

**GLADSTONE CITY COUNCIL
ADJOURNED MEETING
CITY HALL COUNCIL CHAMBERS
February 24, 2015**

6:00 p.m.

EXECUTIVE SESSION – 192.660 (2)(b) To consider the dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent who does not request an open hearing (no attachments).

EXECUTIVE SESSION – 192.660 (2)(h) To consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

EXECUTIVE SESSION – 192.660 (2)(i) To review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee or staff member who does not request an open hearing (no attachments).

7:30 p.m. CALL TO ORDER

ROLL CALL

FLAG SALUTE

BUSINESS FROM THE AUDIENCE

Visitors: Presentations not scheduled on the Agenda are limited to five (5) minutes. Longer presentations should be submitted to the Assistant City Administrator two weeks prior to the Tuesday City Council meeting.

CONSENT AGENDA

All items below will be enacted by one motion unless someone requests specific item(s) be removed prior to Council adoption of the Consent Agenda.

CORRESPONDENCE

REGULAR AGENDA

1. Exit Audit – Merina and Company
2. Request for Proposal to Provide a Street Master Plan and Transportation System Plan Update
3. Update Sewer Master Plan Request for Proposals

BUSINESS FROM THE COUNCIL

ADJOURN



REGULAR AGENDA

City of Gladstone Staff Report

Report Date: February 19, 2015
Meeting Date: February 24, 2015
To: City Council
From: Pete Boyce, City Administrator

AGENDA ITEM

Exit Audit

History/Background

Merina and Company performs audit services for the city/urban renewal district and most recently completed its audit for fiscal year 2013-2014.

Proposal

Listen to report from Merina and Company.

Options

N/A

Cost Impact

N/A

Recommended Staff Action

N/A.

Department Head: N/A
Date:

Administration: Pete Boyce
Date: 02/19/2015

December 29, 2014

To the Agency Officials
Gladstone Urban Renewal Agency
Gladstone, Oregon

We have audited the financial statements of the governmental activities and the major fund of Gladstone Urban Renewal Agency, a component unit of the City of Gladstone, Oregon, for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gladstone Urban Renewal Agency are described in Note (1) to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014.

We noted no transactions entered into by Gladstone Urban Renewal Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting Gladstone Urban Renewal Agency's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. The misstatement is attached to this letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Gladstone Urban Renewal Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. The Agency used a consultant to review the audit adjustments and prepare the financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit management's discussion and analysis and do not express an opinion or provide any assurance on this information.

We were not engaged to report on the introductory section, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Agency Officials and management of Gladstone Urban Renewal Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

If you should have any questions or comments, we would be pleased to discuss this report with you at your convenience.

Very truly yours,



Merina & Company, LLP
Certified Public Accountants and Consultants

Audit Adjustment

Cash with Fiscal Agent	\$1,157	
Deferred Revenue	3,008	
Property Tax revenue		\$1,792
Taxes Receivable		2,373

To adjust property taxes to actual at year end

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To Honorable Mayor, City Council and City Administrator
City of Gladstone, Oregon

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gladstone, Oregon as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Gladstone, Oregon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladstone, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gladstone, Oregon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

- The City lacks adequate segregation of duties within some of the accounting functions. The individual responsible for processing checks should be segregated from the individual(s) who can approve, set up new vendors, and maintain/update vendor information. The individual responsible for preparing the bank deposits and the bank reconciliations should be segregated from the individual(s) who process payments.

- City employees are circumventing information technology controls when they use other employee's computer logins instead of their own.

This communication is intended solely for the information and use of management, the Honorable Mayor and City Council, and others within the City of Gladstone, Oregon, and is not intended to be, and should not be, used by anyone other than these specified parties.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 29, 2014

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December 29, 2014

To the Honorable Mayor and City Council
City of Gladstone, Oregon

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 Gladstone, Oregon, for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Gladstone, Oregon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014.

We noted no transactions entered into by City of Gladstone, Oregon during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the accumulated depreciation is based on historical cost or estimated historical cost if purchased or constructed and donated capital assets are recorded at estimated fair market value at the date of donation.

Management's estimate of the compensated absences payable is based on current wages.

