)</b>	<b>City's covered payroll</b>	<b>City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>
2022	0.03562746%	\$ (126,597)	\$ 4,334,032	-3%	195%
2021	0.02755119%	(94,611)	3,640,295	-3%	184%
2020	0.02026147%	(41,285)	3,519,985	-1%	150%
2019	0.02844408%	(54,964)	3,497,725	-2%	144%
2018	0.02720970%	(30,373)	3,248,982	-1%	124%
2017	0.02671796%	(11,150)	2,993,583	0%	109%

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

**Notes to schedule**

Changes in Actuarial Assumptions Used to Determine Contributions:

Actuarial valuation	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013
Effective period	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2016 - June 2017
Actuarial assumptions:				
Inflation rate	2.40 percent	2.50 percent	2.50 percent	2.75 percent
Projected salary increase	3.40 percent	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	6.90 percent	7.20 percent	7.20 percent	7.75 percent

**CITY OF MOLALLA**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last 10 Fiscal Years Ended June 30,\***

<b>Year Ended June 30,</b>	<b>Statutorily required contribution</b>	<b>Contributions in relation to the statutorily required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>City's covered payroll</b>	<b>Contributions as a percent of covered payroll</b>
2023	\$ 903	\$ 903	\$ -	\$ 4,473,010	0.02%
2022	878	878	-	4,334,032	0.02%
2021	737	737	-	3,640,295	0.02%
2020	1,447	1,447	-	3,519,985	0.04%
2019	14,097	14,097	-	3,497,725	0.40%
2018	13,175	13,175	-	3,248,982	0.41%
2017	13,302	13,302	-	2,993,583	0.44%

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

**CITY OF MOLALLA**  
**SCHEDULE OF CONTRIBUTIONS**  
**OREGON TEAMSTER EMPLOYER'S TRUST**  
**Last 10 Fiscal Years Ended June 30,\***

<b>Year Ended June 30,</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>
2023	\$ 10,249	\$ 10,249	-
2022	10,432	10,432	-
2021	9,472	9,472	-
2020	8,396	8,396	-
2019	8,400	8,400	-
2018	3,816	3,816	-

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

**COMBINING FINANCIAL STATEMENTS AND  
INDIVIDUAL FUND SCHEDULES**

**CITY OF MOLALLA**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 4,700,000	\$ 4,700,000	\$ 969,557	\$ (3,730,443)
Total revenues	<u>4,700,000</u>	<u>4,700,000</u>	<u>969,557</u>	<u>(3,730,443)</u>
<b>Expenditures</b>				
Capital outlay	<u>13,692,057</u>	<u>14,203,454</u>	<u>5,133,548</u>	<u>9,069,906</u>
Total expenditures	<u>13,692,057</u>	<u>14,203,454</u>	<u>5,133,548</u>	<u>9,069,906</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>8,581,000</u>	<u>9,092,397</u>	<u>5,667,207</u>	<u>(3,425,190)</u>
Total other financing sources (uses)	<u>8,581,000</u>	<u>9,092,397</u>	<u>5,667,207</u>	<u>(3,425,190)</u>
Net change in fund balance	(411,057)	(411,057)	1,503,216	1,914,273
Fund balance at beginning of year	<u>411,057</u>	<u>411,057</u>	<u>507,106</u>	<u>96,049</u>
<b>Fund balance at end of year</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b>2,010,322</b>	<b><u>\$ 2,010,322</u></b>
<b>Reconciliation to generally accepted accounting principles</b>				
Accounts payable			<u>(168,860)</u>	
<b>Fund balance at end of year, GAAP Basis</b>			<b><u>\$ 1,841,462</u></b>	



**CITY OF MOLALLA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<b>Special Revenue</b>		
	<b>Police</b>	<b>Total Nonmajor</b>	<b>Total Nonmajor</b>
	<b>Department</b>	<b>Capital Projects</b>	<b>Governmental</b>
	<b>Restricted</b>	<b>Capital Projects</b>	<b>Funds</b>
	<b>Revenue</b>	<b>Capital Projects</b>	<b>Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,793	\$ 4,399,780	\$ 4,403,573
<b>Total assets</b>	<b>\$ 3,793</b>	<b>\$ 4,399,780</b>	<b>\$ 4,403,573</b>
<b>Fund balances</b>			
Restricted for:			
System development	\$ -	\$ 3,953,178	\$ 3,953,178
Police department	3,793	-	3,793
Committed for:			
Fleet replacement	-	446,602	446,602
<b>Total fund balances</b>	<b>\$ 3,793</b>	<b>\$ 4,399,780</b>	<b>\$ 4,403,573</b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2023**

	<u>Special Revenue</u>		<b>Total Nonmajor Governmental Funds</b>
	<b>Police Department Restricted Revenue</b>	<b>Total Nonmajor Capital Projects</b>	
<b>Revenues</b>			
Donations	\$ 4,246	\$ -	\$ 4,246
System development charges	-	1,267,898	1,267,898
Intergovernmental	50,000	-	50,000
Miscellaneous	<u>1,046</u>	<u>-</u>	<u>1,046</u>
Total revenues	<u>55,292</u>	<u>1,267,898</u>	<u>1,323,190</u>
<b>Expenditures</b>			
Current			
Public safety	1,500	-	1,500
Capital outlay	<u>-</u>	<u>211,896</u>	<u>211,896</u>
Total expenditures	<u>1,500</u>	<u>211,896</u>	<u>213,396</u>
Excess (deficiency) of revenues over expenditures	<u>53,792</u>	<u>1,056,002</u>	<u>1,109,794</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	276,050	276,050
Transfers out	<u>(50,000)</u>	<u>(467,000)</u>	<u>(517,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(190,950)</u>	<u>(240,950)</u>
Net change in fund balances	3,792	865,052	868,844
Fund balances at beginning of year	<u>\$ 1</u>	<u>3,534,728</u>	<u>3,534,729</u>
<b>Fund balance at end of year</b>	<b><u>\$ 3,793</u></b>	<b><u>\$ 4,399,780</u></b>	<b><u>\$ 4,403,573</u></b>

**CITY OF MOLALLA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
June 30, 2023

	<b>Parks System Development Charges</b>	<b>Transportation System Development Charges</b>	<b>Fleet Replacement</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,778,840	\$ 2,174,338	\$ 446,602	\$ 4,399,780
<b>Total assets</b>	<b><u>\$ 1,778,840</u></b>	<b><u>\$ 2,174,338</u></b>	<b><u>\$ 446,602</u></b>	<b><u>\$ 4,399,780</u></b>
<b>Fund balances</b>				
Restricted for:				
System development	\$ 1,778,840	\$ 2,174,338	\$ -	\$ 3,953,178
Committed for:				
Fleet replacement	-	-	446,602	446,602
<b>Total fund balances</b>	<b><u>\$ 1,778,840</u></b>	<b><u>\$ 2,174,338</u></b>	<b><u>\$ 446,602</u></b>	<b><u>\$ 4,399,780</u></b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**Year Ended June 30, 2023**

	<b>Parks System Development Charges</b>	<b>Transportation System Development Charges</b>	<b>Fleet Replacement</b>	<b>Total</b>
<b>Revenues</b>				
System development charges	\$ 546,762	\$ 721,136	\$ -	\$ 1,267,898
Total revenues	<u>546,762</u>	<u>721,136</u>	<u>-</u>	<u>1,267,898</u>
<b>Expenditures</b>				
Capital outlay	-	-	211,896	211,896
Total expenditures	<u>-</u>	<u>-</u>	<u>211,896</u>	<u>211,896</u>
Excess (deficiency) of revenues over expenditures	<u>546,762</u>	<u>721,136</u>	<u>(211,896)</u>	<u>1,056,002</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	276,050	276,050
Transfers out	<u>(350,000)</u>	<u>(117,000)</u>	<u>-</u>	<u>(467,000)</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(117,000)</u>	<u>276,050</u>	<u>(190,950)</u>
Net change in fund balances	196,762	604,136	64,154	865,052
Fund balances at beginning of year	<u>1,582,078</u>	<u>1,570,202</u>	<u>382,448</u>	<u>3,534,728</u>
<b>Fund balance at end of year</b>	<b><u>\$ 1,778,840</u></b>	<b><u>\$ 2,174,338</u></b>	<b><u>\$ 446,602</u></b>	<b><u>\$ 4,399,780</u></b>

**CITY OF MOLALLA**  
**PD RESTRICTED - SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Intergovernmental	\$ 50,000	\$ 50,000	\$ -
Donations	7,300	4,246	(3,054)
Miscellaneous	-	1,046	1,046
	57,300	55,292	(2,008)
<b>Expenditures</b>			
Police Department	7,300	1,500	5,800
	7,300	1,500	5,800
Excess (deficiency) of revenues over expenditures	50,000	53,792	3,792
<b>Other financing sources (uses)</b>			
Transfers out	(50,000)	(50,000)	-
	(50,000)	(50,000)	-
Net change in fund balance	-	3,792	3,792
Fund balance at beginning of year	-	1	1
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ 3,793</b>	<b>\$ 3,793</b>

**CITY OF MOLALLA**  
**PARKS SYSTEM DEVELOPMENT CHARGES - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
System development charges	\$ 35,000	\$ 546,762	\$ 511,762
Total revenues	<u>35,000</u>	<u>546,762</u>	<u>511,762</u>
<b>Other financing sources (uses)</b>			
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Net change in fund balance	(315,000)	196,762	511,762
Fund balance at beginning of year	<u>1,522,979</u>	<u>1,582,078</u>	<u>59,099</u>
<b>Fund balance at end of year</b>	<b><u>\$ 1,207,979</u></b>	<b><u>\$ 1,778,840</u></b>	<b><u>\$ 570,861</u></b>

