

**MOLALLA URBAN
RENEWAL AGENCY**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021
WITH
INDEPENDENT AUDITOR'S REPORT

**MOLALLA URBAN RENEWAL AGENCY
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INTRODUCTORY SECTION

URBAN RENEWAL AGENCY OFFICIALS

NAME

TERM EXPIRES

Officials:

Scott Keyer, Chair
Elizabeth Klein
Leota Childress
Terry Shankle
Jody Newland
Crystal Robles
Steve Deller

December 2024
December 2022
December 2022
December 2022
December 2024
December 2024
December 2024

CITY STAFF

City Manager

Dan Huff

Finance Director

Chaunee Seifried

MAILING ADDRESS

PO Box 248
Molalla, Oregon 97038

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Molalla Urban Renewal Agency
City of Molalla, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Molalla Urban Renewal Agency, a component unit of the City of Molalla, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Molalla Urban Renewal 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 the major fund of the Molalla Urban Renewal Agency, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison statements for the General Fund, 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 Molalla Urban Renewal 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 for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Molalla Urban Renewal 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 a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Molalla Urban Renewal 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 Molalla Urban Renewal 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's

report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 16, 2022, on our consideration of Molalla Urban Renewal 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.



For Merina+Co
Tualatin, Oregon
February 16, 2022

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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

- Agency-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds

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

MOLALLA URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 3,836,503
Property taxes receivable	17,556
Cash with county	<u>2,420</u>
Total assets	<u><u>\$ 3,856,479</u></u>
LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 16,925
Interest payable	9,137
Current portion of long-term debt	<u>417,800</u>
Total current liabilities	<u>443,862</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>3,950,954</u>
Total noncurrent liabilities	<u>3,950,954</u>
Total liabilities	<u>4,394,816</u>
NET POSITION:	
Unrestricted	<u>(538,337)</u>
Total net position	<u>(538,337)</u>
Total liabilities and net position	<u><u>\$ 3,856,479</u></u>

The accompanying notes are an integral part of these financial statements

MOLALLA URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Change in Net Position</u>
EXPENSES:		
Community development	\$ 171,787	\$ (171,787)
Interest on long-term debt	49,345	(49,345)
	<u> </u>	<u> </u>
Total activities	<u>\$ 221,132</u>	<u>(221,132)</u>
 GENERAL REVENUES:		
Property taxes		665,507
Interest		953
		<u> </u>
Total general revenues		<u>666,460</u>
 Change in net position		<u>445,328</u>
 NET POSITION, ENDING		<u><u>\$ (538,337)</u></u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

This fund accounts for property taxes collected for public improvements, acquisitions and to attract economic and redevelopment in Molalla.

**MOLALLA URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2021**

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 3,836,503
Property taxes receivable	17,556
Cash with county	<u>2,420</u>
Total assets	<u>\$ 3,856,479</u>
LIABILITIES:	
current liabilities	<u>\$ 16,925</u>
Total liabilities	<u>16,925</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property taxes	<u>16,342</u>
Total deferred inflows of resources	<u>16,342</u>
FUND BALANCE:	
Restricted for:	
Urban renewal improvements	<u>3,823,212</u>
Total fund balance	<u>3,823,212</u>
Total deferred inflows of resources and fund balance	<u>\$ 3,856,479</u>
Amounts reported in the statement of net position are different because:	
Total fund balance	\$ 3,823,212
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred inflows in the funds.	
Unavailable revenues	16,342
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(4,368,754)
Interest payable	<u>(9,137)</u>
Net position	<u>\$ (538,337)</u>

The accompanying notes are an integral part of these financial statements

MOLALLA URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2021

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 760,568
Interest	<u>953</u>
Total revenues	<u>761,521</u>
EXPENDITURES:	
Current:	
Community development	80,340
Capital outlay	91,447
Debt service:	
Principal	423,600
Interest	<u>72,587</u>
Total expenditures	<u>667,974</u>
Revenues over (under) expenditures	<u>93,547</u>
OTHER FINANCING SOURCES (USES):	
Issuance of debt	<u>2,530,400</u>
Total other financing sources (uses)	<u>2,530,400</u>
Net change in fund balance	2,623,947
FUND BALANCE, BEGINNING	<u>1,199,265</u>
FUND BALANCE, ENDING	<u><u>\$ 3,823,212</u></u>

The accompanying notes are an integral part of these financial statements

MOLALLA URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT
OF ACTIVITIES
For the Year Ended June 30, 2021

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ 2,623,947
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(95,061)
Accrued interest payable	(2,270)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	<u>(2,081,288)</u>
Change in net position	<u><u>\$ 445,328</u></u>

The accompanying notes are an integral part of these financial statements

**MOLALLA URBAN RENEWAL AGENCY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 570,000	\$ 570,000	\$ 761,294	\$ 191,294
Interest	2,500	2,500	953	(1,547)
Total revenues	572,500	572,500	762,247	189,747
EXPENDITURES:				
Materials and services	150,000	150,000	80,340	69,660
Capital outlay	3,000,000	3,000,000	380,214	2,619,786
Debt service:				
Principal	400,000	400,000	423,600	(23,600) *
Interest	200,000	200,000	72,587	127,413 *
Contingency	150,000	150,000	-	150,000
Total expenditures	3,900,000	3,900,000	956,741	2,943,259
Revenues over (under) expenditures	(3,327,500)	(3,327,500)	(194,494)	3,133,006
OTHER FINANCING SOURCES (USES):				
Issuance of debt	2,411,500	2,411,500	2,530,400	118,900
Total other financing sources (uses)	2,411,500	2,411,500	2,530,400	118,900
Net change in fund balance	(916,000)	(916,000)	2,335,906	3,251,906
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,516,000	1,516,000	1,500,597	(15,403)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 600,000</u>	<u>\$ 600,000</u>	3,836,503	<u>\$ 3,236,503</u>
Property tax receivable			17,556	
Cash with county			2,420	
Unavailable revenue - property taxes			(16,342)	
Accounts payable			(16,925)	
FUND BALANCE, ENDING			<u>\$ 3,823,212</u>	

* Expenditures are appropriated together as debt service

The accompanying notes are an integral part of these financial statements

MOLALLA URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

(1) Summary of Significant Accounting Policies

The financial statements of the Molalla Urban Renewal Agency (the Agency) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The Molalla Urban Renewal Agency, a component unit of the City of Molalla (the City), was established August 24, 2008 under the provisions of Oregon Revised Statutes, Chapter 457, to assist in the re-development 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. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City of Molalla.