Management's estimate of the OPEB liability is based on the actuarial report.

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We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

The disclosure of Capital Assets in Note 5 and Long Term Debt in Note 9 to the financial statements summarizes the changes in capital assets and debt for the year ended June 30, 2014.

The Special Item in Note 17 to the financial statements describes the forgiveness of the interfund loan of \$496,984 owed to the State Revenue Sharing Fund by the Water Fund.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted two known and one likely misstatement with a total financial statement effect of \$87,058 for the City. Management has determined that their effect is immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole. The misstatements accompany this letter.

The City relies on Merina & Company, LLP to propose audit adjustments that are necessary for proper presentation of the financial statements. Some of these proposed audit adjustments are material misstatements. The following misstatements were detected as a result of audit procedures and were corrected by management. The audit adjustments are attached to this letter.

Routine closing entries for:

- Current year accounts payable
- Current year accounts receivable activity
- Current year capital asset activity
- Current year property taxes
- Current year long-term liability activity
- Current year interfund loan activity
- Current year investment in joint venture

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Gladstone, Oregon's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. The City used a consultant to review the audit adjustments and prepare the financial statements.

Other Audit Findings or Issues

We noted certain matters that we reported to management of the City of Gladstone, Oregon in a separate letter dated December 29, 2014, which accompanies this letter.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and to the other post-employment benefits schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit management's discussion and analysis or the other post-employment benefits schedule of funding progress and do not express an opinion or provide any assurance on this information.

We were engaged to report on the budgetary comparison schedules, which is also RSI that supplements the basic financial statements, as well as other supplementary information, which

accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

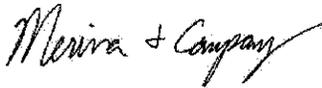
We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Honorable Mayor, City Council, and management of the City of Gladstone, Oregon, and is not intended to be, and should not be, used by anyone other than these specified parties.

If you should have any questions or comments, we would be pleased to discuss this report with you at your convenience.

Very truly yours,



Merina & Company, LLP
Certified Public Accountants and Consultants

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Passed Journal Entries

Accounts receivable	\$24,004	
Revenues		\$24,004

Year end utility billing revenue is not accrued. The net financial effect between water revenue for current year and water revenue for prior year is \$4,327.

Cash and investments	\$63,054	
Net Position		\$63,054

Cash and investments for the Library Board and Senior Center Board are not included in the City's accounting records.

Reference	Type	Date Account Number	Description	Debit	Credit
AJE01	Adjusting	06/30/14			
		001-000-140000	CASH IN BANK	181,668.00	
		001-000-211114	ACCOUNTS PAYABLE		181,668.00
		003-000-140000	CASH IN BANK	95,818.00	
		003-000-211114	ACCOUNTS PAYABLE		95,818.00
		004-000-140000	CASH IN BANK	71,329.00	
		004-000-211114	ACCOUNTS PAYABLE		71,329.00
		005-000-140000	CASH IN BANK	9,928.00	
		005-000-211114	ACCOUNTS PAYABLE		9,928.00
		008-000-140000	CASH IN BANK	9,894.00	
		008-000-211114	ACCOUNTS PAYABLE		9,894.00
		009-000-140000	CASH IN BANK	15,436.00	
		009-000-211114	ACCOUNTS PAYABLE		15,436.00
			City not to post - reclassification of held checks for FS presentation		
AJE02	Adjusting	06/30/14			
		001-000-140121	TVAP BOND	1,537.00	
		001-000-425700	SENIOR CENTER BEQUESTS		1,537.00
			CITY TO POST - to adjust investments to actual at year end		
AJE03	Adjusting	06/30/14			
		001-000-140118	MISCELLANEOUS RECEIVABLE	6,513.00	
		001-000-424500	CIGARETTE TAX REVENUE	180.00	
		001-000-424450	ALCOHOL TAX REVENUE		570.00
		001-000-424850	PLANNING APPLICATION FEE		6,123.00
		005-000-452150	STATE HIGHWAY TAXES	3,545.00	
		005-000-140115	HIGHWAY TAX RECEIVABLE		3,545.00
		010-000-140118	ACCOUNTS RECEIVABLE	2,007.00	
		010-000-499100	STATE REVENUE SHARE ALLC		2,007.00
			CLIENT TO POST - to adjust receivables revenue to actual		
AJE04	Adjusting	06/30/14			
		003-000-140118	Accounts receivable	55,033.00	
		003-000-432350	RECEIPT/TRI CITY SERVICE D		55,033.00
		004-000-140018	Accounts Receivable	4,844.00	
		004-000-443100	WATER SERVICE REVENUE		4,844.00
			City not to post - to adjust receivables to actual per pro-rata billing		