**CITY OF MOLALLA**  
**TRANSPORTATION SYSTEM DEVELOPMENT CHARGES - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
System development charges	\$ 65,000	\$ 721,136	\$ 656,136
Total revenues	<u>65,000</u>	<u>721,136</u>	<u>656,136</u>
<b>Other financing sources (uses)</b>			
Transfers out	<u>(405,000)</u>	<u>(117,000)</u>	<u>288,000</u>
Total other financing sources (uses)	<u>(405,000)</u>	<u>(117,000)</u>	<u>288,000</u>
Net change in fund balance	(340,000)	604,136	944,136
Fund balance at beginning of year	<u>1,478,892</u>	<u>1,570,202</u>	<u>91,310</u>
<b>Fund balance at end of year</b>	<b><u>\$ 1,138,892</u></b>	<b><u>\$ 2,174,338</u></b>	<b><u>\$ 1,035,446</u></b>

**CITY OF MOLALLA**  
**FLEET REPLACEMENT - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Expenditures</b>			
Fleet replacement - capital outlay	\$ 729,518	\$ 211,896	\$ 517,622
Total expenditures	729,518	211,896	517,622
<b>Other financing sources (uses)</b>			
Transfers in	276,050	276,050	-
Total other financing sources (uses)	276,050	276,050	-
Net change in fund balance	(453,468)	64,154	517,622
Fund balance (deficit) at beginning of year	453,468	382,448	(71,020)
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ 446,602</b>	<b>\$ 446,602</b>



**CITY OF MOLALLA**  
**COMBINING STATEMENT OF NET POSITION**  
**WATER FUND**  
**June 30, 2023**

	<b>Water</b>	<b>Water System Development Charges</b>	<b>Total Water Fund</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,543,531	\$ 367,293	\$ 2,910,824
Receivables, net	279,828	-	279,828
Total current assets	<u>2,823,359</u>	<u>367,293</u>	<u>3,190,652</u>
Noncurrent assets			
Capital assets:			
Capital assets, nondepreciable	301,525	-	301,525
Capital assets, net of accumulated depreciation	8,609,408	-	8,609,408
Total capital assets	8,910,933	-	8,910,933
Net other postemployment benefits asset	13,559	-	13,559
Total noncurrent assets	<u>8,924,492</u>	<u>-</u>	<u>8,924,492</u>
Total assets	<u>11,747,851</u>	<u>367,293</u>	<u>12,115,144</u>
<b>Deferred outflows of resources</b>			
Pension related items	169,843	-	169,843
Other postemployment benefit related items	203	-	203
Total deferred outflows of resources	<u>170,046</u>	<u>-</u>	<u>170,046</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	21,229	-	21,229
Compensated absences	30,239	-	30,239
Total current liabilities	<u>51,468</u>	<u>-</u>	<u>51,468</u>
Noncurrent liabilities			
Compensated absences	7,560	-	7,560
Net pension liability	279,739	-	279,739
Total noncurrent liabilities	<u>287,299</u>	<u>-</u>	<u>287,299</u>
Total liabilities	<u>338,767</u>	<u>-</u>	<u>338,767</u>
<b>Deferred inflows of resources</b>			
Pension related items	80,519	-	80,519
Other postemployment benefit related items	3,565	-	3,565
Total deferred inflows of resources	<u>84,084</u>	<u>-</u>	<u>84,084</u>
<b>Net position</b>			
Net investment in capital assets	8,910,933	-	8,910,933
Restricted for system development	-	367,293	367,293
Unrestricted	2,584,113	-	2,584,113
Total net position	<u>\$ 11,495,046</u>	<u>\$ 367,293</u>	<u>\$ 11,862,339</u>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**WATER FUND**  
**Year Ended June 30, 2023**

	Water System		Total Water Fund
	Water	Development Charges	
<b>Operating revenues</b>			
Charges for services	\$ 2,188,755	\$ -	\$ 2,188,755
<b>Operating expenses</b>			
Personnel services	709,028	-	709,028
Materials and services	533,497	-	533,497
Depreciation	309,320	-	309,320
Total operating expenses	1,551,845	-	1,551,845
Operating income (loss)	636,910	-	636,910
<b>Nonoperating revenues (expenses)</b>			
Miscellaneous	335	-	335
Total nonoperating revenue (expenses)	335	-	335
Income (loss) before capital contributions and transfers	637,245	-	637,245
Capital contributions	-	170,338	170,338
Transfers in	856,830	-	856,830
Transfers out	(1,003,363)	(320,000)	(1,323,363)
Change in net position	490,712	(149,662)	341,050
Net position - beginning	11,004,334	516,955	11,521,289
<b>Net position - ending</b>	<b>\$ 11,495,046</b>	<b>\$ 367,293</b>	<b>\$ 11,862,339</b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**WATER FUND**  
**Year Ended June 30, 2023**

	<b>Water</b>	<b>Water System Development Charges</b>	<b>Total Water Fund</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 2,093,954	\$ -	\$ 2,093,954
Payments to suppliers	(527,791)	-	(527,791)
Payments to employees	(738,829)	-	(738,829)
Net cash provided by (used in) operating activities	<u>827,334</u>	<u>-</u>	<u>827,334</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	856,830	-	856,830
Transfers out	(1,003,363)	(320,000)	(1,323,363)
Net cash provided by (used in) noncapital financing activities	<u>(146,533)</u>	<u>(320,000)</u>	<u>(466,533)</u>
<b>Cash flows from capital and related financing activities</b>			
System development charges received	-	170,338	170,338
Other	335	-	335
Acquisition of capital assets	(928,915)	-	(928,915)
Net cash provided by (used in) capital and related financing activities	<u>(928,580)</u>	<u>170,338</u>	<u>(758,242)</u>
Net increase (decrease) in cash and cash equivalents	(247,779)	(149,662)	(397,441)
Cash and cash equivalents - beginning of year	2,791,310	516,955	3,308,265
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 2,543,531</u></b>	<b><u>\$ 367,293</u></b>	<b><u>\$ 2,910,824</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 636,910	\$ -	\$ 636,910
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	309,320	-	309,320
(Increase) decrease in assets and deferred outflows of resources			
Receivables, net	(94,801)	-	(94,801)
Net other postemployment benefits asset	(3,356)	-	(3,356)
Deferred outflows - pension related items	44,711	-	44,711
Deferred outflows - other postemployment benefit related items	519	-	519
Increase (decrease) in liabilities and deferred inflows of resources			
Accounts payable and accrued liabilities	5,706	-	5,706
Compensated absences	(9,958)	-	(9,958)
Net pension liability	45,883	-	45,883
Pension related items	(107,337)	-	(107,337)
Deferred inflows - other postemployment benefit related items	(263)	-	(263)
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 827,334</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 827,334</u></b>

**CITY OF MOLALLA**  
**WATER OPERATIONS - ENTERPRISE FUND (MAJOR FUND)**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
Year Ended June 30, 2023

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 2,080,000	\$ 2,080,000	\$ 2,093,954	\$ 13,954
Miscellaneous	500	500	335	(165)
Total revenues	2,080,500	2,080,500	2,094,289	13,789
<b>Expenditures</b>				
Water	802,367	816,317	752,326	63,991
Water maintenance	526,595	548,595	508,768	39,827
Water operations	192,300	192,300	156,918	35,382
Contingency	1,616,854	1,594,854	-	1,594,854
Total expenditures	3,138,116	3,152,066	1,418,012	1,734,054
Excess (deficiency) of revenues over expenditures	(1,057,616)	(1,071,566)	676,277	1,747,843
<b>Other financing sources (uses)</b>				
Transfers in	5,000	5,000	5,000	-
Transfers out	(1,196,725)	(1,196,725)	(929,056)	267,669
Total other financing sources (uses)	(1,191,725)	(1,191,725)	(924,056)	267,669
Net change in fund balance	(2,249,341)	(2,263,291)	(247,779)	2,015,512
Fund balance at beginning of year	2,349,341	2,363,291	2,791,310	428,019
<b>Fund balance at end of year</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	2,543,531	<b>\$ 2,443,531</b>
<b>Reconciliation to generally accepted accounting principles</b>				
Receivable, net			279,828	
Capital assets, net			8,910,933	
Net OPEB asset			13,559	
Deferred outflows related to pension			169,843	
Deferred outflows related to OPEB			203	
Deferred inflows related to pension			(80,519)	
Deferred inflows related to OPEB			(3,565)	
Accounts payable			(21,229)	
Compensated absences			(37,799)	
Net pension liability			(279,739)	
<b>Net position at end of year, GAAP Basis</b>			<b>\$ 11,495,046</b>	

**CITY OF MOLALLA**  
**WATER SYSTEM DEVELOPMENT CHARGES - WATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
System development charges	\$ 53,000	\$ 170,338	\$ 117,338
Total revenues	53,000	170,338	117,338
<b>Expenditures</b>			
Materials and services	20,000	-	20,000
Total expenditures	20,000	-	20,000
Excess (deficiency) of revenues over expenditures	33,000	170,338	137,338
<b>Other financing sources (uses)</b>			
Transfers out	(320,000)	(320,000)	-
Total other financing sources (uses)	(320,000)	(320,000)	-
Net change in fund balance	(287,000)	(149,662)	137,338
Fund balance at beginning of year	522,935	516,955	(5,980)
<b>Fund balance at end of year</b>	<b>\$ 235,935</b>	<b>\$ 367,293</b>	<b>\$ 131,358</b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF NET POSITION**  
**SEWER FUND**  
**June 30, 2023**

