

MOLALLA URBAN RENEWAL AGENCY
FINANCIAL REPORT
June 30, 2023

MOLALLA URBAN RENEWAL AGENCY
OFFICERS AND MEMBERS OF THE GOVERNING BODY
June 30, 2023

Agency Officials *

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MOLALLA URBAN RENEWAL AGENCY

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INDEPENDENT AUDITOR'S REPORT

Agency Officials
Molalla Urban Renewal Agency
Molalla, Oregon

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Molalla Urban Renewal Agency (the "Agency"), a component unit of the City of Molalla, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency'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 and each major fund of the Agency, as of June 30, 2023, and the respective changes in financial position, and the General Fund budgetary comparison 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 Agency 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.

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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Agency Officials
Molalla Urban Renewal Agency
Independent Auditor's Report
December 19, 2023

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 Agency'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:

A handwritten signature in black ink, appearing to read "Brad Bingenheimer", written over a light blue horizontal line.

Brad Bingenheimer, Partner

BASIC FINANCIAL STATEMENTS

MOLALLA URBAN RENEWAL AGENCY

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 3,149,727
Property tax receivables	<u>33,241</u>
Total assets	<u>3,182,968</u>
Liabilities	
Accounts payable and accrued liabilities	228,953
Accrued interest payable	17,050
Long-term liabilities:	
Due within one year	470,412
Due in more than one year	<u>2,988,218</u>
Total liabilities	<u>3,704,633</u>
Net position (deficit)	
Unrestricted (deficit)	<u>(521,665)</u>
Total net position (deficit)	<u>\$ (521,665)</u>

See notes to financial statements

MOLALLA URBAN RENEWAL AGENCY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Governmental Activities</u>
Program expenses	
General government	\$ 361,073
Interest	71,112
	<hr/>
Total program expenses	432,185
	<hr/>
General revenues:	
Property taxes	895,786
Unrestricted investment earnings	830
	<hr/>
Total general revenues	896,616
	<hr/>
Change in net position	464,431
Net position (deficit) - beginning	(986,096)
	<hr/>
Net position (deficit) - ending	\$ (521,665)

MOLALLA URBAN RENEWAL AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 3,149,727
Property tax receivables	<u>33,241</u>
Total assets	<u>\$ 3,182,968</u>
Liabilities, deferred inflows and fund balances	
Liabilities	
Accounts payable and accrued liabilities	<u>228,953</u>
Total liabilities	<u>228,953</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>20,343</u>
Total deferred inflows of resources	<u>20,343</u>
Fund balances	
Unassigned	<u>2,933,672</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,182,968</u>

MOLALLA URBAN RENEWAL AGENCY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2023

Fund balances - total governmental funds	\$ 2,933,672
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Other long-term assets are not available for current period expenditures and, therefore, are reported as unavailable revenue in the funds	20,343
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(3,458,630)
Accrued interest payable	<u>(17,050)</u>
Total long-term liabilities	<u>(3,475,680)</u>
Net position of governmental activities	<u>\$ (521,665)</u>

MOLALLA URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	General Fund
Revenues	
Property taxes	\$ 898,199
Interest	830
Total revenues	899,029
Expenditures	
Current	
General government	67,317
Capital outlay	293,756
Debt service	
Principal	441,300
Interest	98,907
Total expenditures	901,280
Net change in fund balances	(2,251)
Fund balances at beginning of year	2,935,923
Fund balance at end of year	\$ 2,933,672

MOLALLA URBAN RENEWAL AGENCY
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

Net change in fund balances - total governmental funds	\$	(2,251)
<i>Amounts reported for governmental activities in the Statement of Activities are different because of the following</i>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:		
Property taxes		(2,413)
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	
Amortization of bond premiums	25,512	27,795
The repayment of the principal of debt consumes the current financial resources of the governmental funds. This transaction has no effect on net position. This amount is the difference in the treatment of debt.		441,300
Change in net position of governmental activities	\$	<u>464,431</u>

MOLALLA URBAN RENEWAL AGENCY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 766,000	\$ 766,000	\$ 888,154	\$ 122,154
Interest	50	50	830	780
Total revenues	<u>766,050</u>	<u>766,050</u>	<u>888,984</u>	<u>122,934</u>
Expenditures				
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	<u>150,000</u>	<u>150,000</u>	-	<u>150,000</u>
Total expenditures	<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>
Fund balance at end of year	<u>\$ 550,000</u>	<u>\$ 550,000</u>	3,149,727	<u>\$ 2,599,727</u>
Reconciliation to generally accepted accounting principles				
Property taxes receivable			33,241	
Accounts payable			(228,953)	
Unavailable revenues			<u>(20,343)</u>	
Net position - ending			<u>\$ 2,933,672</u>	

See notes to financial statements

MOLALLA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – FINANCIAL REPORTING ENTITY

The Molalla Urban Renewal Agency (the “Agency”), a component unit of the City of Molalla, Oregon (the “City”), was organized in August 2008 under ORS 457 and is a municipal corporation created by the City to assist in the re-development of blighted and deteriorated areas within the City’s designated urban renewal area. The city council appoints the governing body and is accountable for the fiscal matters of the Agency.

Tax Allocation Bonds for urban renewal plan areas are authorized by state law to 1) "eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Agency selects an urban renewal plan area and defines its boundaries.
- The County Assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance urban renewal projects.
- Urban Renewal Tax increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency’s activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$26,175,000.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The statement of net position and the statement of activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

MOLALLA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements (continued)

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.