Prepared by _____

**City of Gladstone
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit
AJE05	Adjusting	06/30/14			
		004-000-140150	Water Lines/Fire Hydrants	17,766.00	
		004-000-140300	Accumulated Depreciation		166,680.00
		004-000-400003	Retained Earnings	148,914.00	
		003-000-142300	Sewer lines/storm drains	63,574.00	
		003-000-142400	Accumulated depreciation		85,621.00
		003-000-400003	Retained Earnings	22,047.00	
			City not to post - to record asset activity for enterprise funds		
AJE06	Adjusting	06/30/14			
		003-003-102500	PAYROLL COSTS	4,811.00	
		003-000-211115	Accrued Vacation		4,811.00
		004-000-211117	Accrued vacation	1,500.00	
		004-004-102500	PAYROLL COSTS		1,500.00
			City not to post - to adjust compensated absenses		
AJE07	Adjusting	06/30/14			
		004-000-400003	Retained Earnings	1,129.00	
		004-000-211120	OPEB Obligation		1,129.00
		003-000-211119	OPEB Obligation		628.00
		003-000-400003	Retained Earnings	628.00	
			City not to post - To adjust OPEB liability at year end		
AJE08	Adjusting	06/30/14			
		001-000-140113	TAX RECEIVABLE		9,802.00
		001-000-211111	DEFERRED REVENUE LIAB	12,284.00	
		001-000-140114	CASH W/FISCAL AGENT	4,489.00	
		001-000-424050	TAXES TO BALANCE		6,971.00
		008-000-140113	TAX RECEIVABLE		1,272.00
		008-000-211111	DEFERRED REVENUE-LIAB	1,646.00	
		008-000-140114	CASH W/FISCAL AGENT	676.00	
		008-000-480100	LEVY TAX		1,050.00
		009-000-140113	TAX RECEIVABLE		739.00
		009-000-211111	DEFERRED REVENUE-LIAB	919.00	
		009-000-140114	CASH W/FISCAL AGENT	324.00	
		009-000-490100	LEVY TAX		504.00
		002-000-140100	PROPERTY TAX RECEIVABLE		2,373.00
		002-000-200000	DEFERRED REVENUE-LIAB	3,008.00	
		002-000-140050	CASH W/FISCAL AGENT	1,157.00	
		002-000-424050	TAXES TO BALANCE		1,792.00
			CITY TO POST - to adjust property taxes		

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City of Gladstone
Adjusting Journal Entries

Reference	Type	Date Account Number	Description	Debit	Credit
AJE09	Adjusting	06/30/14			
		003-003-303500	CONNECTION TURNOVERS	22,644.00	
		003-000-211114	ACCOUNTS PAYABLE		22,644.00
			CITY TO POST - to book unrecorded liability FY14 that was expenses in FY15		
AJE10	Adjusting	06/30/14			
		005-005-508000	TRAFFIC SIGNAL MAINTENAN	13,316.00	
		001-021-107000	COUNTY PLANNING SVCS CO.	2,702.00	
		005-000-211114	ACCOUNTS PAYABLE		13,316.00
		001-000-211114	ACCOUNTS PAYABLE		2,702.00
			CITY TO POST - To book unrecorded liability FY14 that was expensed in FY15		
AJE11	Adjusting	06/30/14			
		003-003-305000	TRI-CITY SERVICE DISTRICT	159,040.00	
		003-000-211114	ACCOUNTS PAYABLE		159,040.00
			CITY TO POST To book FY14 unrecorded liability expensed in FY15.		
AJE12	Adjusting	06/30/14			
		004-000-211118	BONDS PAYABLE/NON-CURRI	120,000.00	
		004-000-400003	Retained Earnings		120,000.00
		004-000-140019	Prepaid Bond Payments		2,250.00
		004-000-211116	INTEREST PAYABLE	2,250.00	
		004-000-400003	Retained Earnings		2,250.00
		004-004-422900	2005 BONDED DEBT/INTERES]	2,250.00	
			City not to post - To adjust LTD, Prepaid Bond Payment, and Interest Payable		
AJE13	Adjusting	06/30/14			
		003-000-140040	Interfund loan receivable		150,000.00
		003-000-400003	Retained Earnings	150,000.00	
		004-000-211112	Interfund loan payable to sewer fur	150,000.00	
		004-000-400003	Retained Earnings		150,000.00
			CITY TO POST - To remove interfund loan		