	<b>Sewer</b>	<b>Sewer System Development Charges</b>	<b>Sewer Debt Retirement</b>	<b>Sewer CWSRF</b>	<b>Total Sewer Fund</b>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 1,588,703	\$ 1,296,432	\$ 22,707	\$ -	\$ 2,907,842
Receivables, net	448,030	-	-	-	448,030
Total current assets	<u>2,036,733</u>	<u>1,296,432</u>	<u>22,707</u>	<u>-</u>	<u>3,355,872</u>
Noncurrent assets					
Capital assets:					
Capital assets, nondepreciable	2,774,494	-	-	-	2,774,494
Capital assets, net of accumulated depreciation	7,252,408	-	-	-	7,252,408
Total capital assets	<u>10,026,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,026,902</u>
Net other postemployment benefits asset	14,561	-	-	-	14,561
Total noncurrent assets	<u>10,041,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,041,463</u>
Total assets	<u>12,078,196</u>	<u>1,296,432</u>	<u>22,707</u>	<u>-</u>	<u>13,397,335</u>
<b>Deferred outflows of resources</b>					
Pension related items	182,396	-	-	-	182,396
Other postemployment benefit related items	218	-	-	-	218
Total deferred outflows of resources	<u>182,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,614</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	44,637	-	-	-	44,637
Accrued interest payable	7,926	-	-	-	7,926
Compensated absences	31,447	-	-	-	31,447
Bonds payable	362,100	-	-	-	362,100
Total current liabilities	<u>446,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,110</u>
Noncurrent liabilities					
Compensated absences	7,862	-	-	-	7,862
Bonds payable	797,900	-	-	-	797,900
Loans payable	1,718,264	-	-	-	1,718,264
Net pension liability	300,414	-	-	-	300,414
Total noncurrent liabilities	<u>2,824,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,824,440</u>
Total liabilities	<u>3,270,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,270,550</u>
<b>Deferred inflows of resources</b>					
Refunded debt charges	10,114	-	-	-	10,114
Pension related items	86,470	-	-	-	86,470
Other postemployment benefit related items	3,829	-	-	-	3,829
Total deferred inflows of resources	<u>100,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,413</u>
<b>Net position</b>					
Net investment in capital assets	7,138,524	-	-	-	7,138,524
Restricted for:					
System development	-	1,296,432	-	-	1,296,432
Debt service	-	-	22,707	-	22,707
Unrestricted	<u>1,751,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,751,323</u>
Total net position	<u>\$ 8,889,847</u>	<u>\$ 1,296,432</u>	<u>\$ 22,707</u>	<u>\$ -</u>	<u>\$ 10,208,986</u>

CITY OF MOLALLA  
**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**  
**SEWER FUND**  
Year Ended June 30, 2023

	Sewer	Sewer System Development Charges	Sewer Debt Retirement	Sewer CWSRF	Eliminations	Total Sewer Fund
<b>Operating revenues</b>						
Charges for services	\$ 4,083,894	\$ -	\$ -	\$ -	\$ -	\$ 4,083,894
<b>Operating expenses</b>						
Personnel services	797,471	-	-	-	-	797,471
Materials and services	1,799,668	-	-	-	-	1,799,668
Depreciation	241,784	-	-	-	-	241,784
Total operating expenses	2,838,923	-	-	-	-	2,838,923
Operating income (loss)	1,244,971	-	-	-	-	1,244,971
<b>Nonoperating revenues (expenses)</b>						
Miscellaneous	56,500	-	-	-	-	56,500
Interest expense	(18,486)	-	-	-	-	(18,486)
Total nonoperating revenues (expenses)	38,014	-	-	-	-	38,014
Income (loss) before capital contributions and transfers	1,282,985	-	-	-	-	1,282,985
Capital contributions	-	434,986	-	-	-	434,986
Transfers in	2,158,588	-	7	-	(7)	2,158,588
Transfers out	(2,274,112)	-	-	(42,000)	7	(2,316,105)
Change in net position	1,167,461	434,986	7	(42,000)	-	1,560,454
Net position - beginning	7,722,386	861,446	22,700	42,000	-	8,648,532
<b>Net position - ending</b>	<b>\$ 8,889,847</b>	<b>\$ 1,296,432</b>	<b>\$ 22,707</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,208,986</b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**SEWER FUND**  
Year Ended June 30, 2023

	Sewer System				Eliminations	Total Sewer Fund
	Sewer	Development Charges	Sewer Debt Retirement	Sewer CWSRF		
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 4,011,190	\$ -	\$ -	\$ -	\$ -	\$ 4,011,190
Payments to suppliers	(1,889,917)	-	-	-	-	(1,889,917)
Payments to employees	(806,595)	-	-	-	-	(806,595)
Net cash provided by (used in) operating activities	<u>1,314,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,314,678</u>
<b>Cash flows from noncapital financing activities</b>						
Transfers in	2,158,588	-	7	-	(7)	2,158,588
Transfers out	(2,274,112)	-	-	(42,000)	7	(2,316,105)
Net cash provided by (used in) noncapital financing activities	<u>(115,524)</u>	<u>-</u>	<u>7</u>	<u>(42,000)</u>	<u>-</u>	<u>(157,517)</u>
<b>Cash flows from capital and related financing activities</b>						
System development charges received	-	434,986	-	-	-	434,986
Other	56,500	-	-	-	-	56,500
Acquisition of capital assets	(2,292,133)	-	-	-	-	(2,292,133)
Issuance of long-term obligations	886,623	-	-	-	-	886,623
Principal paid on long-term obligations	(358,000)	-	-	-	-	(358,000)
Interest paid on long-term obligations	(22,618)	-	-	-	-	(22,618)
Net cash provided by (used in) capital and related financing activities	<u>(1,729,628)</u>	<u>434,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,294,642)</u>
Net increase (decrease) in cash and cash equivalents	(530,474)	434,986	7	(42,000)	-	(137,481)
Cash and cash equivalents - beginning of year	2,119,177	861,446	22,700	42,000	-	3,045,323
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,588,703</b>	<b>\$ 1,296,432</b>	<b>\$ 22,707</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,907,842</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ 1,244,971	\$ -	\$ -	\$ -	\$ -	\$ 1,244,971
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	241,784	-	-	-	-	241,784
(Increase) decrease in assets and deferred outflows of resources						
Receivables, net	(72,704)	-	-	-	-	(72,704)
Net other postemployment benefits asset	(4,173)	-	-	-	-	(4,173)
Deferred outflows - pension related items	36,046	-	-	-	-	36,046
Deferred outflows - other postemployment benefit related items	517	-	-	-	-	517
Increase (decrease) in liabilities and deferred inflows of resources						
Accounts payable and accrued liabilities	(90,249)	-	-	-	-	(90,249)
Compensated absences payable	1,024	-	-	-	-	1,024
Net pension liability	62,320	-	-	-	-	62,320
Deferred inflows - pension related items	(104,790)	-	-	-	-	(104,790)
Deferred inflows - other postemployment benefit related items	(68)	-	-	-	-	(68)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,314,678</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,314,678</b>



**CITY OF MOLALLA**  
**SEWER OPERATIONS - ENTERPRISE FUND (MAJOR FUND)**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 3,483,500	\$ 3,483,500	\$ 4,011,249	\$ 527,749
Miscellaneous	31,000	31,000	56,500	25,500
Total revenues	<u>3,514,500</u>	<u>3,514,500</u>	<u>4,067,749</u>	<u>553,249</u>
<b>Expenditures</b>				
Sewer	887,269	902,319	893,595	8,724
Sewer maintenance	796,364	832,364	792,859	39,505
Sewer operations	1,414,730	1,414,730	1,321,042	93,688
Contingency	1,010,912	904,914	-	904,914
Total expenditures	<u>4,109,275</u>	<u>4,054,327</u>	<u>3,007,496</u>	<u>1,046,831</u>
Excess (deficiency) of revenues over expenditures	<u>(594,775)</u>	<u>(539,827)</u>	<u>1,060,253</u>	<u>1,600,080</u>
<b>Other financing sources (uses)</b>				
Issuance of long-term obligations	1,600,000	1,600,000	886,623	(713,377)
Transfers out	<u>(2,859,350)</u>	<u>(3,079,350)</u>	<u>(2,477,350)</u>	<u>602,000</u>
Total other financing sources (uses)	<u>(1,259,350)</u>	<u>(1,479,350)</u>	<u>(1,590,727)</u>	<u>(111,377)</u>
Net change in fund balance	(1,854,125)	(2,019,177)	(530,474)	1,488,703
Fund balance at beginning of year	<u>1,954,125</u>	<u>2,119,177</u>	<u>2,119,177</u>	<u>-</u>
<b>Fund balance at end of year</b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 100,000</u></b>	1,588,703	<b><u>\$ 1,488,703</u></b>
<b>Reconciliation to generally accepted accounting principles</b>				
Accounts receivable, net			448,030	
Capital assets, net			10,026,902	
Net OPEB asset			14,561	
Deferred outflows related to pension			182,396	
Deferred outflows related to OPEB			218	
Accounts payable			(44,637)	
Accrued interest payable			(7,926)	
Compensated absences			(39,309)	
Bonds payable			(1,160,000)	
Loans payable			(1,718,264)	
Net pension liability			(300,414)	
Refunded debt charges			(10,114)	
Deferred inflows related to pension			(86,470)	
Deferred inflows related to OPEB			<u>(3,829)</u>	
<b>Net position at end of year, GAAP Basis</b>			<b><u>\$ 8,889,847</u></b>	

**CITY OF MOLALLA**  
**SEWER SYSTEM DEVELOPMENT CHARGES - SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
System development charges	\$ 189,500	\$ 434,986	\$ 245,486
Total revenues	<u>189,500</u>	<u>434,986</u>	<u>245,486</u>
<b>Expenditures</b>			
Materials and services	<u>20,000</u>	-	<u>20,000</u>
Total expenditures	<u>20,000</u>	-	<u>20,000</u>
Excess (deficiency) of revenues over expenditures	<u>169,500</u>	<u>434,986</u>	<u>265,486</u>
Net change in fund balance	169,500	434,986	265,486
Fund balance at beginning of year	<u>879,937</u>	<u>861,446</u>	<u>(18,491)</u>
<b>Fund balance at end of year</b>	<b><u>\$ 1,049,437</u></b>	<b><u>\$ 1,296,432</u></b>	<b><u>\$ 246,995</u></b>

**CITY OF MOLALLA**  
**SEWER DEBT RETIREMENT - SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Expenditures</b>			
Debt Service	\$ 380,618	\$ 380,618	\$ -
Total expenditures	<u>380,618</u>	<u>380,618</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfers in	<u>380,625</u>	<u>380,625</u>	<u>-</u>
Total other financing sources (uses)	<u>380,625</u>	<u>380,625</u>	<u>-</u>
Net change in fund balance	7	7	-
Fund balance at beginning of year	<u>22,700</u>	<u>22,700</u>	<u>-</u>
<b>Fund balance at end of year</b>	<b><u>\$ 22,707</u></b>	<b><u>\$ 22,707</u></b>	<b><u>\$ -</u></b>