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on the major fund, which is displayed in a separate column.

The single major fund, General Fund, accounts for general administration of the Agency's Urban Renewal Area, for acquisition and rehabilitation of blighted and deteriorated areas within the designated Urban Renewal Area, and repayment of debt incurred for these activities.

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.

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 Agency. 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.

MOLALLA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal yearend.

The Agency 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 governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally overextended.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the financial statements have not been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

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 the 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 which are collected within 60 days of the end of the current period are considered available and recognized as revenue.

Long-Term Obligations

In the government-wide financial statements' long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and amortized over the life of the bond.

MOLALLA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position

Government-wide financial statements

In the government-wide 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 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 financial statements when both restricted and unrestricted net position are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Governmental fund type balance reporting

Governmental type fund balance is reported within one of the fund balance categories listed 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 Agency Officials. The Agency Officials is the highest level of decision-making authority for the Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Agency Officials.

MOLALLA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency 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 Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 Agency’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 Agency’s financial statements.

MOLALLA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH AND CASH EQUIVALENTS

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

State of Oregon Local Government Investment Pool	<u>\$ 3,149,727</u>
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The Agency's cash and cash equivalents are pooled with the City. 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 Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency'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 Agency's deposits. As of June 30, 2023, none of the Agency'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 Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

MOLALLA URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Credit risk: Oregon statutes authorize the Agency 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 Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100% of the Agency's investments are in the State of Oregon State and Local Investment Pool.

Interest Rate Risk: The Agency 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 Agency will not be able to recover the value of its investments that are in the possession of an outside party. The Agency does not have a policy which limits the amount of investments that can be held with counterparties.

NOTE 4 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2023

	Outstanding July 1, 2022	Additions	Reductions	Outstanding June 30, 2023	Balances Due Within One Year
Long-term debt					
General obligation bonds:					
2015 Full Faith and Credit	\$ 1,715,000	\$ -	\$ 200,000	\$ 1,515,000	\$ 200,000
2020 Full Faith and Credit					
Refunding	2,034,000	-	241,300	1,792,700	244,900
Premium	176,442	-	25,512	150,930	25,512
Total long-term debt	<u>\$ 3,925,442</u>	<u>\$ -</u>	<u>\$ 466,812</u>	<u>\$ 3,458,630</u>	<u>\$ 470,412</u>

Governmental activities long-term debt obligations

Full Faith and Credit Obligation Bonds, series 2015 – The 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 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%.

MOLALLA URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – LONG-TERM OBLIGATIONS (Continued)

Future maturities are as follows:

Fiscal Year	Full Faith and Credit Obligations Series 2015		Full Faith and Credit Obligations Series 2020	
	Principal	Interest	Principal	Interest
2024	\$ 200,000	\$ 60,600	\$ 244,900	\$ 26,711
2025	225,000	52,600	248,500	23,062
2026	250,000	43,600	252,200	19,360
2027	260,000	33,600	256,000	15,602
2028	280,000	23,200	259,800	11,787
2029-33	<u>300,000</u>	<u>12,000</u>	<u>531,300</u>	<u>11,904</u>
	<u>\$ 1,515,000</u>	<u>\$ 225,600</u>	<u>\$ 1,792,700</u>	<u>\$ 108,426</u>

NOTE 5 – TAX ABATEMENTS

The Agency 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 Agency's property tax revenue from the year ended June 30, 2023 has been abated by \$4,339.

NOTE 6 – BUDGETARY PERSPECTIVE DIFFERENCES

The budget of the Agency 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 to 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:

Net change in fund balances - generally accepted accounting principles basis	\$ (2,251)
Revenues:	
(Increase) decrease in property taxes and other receivables susceptible to accrual, recognized as revenues on the generally accepted accounting principles basis	(7,632)
Increase (decrease) in unavailable revenues	<u>(2,413)</u>
	<u>(10,045)</u>
Expenditures:	
Increase (decrease) in accounts and accrued expenditures recognized as expenditures on the generally accepted accounting principles basis	<u>228,953</u>
Net change in fund balances - budgetary basis	<u>\$ 216,657</u>

MOLALLA URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – BUDGETARY PERSPECTIVE DIFFERENCES (Continued)

Beginning fund balances - generally accepted accounting principles basis	\$ 2,935,923
Differences in revenue recognition	(2,853)
Differences in expenditure recognition	<u>-</u>
Beginning fund balance - budgetary basis	<u>\$ 2,933,070</u>
Ending fund balances - generally accepted accounting principles basis	\$ 2,933,672
Differences in revenue recognition	(12,898)
Differences in expenditures recognition	<u>228,953</u>
Ending fund balance - budgetary basis	<u>\$ 3,149,727</u>

COMPLIANCE SECTION

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

Agency Officials
Molalla Urban Renewal Agency
Molalla, Oregon

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 162-010-000 through 162-010-0320 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 statements 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 Agency 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:

ORS Chapter 294.358 - resources and requirements preceding years

- Amounts reported in the 2023-2024 budget - actual expenditures for the 2020-2021 fiscal year did not agree with the audited financial statements

Agency Officials
Molalla Urban Renewal Agency
Independent Auditor's Report Required by
Oregon State Regulations
December 19, 2023

OAR 162-010-0230 Internal Control

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

Restriction of Use

This report is intended solely for the information and use of the Agency Officials and management of the Agency 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:



Brad Bingenheimer, Partner