Prepared by _____

**City of Gladstone
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit
AJE14	Adjusting	06/30/14			
		010-000-140122	LOAN RECEIVABLE-WATER		414,000.00
		010-000-140123	INTEREST RECEIVABLE-LOAN		82,984.00
		010-000-400000	FUND BALANCE	496,984.00	
		004-000-211113	Interfund loan payable to state reve	414,000.00	
		004-000-211119	Interest payable interfund loan	82,984.00	
		004-000-400003	Retained Earnings		496,984.00
			CITY TO POST - Prior period adjustment to recongnize interfund loan and interest forgiveness		
AJE15	Adjusting	06/30/14			
		004-000-400003	Retained Earnings	50,901.00	
		004-000-140060	Investment in Joint Venture		50,901.00
			To adjust for joint venture		

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MERINA & COMPANY, LLP

Certified Public Accountants and Consultants

5499 Amy Street
West Linn, OR 97068

(T) 503 – 723 – 0300
(F) 503 - 723 – 9946

www.MERINACPAS.com

Memo:

To: Pete Boyce, City Administrator and Jolene Morishita, Assistant City Administrator

From: Tonya Moffitt, Partner and Lyn Pope, Manager

Date: December 29, 2014

Subject: As a result of our audits for the fiscal year ended June 30, 2014 Merina & Company, LLP has some comments and suggestions that we would like to communicate to management.

The purpose of this memo is to bring to your attention items that were identified during the audit that we would like to communicate to you. These items are discussed below:

- Merina & Company recommends adopting a written cash handling and collection policy. Written procedures are important to help ensure that cash is appropriately safeguarded; functions are performed correctly; and to assist in training new employees. Strong internal controls reduce the risk of misappropriation of cash and safeguard against loss by public citizens or employees. This will help protect staff from inappropriate charges of mishandling funds, due to error or fraud, by defining responsibilities in the cash handling process. This policy should include:
 - A timeline to ensure all deposits collected inside or outside of the City Hall are being remitted to the Accounting Clerk within a reasonable amount of time.
 - Limiting access to funds:
 - Cash drawers must be locked when a work station is unattended and the key kept in a secure location, no more than two employees should have access to the key.
 - Different employees should not work simultaneously out of the same cash drawers.
 - Cash drawers should be counted at the end of each day.

- Procedures for compliance with Oregon Revised Statute 98 and Oregon Administrative Rules 141 regarding the specific requirements for holders of unclaimed property and the disposition of such property.
- Merina & Company recommends locking or obtaining a key fob for the copy room to help safeguard the City's assets, records, and confidential documents.
- Merina & Company recommends the fire fighter payroll procedures be formally documented and a pay scale made available each year to the fire fighters. In addition, an itemized statement should be provided to the fire fighters with their pay each month as opposed to a summary so fire fighters can verify its accuracy.
- Merina & Company recommends the City develop an internal purchase policy clearly delineating levels of authority required for expenditure approval. For instance, your purchase policy should indicate authorized spending limits for individual department heads and city management.
- In the fiscal year 2014-2015 budget, the first proceeding year's actual numbers do not all agree to the 2012-2013 audited financial statements. Merina & Company recommends that the City use Merina & Company's detailed trial balance to prepare the prior year actual numbers for the budget document as the City as the City's books are on a cash basis.