**CITY OF MOLALLA**  
**SEWER CWSRF - SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Expenditures</b>			
Debt service	15,000	-	15,000
Total expenditures	15,000	-	15,000
<b>Other financing sources (uses)</b>			
Transfers in	17,000	-	(17,000)
Transfers out	-	(42,000)	(42,000)
Total other financing sources (uses)	17,000	(42,000)	(59,000)
Net change in fund balance	2,000	(42,000)	(44,000)
Fund balance at beginning of year	(2,000)	42,000	44,000
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR - STORMWATER FUNDS**  
**June 30, 2023**

	<u>Stormwater</u>	<u>Stormwater System Development Charges</u>	<u>Total Nonmajor Stormwater Fund</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 370,164	\$ 223,412	\$ 593,576
Receivables, net	36,028	-	36,028
Total current assets	<u>406,192</u>	<u>223,412</u>	<u>629,604</u>
Noncurrent assets			
Capital assets			
Capital assets, nondepreciable	24,171	-	24,171
Capital assets, net of accumulated depreciation	1,599,726	-	1,599,726
Total capital assets	<u>1,623,897</u>	<u>-</u>	<u>1,623,897</u>
Net other postemployment benefits asset	3,243	-	3,243
Total noncurrent assets	<u>1,627,140</u>	<u>-</u>	<u>1,627,140</u>
Total assets	<u>2,033,332</u>	<u>223,412</u>	<u>2,256,744</u>
<b>Deferred outflows of resources</b>			
Pension related items	40,615	-	40,615
Other postemployment benefit related items	49	-	49
Total deferred outflows of resources	<u>40,664</u>	<u>-</u>	<u>40,664</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	2,305	-	2,305
Compensated absences	7,098	-	7,098
Total current liabilities	<u>9,403</u>	<u>-</u>	<u>9,403</u>
Noncurrent liabilities			
Compensated absences	1,774	-	1,774
Net pension liability	66,895	-	66,895
Total noncurrent liabilities	<u>68,669</u>	<u>-</u>	<u>68,669</u>
Total liabilities	<u>78,072</u>	<u>-</u>	<u>78,072</u>
<b>Deferred inflows of resources</b>			
Pension related items	19,255	-	19,255
Other postemployment benefit related items	853	-	853
Total deferred inflows of resources	<u>20,108</u>	<u>-</u>	<u>20,108</u>
<b>Net position</b>			
Net investment in capital assets	1,623,897	-	1,623,897
Restricted for system development	-	223,412	223,412
Unrestricted	351,919	-	351,919
Total net position	<u>\$ 1,975,816</u>	<u>\$ 223,412</u>	<u>\$ 2,199,228</u>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**NONMAJOR - STORMWATER FUNDS**  
**Year Ended June 30, 2023**

	<u>Stormwater</u>	<u>Stormwater System Development Charges</u>	<u>Total Nonmajor Stormwater Fund</u>
<b>Operating revenues</b>			
Charges for services	\$ 347,845	\$ -	\$ 347,845
<b>Operating expenses</b>			
Personnel services	177,200	-	177,200
Materials and services	56,628	-	56,628
Depreciation	46,271	-	46,271
Total operating expenses	280,099	-	280,099
Operating income (loss) before capital contributions and transfers	67,746	-	67,746
Capital contributions	-	142,646	142,646
Transfers in	18,813	-	18,813
Transfers out	(43,434)	(150,000)	(193,434)
Change in net position	43,125	(7,354)	35,771
Net position - beginning	1,932,691	230,766	2,163,457
<b>Net position - ending</b>	<b>\$ 1,975,816</b>	<b>\$ 223,412</b>	<b>\$ 2,199,228</b>

**CITY OF MOLALLA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR - STORMWATER FUNDS**  
**Year Ended June 30, 2023**

	<b>Stormwater</b>	<b>Stormwater System Development Charges</b>	<b>Total Nonmajor Stormwater Fund</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 346,408	\$ -	\$ 346,408
Payments to suppliers	(54,542)	-	(54,542)
Payments to employees	(179,237)	-	(179,237)
Net cash provided by (used in) operating activities	<u>112,629</u>	<u>-</u>	<u>112,629</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	18,813	-	18,813
Transfers out	(43,434)	(150,000)	(193,434)
Net cash provided by (used in) noncapital financing activities	<u>(24,621)</u>	<u>(150,000)</u>	<u>(174,621)</u>
<b>Cash flows from capital and related financing activities</b>			
System development charges received	-	142,646	142,646
Acquisition of capital assets	(39,907)	-	(39,907)
Net cash provided by (used in) capital and related financing activities	<u>(39,907)</u>	<u>142,646</u>	<u>102,739</u>
Net increase (decrease) in cash and cash equivalents	48,101	(7,354)	40,747
Cash and cash equivalents - beginning of year	<u>322,063</u>	<u>230,766</u>	<u>552,829</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 370,164</u></b>	<b><u>\$ 223,412</u></b>	<b><u>\$ 593,576</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 67,746	\$ -	\$ 67,746
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	46,271	-	46,271
(Increase) decrease in assets and deferred outflows of resources			
Receivables, net	(1,437)	-	(1,437)
Net other postemployment benefits asset	(1,042)	-	(1,042)
Deferred outflows - pension related items	5,663	-	5,663
Deferred outflows - other postemployment benefit related items	107	-	107
Increase (decrease) in liabilities and deferred inflows of resources			
Accounts payable and accrued liabilities	2,086	-	2,086
Compensated absences payable	(1,980)	-	(1,980)
Net pension liability	16,453	-	16,453
Deferred inflows - pension related items	(21,265)	-	(21,265)
Deferred inflows - other postemployment benefit related items	27	-	27
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 112,629</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 112,629</u></b>

**CITY OF MOLALLA**  
**STORMWATER OPERATIONS - ENTERPRISE FUND (NONMAJOR FUND)**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Charges for services	\$ 315,500	\$ 346,408	\$ 30,908
Total revenues	<u>315,500</u>	<u>346,408</u>	<u>30,908</u>
<b>Expenditures</b>			
Stormwater	285,907	267,907	18,000
Contingency	<u>269,118</u>	<u>-</u>	<u>269,118</u>
Total expenditures	<u>555,025</u>	<u>267,907</u>	<u>287,118</u>
Excess (deficiency) of revenues over expenditures	<u>(239,525)</u>	<u>78,501</u>	<u>318,026</u>
<b>Other financing sources (uses)</b>			
Transfers out	<u>(30,400)</u>	<u>(30,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,400)</u>	<u>(30,400)</u>	<u>-</u>
Net change in fund balance	(269,925)	48,101	318,026
Fund balance at beginning of year	<u>269,925</u>	<u>322,063</u>	<u>52,138</u>
<b>Fund balance at end of year</b>	<b><u>\$ -</u></b>	<b>370,164</b>	<b><u>\$ 370,164</u></b>
<b>Reconciliation to generally accepted accounting principles</b>			
Accounts receivable, net		36,028	
Capital assets, net		1,623,897	
Net OPEB asset		3,243	
Deferred outflows related to pension		40,615	
Deferred outflows related to OPEB		49	
Accounts payable		(2,305)	
Compensated absences		(8,872)	
Net pension liability		(66,895)	
Deferred inflows related to pension		(19,255)	
Deferred inflows related to OPEB		<u>(853)</u>	
<b>Net position at end of year, GAAP Basis</b>		<b><u>\$ 1,975,816</u></b>	



**CITY OF MOLALLA**  
**STORMWATER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND (NONMAJOR FUND)**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
System development charges	\$ 4,660	\$ 142,646	\$ 137,986
Total revenues	<u>4,660</u>	<u>142,646</u>	<u>137,986</u>
Excess (deficiency) of revenues over expenditures	<u>4,660</u>	<u>142,646</u>	<u>137,986</u>
<b>Other financing sources (uses)</b>			
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	(145,340)	(7,354)	137,986
Fund balance at beginning of year	<u>198,820</u>	<u>230,766</u>	<u>31,946</u>
<b>Fund balance at end of year</b>	<b><u>\$ 53,480</u></b>	<b><u>\$ 223,412</u></b>	<b><u>\$ 169,932</u></b>

## **STATISTICAL SECTION**

**CITY OF MOLALLA, OREGON**  
**Net Position by Component**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities										
Net investment in capital assets	\$ 11,745,536	\$ 9,704,248	\$ 8,380,772	\$ 10,309,574	\$ 10,305,834	\$ 8,609,061	\$ 8,658,502	\$ 8,731,352	\$ 12,453,245	\$ 12,779,500
Restricted	12,107,520	10,926,081	8,891,455	5,527,674	5,700,235	4,587,201	3,511,668	4,445,288	2,976,327	2,071,278
Unrestricted	4,344,289	2,868,238	4,166,139	3,998,388	3,701,073	3,287,686	2,590,056	2,354,161	1,788,198	2,046,154
Total governmental activities net position	\$ 28,197,345	\$ 23,498,567	\$ 21,438,366	\$ 19,835,636	\$ 19,707,142	\$ 16,483,948	\$ 14,760,226	\$ 15,530,801	\$ 17,217,770	\$ 16,896,932
Business-type activities										
Net investment in capital assets	\$ 17,673,354	\$ 15,526,339	\$ 15,033,589	\$ 14,386,314	\$ 11,681,554	\$ 10,812,541	\$ 10,103,432	\$ 8,036,493	\$ 7,678,396	\$ 7,009,980
Restricted	1,909,844	1,673,867	1,579,989	1,824,071	3,295,698	2,921,729	2,703,957	3,022,290	1,990,122	2,980,333
Unrestricted	4,687,355	5,133,072	4,476,620	3,367,651	3,431,323	2,873,004	2,774,379	2,288,774	2,204,417	2,051,489
Total business-type activities net position	\$ 24,270,553	\$ 22,333,278	\$ 21,090,198	\$ 19,578,036	\$ 18,408,575	\$ 16,607,274	\$ 15,581,768	\$ 13,347,557	\$ 11,872,935	\$ 12,041,802
Primary government										
Net investment in capital assets	\$ 29,418,890	\$ 25,230,587	\$ 22,799,972	\$ 24,695,888	\$ 21,987,388	\$ 19,421,602	\$ 18,761,934	\$ 16,767,845	\$ 20,131,641	\$ 19,789,480
Restricted	14,017,364	12,599,948	10,471,444	7,351,745	8,995,933	7,508,930	6,215,625	7,467,578	4,966,449	5,051,611
Unrestricted	9,031,644	8,001,310	8,642,759	7,366,039	7,132,396	6,160,690	5,364,435	4,642,935	3,992,615	4,097,643
Total primary government activities net position	\$ 52,467,898	\$ 45,831,845	\$ 41,914,175	\$ 39,413,672	\$ 38,115,717	\$ 33,091,222	\$ 30,341,994	\$ 28,878,358	\$ 29,090,705	\$ 28,938,734