The Agency Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of the City and, as such is included in the financial statements of the City for the year ended June 30, 2021.

The Agency has no component units.

B. Basic Financial Statements

The Agency's financial operations are presented at both the Agency-wide and fund financial levels. All activities of the Agency are categorized as governmental.

Molalla Urban Renewal Agency-Wide Financial Statements

The statement of net position and the statement of activities display information about the Agency as a whole.

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Indirect expense* allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

MOLALLA URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently, the Agency's only fund is classified as a governmental fund.

C. Basis of Presentation

The financial transactions of the Agency are recorded in the General Fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The fund is used to record expenditures related to capital improvements projects. Major sources of revenue and other financing sources are specific taxes that are legally restricted to expenditures for specific purposes.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Agency-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the Agency-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the Agency-wide presentation.

E. Cash and cash equivalents

The Agency considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within 60 days following year-end are considered measurable and available and are recognized as revenue. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July

MOLALLA URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes are billed and collected by Clackamas County and remitted to the Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within Agency's boundaries.

G. Deferred outflows and inflows of resources

The statements will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Items in these categories represent a consumption or acquisition of net position that applies to future periods.

H. Net Position

In the agency-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Agency (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted.

I. Fund Balance

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

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

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

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

Assigned – Includes amounts assigned for specific purposes by board action. Assigned fund balance is established by the Agency through adoption or amendment of the budget as intended for specific purpose.

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

MOLALLA URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

J. Use of Restricted Resources

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

K. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Budgetary Information

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

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

(3) Cash and Cash Equivalents

The Agency maintains a portion of its cash in a separate bank account from the City. At June 30, 2021, the Agency's cash and cash equivalents were comprised of the following:

Deposits with banks	<u>\$ 3,836,503</u>
---------------------	---------------------

A. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Agency does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon

MOLALLA URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2021, the book value of the Agency's deposits was \$3,836,503 and the bank balance was \$402,060. The Agency's bank balances of \$152,060 were exposed to custodial credit risk as they were collateralized under PFCP.

B. Credit risk

State statues authorize the Agency to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasure's Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

(4) Long Term Debt

During the year ended June 30, 2021, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in 1 Year
Urban Renewal Series 2015	\$2,060,000	\$ -	\$ (165,000)	\$1,895,000	\$ 180,000
Full Faith & Credit Series 2020	-	2,530,400	(258,600)	2,271,800	237,800
Bond Premium	227,466	-	(25,512)	201,954	-
Total Governmental Bonds	<u>\$2,287,466</u>	<u>\$2,530,400</u>	<u>\$ (449,112)</u>	<u>\$4,368,754</u>	<u>\$ 417,800</u>

During 2014-2015, the Agency issued \$2,690,000 of series 2015 full faith and credit obligation bonds secured by the City's full faith and credit. If bond is defaulted, by failure to make required principal or interest payments or other covenants, action to enforce the financing agreement may take place for the amount of the obligation then outstanding to its satisfaction. This series bond pays interest of 3.00%. The bond matures in June 2029. Loan principal and interest is payable annually through June 2029. \$ 1,895,000

During 2020-2021, the Agency issued \$2,530,400 of series 2020 full faith and credit obligation bonds secured by the City's full faith and credit. If bond is defaulted, by failure to make required principal or interest payments or other covenants, lender may exercise any remedy available but agreement shall not be subject to acceleration. This series bond pays interest of 1.49%. The bond matures in January 2030. Loan principal and interest is payable annually through June 2030.

Total bonds payable	2,271,800
	\$ 4,166,800

MOLALLA URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Annual debt service requirements to maturity are as follows:

Urban Renewal Series 2015

	<u>Principal</u>	<u>Interest</u>
2022	\$ 180,000	\$ 75,800
2023	200,000	68,600
2024	200,000	60,600
2025	225,000	52,600
2026	250,000	43,600
2027-2031	<u>840,000</u>	<u>68,800</u>
Total	<u>\$ 1,895,000</u>	<u>\$ 370,000</u>

FF&C 2020 (URA)

	Principal	Interest
2022	\$ 237,800	\$ 33,850
2023	241,300	30,307
2024	244,900	26,711
2025	248,500	23,062
2026	252,200	19,360
2027-2031	<u>1,047,100</u>	<u>39,293</u>
Total	<u>\$ 2,271,800</u>	<u>\$ 172,582</u>

(5) Risk Management

The Agency is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. Except for unemployment compensation, the Agency purchases commercial insurance to minimize its exposure to these risks.

Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years.

AUDIT COMMENTS AND DISCLOSURES

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

Agency Officials
City of Molalla, Oregon

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

Report on Compliance

As part of obtaining reasonable assurance about whether Molalla Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

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

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

Internal Control Over OAR 162-10-0230

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

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

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

Purpose of this Report

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



For Merina+Co
Tualatin, Oregon
February 16, 2022