We appreciated the cooperation of you and your staff and look forward to working with you in the future.

MERINA & COMPANY, LLP

Certified Public Accountants and Consultants

5499 Amy Street
West Linn, OR 97068

(T) 503 - 723 - 0300
(F) 503 - 723 - 9946

www.MERINACPAS.com

Memo:

To: Pete Boyce, City Administrator and Jolene Morishita, Assistant City Administrator

From: Tonya Moffitt, Partner and Lyn Pope, Manager

Date: December 29, 2014

Subject: As a result of our audits for the fiscal year ended June 30, 2014 Merina & Company, LLP has some comments and suggestions that we would like to communicate to management.

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 - A timeline to ensure all deposits collected inside or outside of the City Hall are being remitted to the Accounting Clerk within a reasonable amount of time.
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We appreciated the cooperation of you and your staff and look forward to working with you in the future.

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West Linn, OR 97068

(T) 503 - 723 - 0300
(F) 503 - 723 - 9946

www.MERINACPAS.com

Memo

To: City of Gladstone and Urban Renewal Agency
Pete Boyce, City Administrator

From: Lyn Pope

Date: January 30, 2013

Subject: As a result of our audits for the fiscal year ended June 30, 2012 Merina & Company, LLP has some comments and suggestions that we would like to communicate to management.

- Merina & Company recommends that the City follow the Oregon Revised Statute 98 and Oregon Administrative Rules 141 specific requirements for holders of unclaimed property regarding the disposition of such property. We noted old checks in the Muni Court account that were older than three years.
- Merina & Company noted that some of the miscellaneous liability accounts have not changed from year to year. These amounts should be researched to ensure balances are accurate.
- Review controls in Springbrook to limit the capability to issue voided checks.
- MCO recommends the City consider adopting a formal cash handling or collection policy to ensure any deposits collected outside City Hall be deposited to City Hall within a reasonable time.
- The City should update its computer passwords so that passwords are different, kept private, and changed at least yearly.
- Review user access roles to the accounting system to ensure those that do not require access have no access.
- Firefighter pay rate and activity rates should be better documented.

- MCO noted that checks were paid less than the invoice amount due to error. Someone should review to ensure check amounts agree to invoice amounts.
- The City should review procedures at the Library to ensure that cash is being reconciled on a weekly basis, and the reconciliation is monitored by a second individual. In addition, cash should be deposited to City Hall weekly or when it reaches a certain amount. Library staff should limit access to the cash drawer to those that only need access.
- The City should consider implementing a fraud policy.
- The City should review the inter-fund loans to determine if they should be renewed. These inter-fund loans were set up years ago when they had a 5 year life or limit. Inter-fund loans now have a 10 year life and the City has reached its 10 year life.

We appreciated the cooperation of you and your staff and look forward to working with you in the future.

MERINA & COMPANY, LLP

Certified Public Accountants and Consultants

5499 Amy Street
West Linn, OR 97068

(T) 503 - 723 - 0300

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www.MERINACPAS.com

Memo

To: Pete Boyce, City Administrator

From: Lyn Pope

Date: January 9, 2012

Subject: As a result of our audits for the fiscal year ended June 30, 2011 Merina & Company, LLP has some comments and suggestions that we would like to communicate to management.

The purpose of this memo is to bring to your attention items that were identified during the audit that we would like to communicate to you. These items are discussed below:

- Merina & Company recommends that the City follow the Oregon Revised Statute 98 and Oregon Administrative Rules 141 specific requirements for holders of unclaimed property regarding the disposition of such property.
- Merina & Company recommends the City review the inter-fund loans to determine if they should be renewed. These inter-fund loans were set up years ago when they had a 5 year life or limit. Inter-fund loans now have a 10 year life.
- Merina & Company recommends the City consider adopting a formal purchasing and credit card policy.

We appreciated the cooperation of you and your staff and look forward to working with you in the future.