**CITY OF MOLALLA, OREGON**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 1,441,529	\$ 2,205,232	\$ 902,446	\$ 1,392,703	\$ 1,038,867	\$ 1,488,976	\$ 1,635,670	\$ 1,361,581	\$ 1,231,553	\$ 1,681,897
Public safety	3,826,634	3,276,964	3,707,070	3,216,141	2,912,022	2,542,513	2,548,515	2,550,779	2,044,240	2,074,492
Highways and streets	1,751,296	556,359	1,663,710	1,614,153	1,546,056	1,531,912	1,535,395	1,495,701	1,368,643	593,752
Culture and recreation	1,049,101	1,952,616	1,472,861	1,197,912	1,012,008	932,989	663,121	2,761,986	-	-
Community development	417,449	308,145	532,877	79,797	22,365	46,008	138,463	180,315	866,407	1,200,877
Interest on long-term debt	71,112	94,334	49,345	64,677	67,456	74,565	75,892	103,971	37,579	8,308
<b>Total governmental activities</b>	<b>\$ 8,557,121</b>	<b>\$ 8,393,650</b>	<b>\$ 8,328,309</b>	<b>\$ 7,565,383</b>	<b>\$ 6,598,774</b>	<b>\$ 6,616,963</b>	<b>\$ 6,597,056</b>	<b>\$ 8,454,333</b>	<b>\$ 5,548,422</b>	<b>\$ 5,559,326</b>
<b>Business-type activities:</b>										
Water operations	\$ 1,551,845	\$ 1,370,377	\$ 1,953,198	\$ 1,354,806	\$ 906,594	\$ 1,156,816	\$ 910,285	\$ 1,359,442	\$ 1,223,534	\$ 1,163,666
Sewer operations	2,857,409	2,724,856	2,839,574	2,664,811	2,040,174	2,237,350	2,091,846	2,085,566	2,457,600	1,404,365
Storm water operations	280,099	230,567	84,995	338,031	175,680	258,864	116,548	329,046	102,813	189,513
<b>Total business-type activities</b>	<b>\$ 4,689,353</b>	<b>\$ 4,325,800</b>	<b>\$ 4,877,767</b>	<b>\$ 4,357,648</b>	<b>\$ 3,122,448</b>	<b>\$ 3,653,030</b>	<b>\$ 3,118,679</b>	<b>\$ 3,774,054</b>	<b>\$ 3,783,947</b>	<b>\$ 2,757,544</b>
<b>Total Expenses</b>	<b>\$ 13,246,474</b>	<b>\$ 12,719,450</b>	<b>\$ 13,206,076</b>	<b>\$ 11,923,031</b>	<b>\$ 9,721,222</b>	<b>\$ 10,269,993</b>	<b>\$ 9,715,735</b>	<b>\$ 12,228,387</b>	<b>\$ 9,332,369</b>	<b>\$ 8,316,870</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for services</b>										
General government	\$ 78,385	\$ 45,638	\$ 1,082,896	\$ 714,977	\$ 475,441	\$ 708,068	\$ 700,437	\$ 728,984	\$ 769,780	\$ 817,374
Public safety	208,130	208,213	-	-	-	-	-	-	208,997	231,200
Highways and streets	210,468	231,633	829,782	155,421	544,297	259,922	154,094	433,458	-	364,303
Culture and recreation	10,397	9,406	138	11,456	17,111	17,654	19,800	452,649	-	-
Community development	75,975	85,803	114,768	78,021	833,581	437,080	213,699	-	87,204	286,433
Operating grants and contributions	2,176,675	1,680,579	359,203	92,415	60,015	47,332	15,489	5,576	23,877	1,250,850
Capital grants and contributions	2,294,958	2,153,813	54,300	-	-	-	-	-	-	76,135
<b>Total Governmental Activities</b>	<b>\$ 5,054,988</b>	<b>\$ 4,415,085</b>	<b>\$ 2,441,087</b>	<b>\$ 1,052,290</b>	<b>\$ 1,930,445</b>	<b>\$ 1,470,056</b>	<b>\$ 1,103,519</b>	<b>\$ 1,620,667</b>	<b>\$ 1,089,858</b>	<b>\$ 3,026,295</b>
<b>Business-type activities:</b>										
<b>Charges for services</b>										
Water	\$ 2,188,755	\$ 1,753,420	\$ 2,103,961	\$ 1,943,296	\$ 2,311,332	\$ 2,028,290	\$ 1,815,514	\$ 2,007,391	\$ 1,527,794	\$ 1,299,054
Sewer operations	4,083,894	3,502,150	3,723,379	3,169,550	3,378,742	2,848,764	2,418,392	2,757,245	1,775,320	1,561,509
Storm water operations	347,845	330,291	413,063	321,049	404,812	319,148	198,601	242,993	123,352	115,790
Operating grants and contributions	-	-	9,588	-	-	-	-	-	-	-
Capital grants and contributions	747,970	207,299	-	-	-	-	-	-	-	285,310
<b>Total Business-type Activities</b>	<b>\$ 7,368,464</b>	<b>\$ 5,793,160</b>	<b>\$ 6,249,991</b>	<b>\$ 5,433,895</b>	<b>\$ 6,094,886</b>	<b>\$ 5,196,202</b>	<b>\$ 4,432,507</b>	<b>\$ 5,007,629</b>	<b>\$ 3,426,466</b>	<b>\$ 3,261,663</b>
<b>Total Program Revenues</b>	<b>\$ 12,423,452</b>	<b>\$ 10,208,245</b>	<b>\$ 8,691,078</b>	<b>\$ 6,486,185</b>	<b>\$ 8,025,331</b>	<b>\$ 6,666,258</b>	<b>\$ 5,536,026</b>	<b>\$ 6,628,296</b>	<b>\$ 4,516,324</b>	<b>\$ 6,287,958</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (3,502,133)	\$ (3,978,565)	\$ (5,887,222)	\$ (6,513,093)	\$ (4,668,329)	\$ (5,146,907)	\$ (5,493,537)	\$ (6,833,666)	\$ (4,458,564)	\$ (2,533,031)
Business-type activities	2,679,111	1,467,360	1,372,224	1,076,247	2,972,438	1,543,172	1,313,828	1,233,575	(357,481)	504,119
<b>Total Net (Expense)/Revenue</b>	<b>\$ (823,022)</b>	<b>\$ (2,511,205)</b>	<b>\$ (4,514,998)</b>	<b>\$ (5,436,846)</b>	<b>\$ (1,695,891)</b>	<b>\$ (3,603,735)</b>	<b>\$ (4,179,709)</b>	<b>\$ (5,600,091)</b>	<b>\$ (4,816,045)</b>	<b>\$ (2,028,912)</b>

**CITY OF MOLALLA, OREGON**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Revenues and Transfers										
Governmental Activities:										
Taxes:										
Property taxes	\$ 3,850,047	\$ 3,686,812	\$ 4,186,467	\$ 3,944,268	\$ 3,707,861	\$ 3,503,079	\$ 3,148,271	\$ 3,072,480	\$ 2,954,828	\$ 2,775,997
Public service taxes and state revenue sharing	895,786	733,171	2,138,831	2,038,041	2,061,169	2,012,180	1,759,103	1,469,469	1,919,016	-
Franchise taxes	478,598	468,159	367,257	431,304	396,780	494,405	401,267	363,384	364,723	-
Fuel taxes	806,306	807,914	*	*	*	*	*	*	*	*
Unrestricted grants and contributions	434,326	456,599	*	*	*	*	*	*	*	*
Interest and investment earnings	693,686	125,314	168,889	337,842	380,044	208,982	121,451	62,437	54,350	49,499
Miscellaneous revenues	243,491	88,642	14,119	49,872	110,124	46,904	75,514	56,868	116,582	91,395
Transfers in (out)	798,671	286,544	-	-	1,235,545	583,257	(782,644)	(121,034)	(400,000)	-
Total Governmental Activities	\$ 8,200,911	\$ 6,653,155	\$ 6,875,563	\$ 6,801,327	\$ 7,891,523	\$ 6,848,807	\$ 4,722,962	\$ 4,903,604	\$ 5,009,499	\$ 2,916,891
Business-type activities:										
Interest and investment earnings	\$ -	\$ -	\$ -	\$ 337,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	56,835	62,264	139,938	93,214	64,408	63,946	44,841	37,039	10,601	4,150
Transfers in (out)	(798,671)	(286,544)	-	-	(1,235,545)	(583,257)	782,644	121,034	400,000	-
Total Business-type Activities	\$ (741,836)	\$ (224,280)	\$ 139,938	\$ 431,056	\$ (1,171,137)	\$ (519,311)	\$ 827,485	\$ 158,073	\$ 410,601	\$ 4,150
Total primary government	\$ 7,459,075	\$ 6,428,875	\$ 7,015,501	\$ 7,232,383	\$ 6,720,386	\$ 6,329,496	\$ 5,550,447	\$ 5,061,677	\$ 5,420,100	\$ 2,921,041
Change in Net Position										
Governmental Activities	\$ 4,698,778	\$ 2,674,590	\$ 988,341	\$ 288,234	\$ 3,223,194	\$ 1,701,900	\$ (770,575)	\$ (1,930,062)	\$ 550,935	\$ 383,860
Business-type Activities	1,937,275	1,243,080	1,512,162	1,507,303	1,801,301	1,023,861	2,141,313	1,391,648	53,120	508,269
Total Change in Net Position	\$ 6,636,053	\$ 3,917,670	\$ 2,500,503	\$ 1,795,537	\$ 5,024,495	\$ 2,725,761	\$ 1,370,738	\$ (538,414)	\$ 604,055	\$ 892,129