1-23

MERINA & COMPANY, LLP

Certified Public Accountants and Consultants

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Memo

To: Pete Boyce

From: Kammy Austin and Lyn Pope

Date: 8/20/10

Subject: Exit conference- findings and recommendations

The purpose of this memo is to bring to your attention items that were identified during the audit that we would like to communicate to you. These items are discussed below:

1. **Oversight of the Financial Reporting Process-** Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). We noted the absence of appropriate internal controls in the following areas:
 - The City's and Agency's internal control system do not reliably and consistently produce adjustments to bring the accounting records into alignment with generally accepted accounting principles as the records are kept on the budgetary basis.
 - The City and Agency do not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles. As such, management requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in cities of your size and is a result of management's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

1. We recommend the City include in the Council packet a budget report by fund and department. Discussed with Pete and this budget report will be included in packets starting in 2011.
2. The check sequence log is not updated by City Administrator for voided checks.
3. Management should continue to review and approve journal entries and indicate approval by initialing and dating.
4. Consider the impact of GASB 54- New definitions for special revenue funds and fund balances classifications will change. City should implement a policy for these new fund classifications by June 30, 2011.
 - Nonspendable(prepaids, inventory)
 - Restricted fund balance- constraints on purpose of spending that are legally enforceable by outside parties, constitutional provisions, legislation.
 - Committed fund balance- constraints on purpose of spending imposed by Government at the highest level of decision making authority and commitment must take place before end of reporting period.
 - Assigned fund balance- Intent to use resources for a specific purpose by Governing Body. Individuals or groups authorized to make assignments.
 - Unassigned fund balance- Residual balance reported in General Fund and only used to report deficits in other fund types. **Cannot report unassigned in other funds as these balances should be restricted, committed or assigned. Do not have unassigned in the special revenue funds.**
5. GASB 45- The actuaries should provide you with an additional report for the 3rd year.

We appreciated the cooperation of you and your staff and look forward to working with you in the future.