\* Previously reported in other categories

**CITY OF MOLALLA, OREGON**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	3,011,265	3,660,620	3,470,175	3,115,275	2,756,155	1,967,938	1,441,381	1,133,000	952,596	814,998
Total general fund	<u>\$ 3,011,265</u>	<u>\$ 3,660,620</u>	<u>\$ 3,470,175</u>	<u>\$ 3,115,275</u>	<u>\$ 2,756,155</u>	<u>\$ 1,967,938</u>	<u>\$ 1,441,381</u>	<u>\$ 1,133,000</u>	<u>\$ 952,596</u>	<u>\$ 814,998</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Restricted	11,997,177	10,813,325	8,860,471	5,527,674	5,700,235	4,587,201	3,511,668	4,445,288	5,423,234	2,071,278
Committed	2,288,064	693,268	2,059,053	1,858,871	1,781,899	1,655,471	1,529,407	1,395,999	-	-
Assigned	-	-	-	-	-	-	-	-	1,280,657	1,160,485
Unassigned	-	-	209,610	(41,902)	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 14,285,241</u>	<u>\$ 11,506,593</u>	<u>\$ 11,129,134</u>	<u>\$ 7,344,643</u>	<u>\$ 7,482,134</u>	<u>\$ 6,242,672</u>	<u>\$ 5,041,075</u>	<u>\$ 5,841,287</u>	<u>\$ 6,703,891</u>	<u>\$ 3,231,763</u>
Total all governmental funds	<u>\$ 17,296,506</u>	<u>\$ 15,167,213</u>	<u>\$ 14,599,309</u>	<u>\$ 10,459,918</u>	<u>\$ 10,238,289</u>	<u>\$ 8,210,610</u>	<u>\$ 6,482,456</u>	<u>\$ 6,974,287</u>	<u>\$ 7,656,487</u>	<u>\$ 4,046,761</u>

**CITY OF MOLALLA, OREGON**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>REVENUES</b>										
Property taxes	\$ 4,771,973	\$ 4,384,932	\$ 4,276,637	\$ 3,840,270	\$ 3,813,808	\$ 3,483,362	\$ 3,140,786	\$ 3,059,889	\$ 3,308,927	\$ 3,740,995
Franchise fees	478,598	443,159	414,214	420,041	390,897	398,334	362,652	370,634		-
Licenses, permits and fees	296,435	282,647	272,729	72,495	44,284	72,495	64,868	120,968	53,053	180,759
Intergovernmental	3,625,748	4,100,474	2,172,224	2,072,929	2,033,364	2,009,380	1,771,723	1,491,767	1,919,016	790,313
Fuel taxes	806,306	807,914	*	*	*	*	*	*	*	*
Fines and forfeitures**	152,892	154,731	240,515	9,179	14,201	14,676	16,921	18,031	19,218	520,254
Charges for services**	134,028	143,315	570,988	644,259	428,767	634,551	638,448	613,164	656,905	-
Grants***	-	-	351,405	81,358	40,816	22,748	6,542	3,816	23,877	8,744
Interest revenue	693,686	125,314	168,889	337,842	380,044	208,982	121,451	62,437	54,350	49,499
Miscellaneous revenue	243,491	88,642	14,119	49,872	110,124	46,904	75,514	117,079	114,429	467,477
Contributions and donations	12,313	108,752	60,900	11,557	24,499	28,584	8,947	1,760	2,153	2,910
System development charges	1,267,898	81,765	944,550	233,442	1,377,878	697,002	367,793	864,688	501,981	181,063
<b>Total Revenues</b>	<b>\$ 12,483,368</b>	<b>\$ 10,721,645</b>	<b>\$ 9,487,170</b>	<b>\$ 7,773,244</b>	<b>\$ 8,658,682</b>	<b>\$ 7,617,018</b>	<b>\$ 6,575,645</b>	<b>\$ 6,724,233</b>	<b>\$ 6,653,909</b>	<b>\$ 5,942,014</b>
<b>EXPENDITURES</b>										
Current:										
General government	\$ 1,266,205	\$ 2,168,966	\$ 1,008,221	\$ 1,260,822	\$ 1,115,455	\$ 1,191,682	\$ 911,656	\$ 793,643	\$ 816,142	\$ 673,653
Public safety	3,881,244	3,278,318	3,240,292	2,994,324	2,774,880	2,491,805	2,395,215	2,216,160	2,175,759	2,154,506
Highways and streets	912,659	565,249	732,343	632,273	616,949	598,546	642,319	590,042	536,001	735,836
Culture and recreation	1,128,440	1,016,225	998,753	1,054,556	989,664	924,408	628,401	986,494	-	-
Community development	352,199	300,939	464,207	15,022	1,474	24,977	116,878	107,257	926,187	1,235,527
Capital Outlay	6,101,023	3,915,384	2,319,832	3,926,051	2,066,059	931,029	2,086,109	2,230,981	1,255,341	-
Debt Service:										
Principal	441,300	417,800	423,600	222,606	207,606	230,885	185,000	145,000		-
Interest	98,907	109,650	72,587	90,576	94,461	96,194	101,898	136,856	66,838	73,243
<b>Total Expenditures</b>	<b>\$ 14,181,977</b>	<b>\$ 11,772,531</b>	<b>\$ 9,259,835</b>	<b>\$ 10,196,230</b>	<b>\$ 7,866,548</b>	<b>\$ 6,489,526</b>	<b>\$ 7,067,476</b>	<b>\$ 7,206,433</b>	<b>\$ 5,776,268</b>	<b>\$ 4,872,765</b>
Excess (Deficiency) of Revenues over Expenditures	\$ (1,698,609)	\$ (1,050,886)	\$ 227,335	\$ (2,422,986)	\$ 792,134	\$ 1,127,492	\$ (491,831)	\$ (482,200)	\$ 877,641	\$ 1,069,249
<b>OTHER FINANCING SOURCES (USES)</b>										
Issuance of debt	\$ -	\$ -	\$ 2,530,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer in	6,384,451	3,048,415	2,453,894	3,745,057	1,990,615	862,089	-	345,000	3,143,156	140,000
Transfers out	(2,556,549)	(1,429,625)	(1,072,238)	(941,332)	(755,070)	(278,832)	-	(545,000)	(487,500)	(140,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 3,827,902</b>	<b>\$ 1,618,790</b>	<b>\$ 3,912,056</b>	<b>\$ 2,803,725</b>	<b>\$ 1,235,545</b>	<b>\$ 583,257</b>	<b>\$ -</b>	<b>\$ (200,000)</b>	<b>\$ 2,655,656</b>	<b>\$ -</b>
<b>Net change in fund balances</b>	<b>\$ 2,129,293</b>	<b>\$ 567,904</b>	<b>\$ 4,139,391</b>	<b>\$ 380,739</b>	<b>\$ 2,027,679</b>	<b>\$ 1,710,749</b>	<b>\$ (491,831)</b>	<b>\$ (682,200)</b>	<b>\$ 3,533,297</b>	<b>\$ 1,069,249</b>
Debt service as a percentage of noncapital expenditures	3.81%	5.14%	5.45%	3.00%	4.53%	4.94%	3.93%	3.47%	1.15%	1.30%

\* Previously reported in other categories

\*\* From 2016 -2020 Municipal Court Fines were being recorded as Charges for services rather than Fines and forfeitures.

\*\*\* For 2022 and 2023, grant revenues are not split out from intergovernmental revenue.

**CITY OF MOLALLA, OREGON**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal year Ended June 30	REAL PROPERTY		MANUFACTURED STRUCTURES		PERSONAL PROPERTY		UTILITIES		TOTAL		Ration of Total Assessed to Total Estimated Actual Value	Total Direct Tax Rate/ Thousand
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2023	\$ 743,658,300	\$ 1,502,754,845	\$ 3,746,024	\$ 6,710,150	\$ 16,011,786	\$ 16,011,786	\$ 44,263,400	\$ 44,352,742	\$ 807,679,510	\$ 1,569,829,523	51.5%	6.04
2022	707,961,793	1,274,571,036	3,628,336	5,477,950	14,536,222	14,536,222	38,803,100	38,872,214	764,929,451	1,333,457,422	57.4%	5.94
2021	672,215,372	1,140,099,977	3,599,622	5,158,740	14,898,925	14,898,925	37,192,500	37,249,742	727,906,419	1,197,407,384	60.8%	5.91
2020	640,709,297	1,074,092,199	3,567,075	4,877,380	14,282,351	14,282,351	30,474,300	30,522,973	689,033,023	1,123,774,903	61.3%	5.89
2019	596,253,536	962,210,749	3,287,116	4,318,290	13,693,175	13,693,175	31,886,300	31,925,433	645,120,127	1,012,147,647	63.7%	5.87
2018	568,373,600	844,622,742	2,997,053	3,710,240	12,251,888	12,251,888	27,680,800	27,722,879	611,303,341	888,307,749	68.8%	5.99
2017	532,604,601	814,535,706	2,563,905	2,926,488	10,753,275	10,757,312	26,757,200	26,787,379	572,678,981	855,006,885	67.0%	5.84
2016	502,276,193	702,867,924	2,299,157	2,545,753	9,686,683	9,687,170	29,160,700	29,478,711	543,422,733	744,579,558	73.0%	5.80
2015	480,012,264	626,356,527	2,106,439	2,288,508	9,596,183	9,598,877	28,150,100	28,210,958	519,864,986	666,454,870	78.0%	5.81
2014	452,831,720	553,235,890	1,981,140	2,105,535	8,568,487	8,603,875	27,503,550	27,526,821	490,884,897	591,472,121	83.0%	5.80