CITY OF GLADSTONE, OREGON

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended

June 30, 2014

with

Independent Auditor's Report

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

5499 AMY STREET • WEST LINN, OR 97068
PHONE: (503) 723-0300 • FAX: (503) 723-9946 • WWW.MERINACPAS.COM

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INTRODUCTORY SECTION

CITY OF GLADSTONE, OREGON
CITY OFFICIALS
June 30, 2014

City Officials

Wade Byers, Mayor
Gladstone, Oregon 97027

Term Expires

December 31, 2014

Council Members

Ray Jaren, President
Gladstone, Oregon 97027

December 31, 2014

Kari Martinez
Gladstone, Oregon 97027

December 31, 2014

Neal Reisner
Gladstone, Oregon 97027

December 31, 2016

Len Nelson
Gladstone, Oregon 97027

December 31, 2016

Hal Busch
Gladstone, Oregon 97027

December 31, 2014

Thomas Mersereau
Gladstone, Oregon 97027

December 31, 2016

City Administrator

Peter Boyce
Gladstone, Oregon 97027

Chief of Police

Jim Pryde
Gladstone, Oregon 97027

Assistant City Administrator

Jolene Morishita
Gladstone, Oregon 97027

Fire Chief

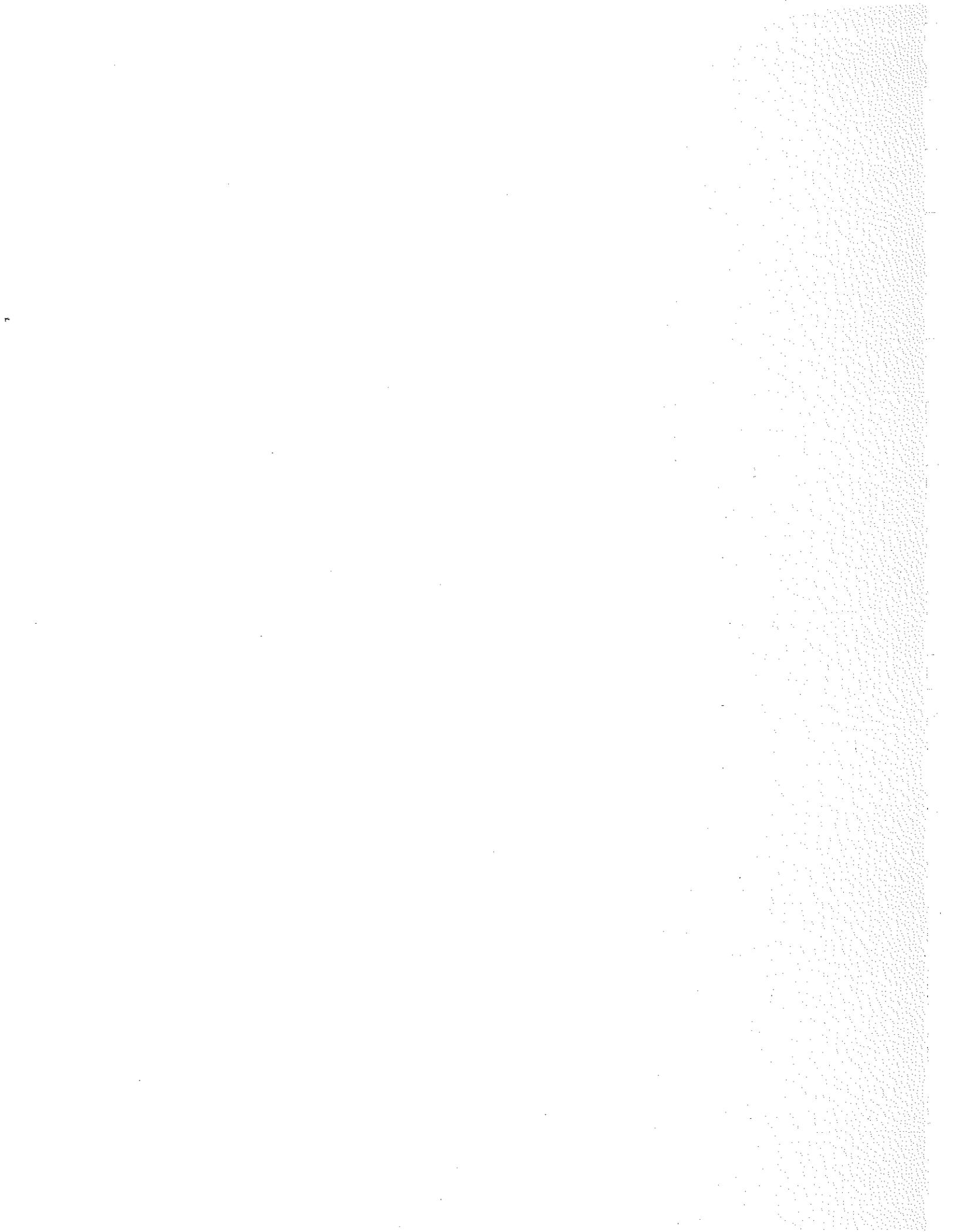
Stan Monte
Gladstone, Oregon 97027

Municipal Judge

Linda Beloof
Gladstone, Oregon 97027

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Gladstone, Oregon
Gladstone, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gladstone, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Gladstone, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of North Clackamas County Water Commission, a joint venture of the City of Gladstone, which represents 24 percent and 29 percent, respectively, of the assets and net position of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for North Clackamas County Water Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gladstone, Oregon, as of June 30, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, and the other post-employment benefits schedule of funding progress, as listed in the table of contents, 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 management's discussion and analysis and to the other post-employment benefits schedule of funding progress, as listed in the table of contents under 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.

The budgetary comparison schedules, as listed in the table of contents under required supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

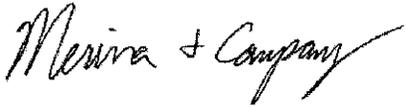
Our audit and the audit of other auditors, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladstone, Oregon's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional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

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 29, 2014, on our consideration of the City of Gladstone, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 29, 2014

JUNE 30, 2014
City of Gladstone
Management's Discussion and Analysis

Management staff of the City of Gladstone offers this executive summary of financial activities of the City for the fiscal year ended June 30, 2014.

Financial Highlights

The assets of the City of Gladstone exceeded its liabilities at the close of the most recent fiscal year by \$32,270,855 (net position). Of this amount, \$17,595,392 is investment in capital assets, \$5,169,386 is restricted for specific purposes, and \$9,506,077 (unrestricted) may be used to meet the government's obligations to creditors and to meet service expectations by its citizens. The City's total net position increased by \$1,286,638 from prior year.