Source: Clackamas County Assessor's Office



**CITY OF MOLALLA, OREGON**  
**Property Tax Rates**  
**Last Ten Fiscal Years**

<u>Fiscal year Ended June 30</u>	<u>City of Molalla/Urban Renewal</u>	<u>Molalla River School District</u>	<u>Clackamas CC &amp; ESD</u>	<u>Clackamas County</u>	<u>Molalla FD 73</u>	<u>Other Taxing Districts</u>	<u>Total</u>
2023	\$ 6.04	\$ 4.34	\$ 1.10	\$ 3.15	\$ 1.69	\$ 0.36	\$ 16.68
2022	5.94	4.39	1.02	3.06	1.69	0.37	16.48
2021	5.91	4.40	1.04	3.07	1.70	0.37	16.50
2020	5.89	4.42	1.03	3.08	1.71	0.37	16.50
2019	5.87	4.43	1.05	3.09	1.72	0.37	16.52
2018	5.99	4.43	1.05	3.09	1.39	0.37	16.31
2017	5.84	4.50	1.06	3.03	1.41	0.10	15.93
2016	5.80	4.52	1.07	3.05	1.41	0.10	15.94
2015	5.81	4.52	1.03	3.05	1.41	0.10	15.91
2014	5.80	4.52	1.03	3.05	0.75	0.10	15.26

Source: Clackamas County Assessor's Office  
Tax rates expressed in dollars and cents per \$1,000 of assessed value of taxable property

**CITY OF MOLALLA, OREGON**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Molalla Telephone Co	\$ 28,897,100	1	3.58%	\$ 19,768,600	1	4.03%
Molalla MC Investors LLC	17,916,717	2	2.22%	13,625,122	2	2.78%
Stoneplace Apartments LLC	17,750,254	3	2.20%	4,979,197	4	1.01%
Pacific Fibre Products Inc	13,858,659	4	1.72%			
Quanex Custom Components	9,307,072	5				
Portland Gen Elec Co	7,081,000	6	0.88%	3,596,000	8	0.73%
Northwest Natural Gas Co	6,517,000	7	0.81%			
Stoneplace Storage LLC	5,863,207	8	0.73%			
Hi-Valley Development Corp	5,071,979	9	0.63%	3,887,250	6	0.79%
Cascade Center Molalla LLC	4,090,825	10				
Brentwood Acquisition Corp			0.00%	6,065,019	3	1.24%
MSRE LLC			0.00%	3,741,587	7	0.76%
Welltower Landlord Group LLC				4,404,723	5	0.90%
Oliva Steven J & Janice D				2,975,408	9	0.61%
Brown Richard K				2,922,684	10	0.60%
Subtotal	<u>116,353,813</u>		<u>12.75%</u>	<u>65,965,590</u>		<u>13.44%</u>
All other	<u>691,325,697</u>		<u>85.59%</u>	<u>424,919,307</u>		<u>86.56%</u>
Total	<u>\$ 807,679,510</u>		<u>98.34%</u>	<u>\$ 490,884,897</u>		<u>100.00%</u>

Source: Clackamas County Assessor's Office

**CITY OF MOLALLA, OREGON**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal year Ended June 30</b>	<b>Taxes Levied by Assessor</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collections</b>	<b>Delinquent Taxes Collected</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Adjustments and Discounts</b>	<b>Uncollected Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
2023	\$ 4,882,537	\$ 4,674,071	95.73%	\$ 90,824	\$ 4,764,895	97.59%	\$ 148,714	\$ 125,026	2.56%
2022	4,549,847	4,325,927	95.08%	49,373	4,375,301	96.16%	140,160	150,260	3.30%
2021	4,308,734	4,123,183	95.69%	56,648	4,179,831	97.01%	125,087	115,874	2.69%
2020	4,061,454	3,881,214	95.56%	51,825	3,933,039	96.84%	119,748	112,058	2.76%
2019	3,788,676	3,623,038	95.63%	126,705	3,749,743	98.97%	146,265	103,381	2.73%
2018	3,671,895	3,496,205	95.22%	44,975	3,541,180	96.44%	107,672	210,714	5.74%
2017	3,360,384	3,202,702	95.31%	53,853	3,256,555	96.91%	95,829	187,670	5.58%
2016	3,159,206	3,004,362	95.10%	58,135	3,062,497	96.94%	87,421	179,671	5.69%
2015	3,024,196	2,871,805	94.96%	66,245	2,938,050	97.15%	84,414	170,383	5.63%
2014	2,859,887	2,710,709	94.78%	73,904	2,784,613	97.37%	81,358	168,650	5.90%

Source: Clackamas County Assessor's Office

**CITY OF MOLALLA, OREGON**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal year Ended June 30	Governmental Activities		Business-type Activities		Total Outstanding Debt	Percentage of Personal Income (2)	Population (3)	Debt per Capita
	Full Faith and Credit Bonds (1)	Loans/Notes	Enterprise Bonds (1)	Enterprise Loans/Notes				
2023	\$ 3,458,630	\$ -	\$ 1,160,000	\$ 1,718,264	\$ 6,336,894	*	10,212	\$ 621
2022	3,925,442	-	1,518,000	831,641	6,275,083	*	10,208	615
2021	4,368,754	-	1,871,600	208,572	6,448,926	2.06%	9,910	651
2020	2,287,466	-	1,400,000	1,272,262	4,959,728	1.76%	9,885	502
2019	2,467,978	67,606	1,650,000	1,412,305	5,597,889	2.19%	9,625	582
2018	2,633,490	132,084	1,890,000	1,614,848	6,270,422	2.57%	9,610	652
2017	2,819,002	-	2,460,000	1,811,791	7,090,793	3.16%	9,085	780
2016	3,029,514	-	3,010,000	1,809,810	7,849,324	3.79%	8,940	878
2015	3,200,026	-	3,540,000	1,935,111	8,675,137	4.17%	8,820	984
2014	215,000	-	4,050,000	2,056,976	6,321,976	3.37%	8,110	780

\*Information unavailable at this time

(1) Presented net of original issuance discounts and premiums

(2) Personal income is disclosed on Demographic and Economics Statistics table.

(3) Portland State University

**CITY OF MOLALLA, OREGON**  
**Ratios of Net Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal year Ended June 30	Full Faith and Credit Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2023	\$ 4,618,630	\$ 550,000	\$ 4,068,630	0.26%	398
2022	5,443,442	600,000	4,843,442	0.36%	474
2021	6,240,354	600,000	5,640,354	0.47%	569
2020	3,687,466	332,000	3,355,466	0.30%	339
2019	4,117,978	242,050	3,875,928	0.38%	403
2018	4,523,490	262,300	4,261,190	0.48%	443
2017	5,279,002	293,313	4,985,689	0.58%	549
2016	6,039,514	439,963	5,599,551	0.75%	626
2015	6,740,026	441,463	6,298,563	0.95%	714
2014	4,265,000	67,250	4,197,750	0.71%	518

(1) This is the general bonded debt of both government and business-type activities, net of original issuance discounts and premiums.

(2) This is the amount restricted for debt service principal payments.

(3) See the Schedule of Assessed Value and Estimate Actual value of Taxable Property for property value data.

(4) Population data can be found in the schedule of Ratios of Outstanding Debt by Type.

**CITY OF MOLALLA, OREGON**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2023**

<b>Government Unit:</b>	<b>Net Property Tax Backed Debt</b>	<b>Estimated Percent within City</b>	<b>City of Molalla Pro Rata Share</b>
Clackamas Community College	\$ 127,080,045	1.92%	\$ 2,442,733
Clackamas County	105,100,000	1.42%	1,487,165
Clackamas County ESD	19,855,267	1.47%	292,190
Clackamas County SD 35 (Molalla River)	12,024,852	35.96%	4,324,522
Clackamas Soil & Water Conservation	5,416,000	1.41%	76,636
Molalla RFPD 73	1,095,000	42.30%	463,162
 Subtotal, overlapping debt	 <u>270,571,164</u>		 <u>9,086,408</u>
City of Molalla direct debt	<u>4,467,700</u>	100%	<u>4,467,700</u>
Total	<u><u>\$ 275,038,864</u></u>		<u><u>\$ 13,554,108</u></u>

Source: Oregon State Treasury, Debt Management Division

Note: Overlapping governments are those below the state level that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property owners of the City. The State of Oregon provides overlapping debt data based on real market valuation of properties for each jurisdiction.

**CITY OF MOLALLA, OREGON**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Real Market Value of Taxable Property	\$ 1,569,829,523	\$ 1,333,457,422	\$ 1,197,407,384	\$ 1,123,774,903	\$ 1,012,147,647	\$ 888,307,749	\$ 855,006,885	\$ 744,579,558	\$ 666,454,870	\$ 591,472,121
Percentage limitation	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Statutory debt limit (1)	47,094,886	40,003,723	35,922,222	33,713,247	30,364,429	26,649,232	25,650,207	22,337,387	19,993,646	17,744,164
Outstanding debt	4,467,700	5,267,000	6,038,400	3,687,466	3,694,911	4,101,932	4,630,793	4,839,324	5,135,137	2,271,976
Legal Debt Margin	<u>\$ 42,627,186</u>	<u>\$ 34,736,723</u>	<u>\$ 29,883,822</u>	<u>\$ 30,025,781</u>	<u>\$ 26,669,518</u>	<u>\$ 22,547,300</u>	<u>\$ 21,019,414</u>	<u>\$ 17,498,063</u>	<u>\$ 14,858,509</u>	<u>\$ 15,472,188</u>
Total net debt applicable to the limit as a percentage of debt limit	9.49%	13.17%	16.81%	10.94%	12.17%	15.39%	18.05%	21.66%	25.68%	12.80%

(1) Oregon Revised Statute 287A.050 limits the principal amount of general obligation bonds to no more than three percent of the real market value of taxable property.

**CITY OF MOLALLA, OREGON**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**

**Water Revenue Bonds**

Fiscal year Ended June 30	Charges for Water Service	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
2023	\$ 2,075,579	\$ 1,404,499	\$ 671,080	\$ -	\$ -	N/A
2022	1,766,265	1,171,272	594,993	-	-	N/A
2021	1,826,925	1,208,870	618,055	-	-	N/A
2020	1,894,042	1,123,084	770,958	-	-	N/A
2019	1,891,858	1,056,897	834,961	-	-	N/A
2018	1,781,130	1,097,782	683,348	340,000	5,100	1.98
2017	1,756,714	1,044,373	712,341	325,000	15,075	2.09
2016	1,455,791	950,517	505,274	310,000	24,600	1.51
2015	1,380,765	1,421,961	(41,196)	300,000	33,750	(0.12)
2014	1,285,275	891,394	393,881	290,000	42,600	1.18

**Sewer Revenue Bonds**

Fiscal year Ended June 30	Charges for Sewer Service	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
2023	\$ 3,985,315	\$ 2,920,495	\$ 1,064,820	\$ -	\$ -	N/A
2022	3,458,099	2,545,029	913,070	-	-	N/A
2021	3,232,589	2,055,212	1,177,377	-	-	N/A
2020	2,993,171	2,244,229	748,942	250,000	66,000	2.37
2019	2,805,927	2,125,825	680,102	240,000	75,600	2.15
2018	2,131,000	1,536,437	594,563	230,000	84,800	1.89
2017	2,324,971	1,470,364	854,607	225,000	91,550	2.70
2016	1,891,277	1,586,485	304,792	220,000	98,150	0.96
2015	1,624,714	2,046,295	(421,581)	210,000	104,450	(1.34)
2014	1,563,924	1,050,951	512,973	200,000	110,450	1.65

Note: Water Revenue Bond paid in full 2018  
Sewer Revenue Bond refunded with 2020 FFCO



**CITY OF MOLALLA, OREGON**  
**Demographic and Economic Indicators**  
**Last Ten Fiscal Years**

<b>Fiscal year</b>	<b>Population (1)</b>	<b>Median Age (2)</b>	<b>Per Capita Income (2)</b>	<b>Personal Income</b>	<b>Public K-12 School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2023	10,212	*	*	*	*	3.5%
2022	10,208	33.6	\$ 33,627	\$ 343,264,416	1,917	3.2%
2021	9,910	34.5	31,626	313,413,660	1,943	4.9%
2020	9,885	34.8	28,459	281,317,215	1,893	9.8%
2019	9,625	35.2	26,498	255,043,250	2,017	3.4%
2018	9,610	33.7	25,437	244,449,570	1,781	3.5%
2017	9,085	34.2	24,703	224,426,755	1,715	3.6%
2016	8,940	33.5	23,155	207,005,700	1,787	4.4%
2015	8,820	32.9	23,614	208,275,480	1,420	5.1%
2014	8,110	33.3	23,099	187,332,890	1,555	6.0%

\*Information unavailable at this time

- Sources:
- (1) Portland State University Population Research Center
  - (2) United States Census Bureau American Community Survey 5-year estimates
  - (3) State of Oregon Employment Department (Clackamas County, Seasonally Adjusted, June)

**CITY OF MOLALLA, OREGON**  
**Principal Employer Types**  
**Current Year and Nine Years Ago**

Taxpayer	2023			2014		
	Average Employees	Rank	Percentage of Total City Employment	Average Employees	Rank	Percentage of Total City Employment
Agriculture, Forestry, Fishing and Hunting	720	1	23.79%	501	1	20.25%
Retail Trade	431	2	14.24%	362 *	2	14.63%
Local Government (including schools)	321	3	10.60%	287	4	11.60%
Accommodation and Food Services	311	4	10.27%	249	6	10.06%
Private Educational Services; Health Care and Social Assistance	285	5	9.42%	276	5	11.16%
Manufacturing	268	6	8.85%	316	3	12.77%
Other Services	149	7	4.92%	117	7	4.73%
Wholesale Trade	136	8	4.49%	80	8	3.23%
Construction	125	9	4.13%			
Transportation and Warehousing	79	10	2.61%	41 *	10	1.66%
Finance & Insurance				51	9	2.06%
Subtotal	<u>2,825</u>		<u>93.33%</u>	<u>2,280</u>		<u>92.16%</u>
All other	<u>202</u>		<u>6.67%</u>	<u>194</u>		<u>7.84%</u>
Total	<u><u>3,027</u></u>		<u><u>100.00%</u></u>	<u><u>2,474</u></u>		<u><u>100.00%</u></u>

Source: Oregon Employment Department

\* Estimated

**CITY OF MOLALLA, OREGON**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Full-time Equivalent Employees as of June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Administration	7.00	6.00	5.00	5.00	4.75	4.75	6.00	5.00	4.00	3.00
Police Services	20.00	19.00	18.50	17.00	18.50	17.00	16.00	14.00	13.00	13.00
Parks	1.00	0.86	0.86	1.00	1.00	1.00	1.00	0.00	0.00	0.00
Planning	1.50	2.50	2.50	2.50	1.00	1.00	1.00	0.00	0.00	0.00
Municipal Court	1.00	1.00	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
Library	8.70	8.70	8.20	8.20	8.40	7.00	5.00	5.00	3.00	2.00
Public Works (Street, Storm, Water Sewer)	16.50	18.50	18.50	15.76	15.62	15.30	14.00	12.00	13.00	15.00
Aquatic Center	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Unallocated	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
	55.70	56.56	54.31	50.21	50.27	47.05	44.00	37.00	34.00	38.00

Source: City Records

**CITY OF MOLALLA, OREGON**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Public Safety</b>										
Citations	762	673	721	763	642	*	*	*	*	*
Arrests	312	404	212	347	298	*	*	*	*	*
<b>Culture and recreation</b>										
Library circulation										
Materials	162,934	159,571	109,237	163,673	215,289	217,268	248,674	273,269	289,500	308,350
Downloads/Streaming	23,311	21,519	20,631	20,283	15,803	13,072	11,037	10,872	7,563	6,744
Program Participation	10,727	6,831	3,549	6,724	9,412	4,397	4,917	4,993	4,993	4,136
Park rentals	101	77	15	26	25	*	*	*	*	*
<b>Community Development</b>										
Land use decisions/authorizations issued	183	136	198	89	102	*	*	*	*	*
Single-family units permitted	1	8	20	11	11	*	*	*	*	*
Multi-family units permitted	153	217	8	40	2	*	*	*	*	*
Commercial/industrial units permitted	9	1	7	6	4	*	*	*	*	*
<b>Public Works</b>										
Work orders completed	3,433	4,170	3,906	4,105	3,948	3,773	*	*	*	*
Linear feet of sewer line cleaned	13,961	11,616	9,727	9,727	9,733	*	*	*	*	*
Local road feet paved/resurfaced	4,780	3,780	1,300	33	*	*	*	*	*	*
Potholes filled	465	552	279	360	385	254	*	*	*	*
Sewer TV inspected	2,605	5,280	1,500	*	*	*	*	*	*	*
Manholes repaired	38	20	105	-	101	*	*	*	*	*
Laterals repaired	34	10	9	4	*	*	*	*	*	*
<b>Water</b>										
Water usage billed (cubic feet)	39,775,335	36,479,822	40,862,016	*	*	*	*	*	*	*
Water meters installed	68	81	39	31	122	*	*	*	*	*
Drinking water produced (gallons)	397,445,400	312,211,703	325,626,159	349,201,849	379,959,591	382,572,480	*	*	*	*
Service orders processed	828	713	807	625	820	689	*	*	*	*
Water meters read	35,829	32,892	35,853	35,453	26,622	*	*	*	*	*
Water Main Replaced (Linear Feet)	1,700	-	-	-	*	*	*	*	*	*
<b>Wastewater</b>										
Biosolids removed (dry tons)	1,234.84	419.27	411.46	280.00	866.34	*	*	*	*	*
Wastewater recycled (gallons)	137,188,000	125,891,000	114,091,000	112,303,000	110,279,000	*	*	*	*	*
Sewer Main Replaced (Linear Feet)	1,580	-	2,900	200	*	*	*	*	*	*

Source: City records

\*Statistics unavailable

**CITY OF MOLALLA, OREGON**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	21	21	20	20	19	*	*	*	*	*
Highways and streets										
Streets (center lane miles)	35.77	35.7	35.5	35.5	35.5	*	*	*	*	*
Streetlights	795	780	*	*	*	*	*	*	*	*
Culture and recreation										
Parks acreage	73.2	73.2	66.1	66.1	66.73	*	*	*	*	*
Playgrounds/skate parks	11	11	10	10	10	*	*	*	*	*
Library facility	1	1	1	1	1	1	1	1	1	1
Sanitary sewer										
Sewer EDU's	4,480	3,841	*	*	*	*	*	*	*	*
Sewer lines (miles)	34	33.95	32.62	32.62	32.47	*	*	*	*	*
Pump stations	5	5	5	6	6	*	*	*	*	*
Water										
Number of water meters	3,058	2,939	2,918	2,905	2,889	*	*	*	*	*
Water lines (miles)	42.07	42.07	41.51	41.51	41.34	*	*	*	*	*
Water storage capacity (gallons)	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	*	*	*	*	*

Source: City records

\*Statistics unavailable

## **COMPLIANCE SECTION**

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

Honorable Mayor and Council Members  
City of Molalla  
Molalla, Oregon

We have audited the basic financial statements of the City of Molalla, Oregon (the "City") as of and for the year ended June 30, 2023, and have issued our report thereon dated December 19, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

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

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

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

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

Honorable Mayor and Council Members  
City of Molalla  
Independent Auditor's Report Required by  
Oregon State Regulations  
December 19, 2023

ORS Chapter 294.358 – resources and requirements preceding years

Amounts reported in the 2023-2024 budget for certain funds did not agree to actual fiscal year 2020-2021 and 2021-2022 audited financial statements as follows:

- 1<sup>st</sup> and 2<sup>nd</sup> preceding years resources and requirements did not agree for the General Fund
- 1<sup>st</sup> and 2<sup>nd</sup> preceding years resources did not agree for the Streets and Park SDC Funds
- 1<sup>st</sup> preceding year resources did not agree for the Street, Sewer, Water and Sewer SDC Funds
- 2<sup>nd</sup> preceding year resources and requirements did not agree for the Sewer Debt Retirement and CWSRF Funds
- 2<sup>nd</sup> preceding year resources did not agree for the Library Fund

**OAR 162-10-0230 Internal Control Over Financial Reporting**

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

**Restriction on Use**

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

*Singer Lewak LLP*

December 19, 2023

By:



Bradley G. Bingenheimer, Partner