The City's governmental activities reported total net position of \$22,103,900. Of this amount \$4,257,401 is unrestricted and thus available for spending at the City's discretion.

The City's business-type activities reported total net position of \$10,166,955. Of this amount \$5,248,676 is unrestricted and thus available for spending at the City's discretion.

The City's governmental funds reported combined ending fund balances of \$9,213,374, an increase of \$501,603 compared to the prior year. The increase is due to the Urban Renewal Fund holding reserves for future projects.

Overview of the Financial Statements

The Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the City of Gladstone 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.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on the City's total assets and liabilities, with the resulting difference between the two presented as net position. Over time, increases or decreases to net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The financial position of the City is best indicated by changes in cash flow and cash reserve as described in the Financial Analysis section of the City's most recent budget.

The Statement of Activities focuses on the change in net position over the last 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). Governmental activities of the City of Gladstone include general government, public safety, highways and streets, culture and recreation and urban renewal. Urban renewal is considered a component of the City of Gladstone even though it has separate financial statements and management discussion and analysis. Business-type activities consist of water and sewer.

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 Gladstone, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Gladstone can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 Gladstone maintains eight 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, State Revenue Sharing Fund, Road and Street Fund, Urban Renewal Agency Fund and Library Capital Fund. All of these funds are considered to be major funds. Data from the other three non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining schedules in the other supplementary information described below.

Proprietary Funds. Proprietary funds represent two segments of operations, water and sewer, 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.

Fiduciary Funds. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds consisting of a Municipal Court Fund and Library Board Trust Fund are custodial in

nature and do not involve measurement of results of operations.

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 major governmental funds is presented immediately following the notes to the basic financial statements.

Other Supplementary Information. The schedules for the 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 exceeded liabilities by \$32,270,855 at the close of the most recent fiscal year. The following table reflects a Summary of Net Position for these fiscal years:

TABLE 1
Summary of Net Position as of June 30,

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 9,060,541	\$ 8,026,439	\$ 2,055,681	\$ 1,665,602	\$ 11,116,222	\$ 9,692,041
Restricted cash and investments	286,009	264,609	306,143	283,962	592,152	548,571
Other assets	412,782	918,977	3,617,700	3,113,990	4,030,482	4,032,967
Capital assets	12,983,256	12,930,329	6,427,136	6,598,097	19,410,392	19,528,426
Total assets	<u>\$ 22,742,588</u>	<u>\$ 22,140,354</u>	<u>\$ 12,406,660</u>	<u>\$ 11,661,651</u>	<u>\$ 35,149,248</u>	<u>\$ 33,802,005</u>
Current liabilities	\$ 461,196	\$ 417,061	\$ 524,450	\$ 410,796	\$ 985,646	\$ 827,857
Long-term debt	177,492	156,433	1,715,255	1,833,498	1,892,747	1,989,931
Total liabilities	<u>638,688</u>	<u>573,494</u>	<u>2,239,705</u>	<u>2,244,294</u>	<u>2,878,393</u>	<u>2,817,788</u>
Net position						
Net investment in capital assets	\$ 12,983,256	\$ 12,930,329	\$ 4,612,136	\$ 4,663,097	\$ 17,595,392	\$ 17,593,426
Restricted	4,863,243	3,925,143	306,143	283,962	5,169,386	4,209,105
Unrestricted	4,257,401	4,711,388	5,248,676	4,470,298	9,506,077	9,181,686
Total net position	<u>\$ 22,103,900</u>	<u>\$ 21,566,860</u>	<u>\$ 10,166,955</u>	<u>\$ 9,417,357</u>	<u>\$ 32,270,855</u>	<u>\$ 30,984,217</u>

By far the largest portion of the City of Gladstone's net position reflect its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets do not have financial liquidity easily available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities. The remaining balance of \$9,506,077 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 fiscal years 2014 and 2013:

TABLE 2
Governmental and Proprietary Activities

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Receipts						
Program receipts						
Charges for services	\$ 359,007	\$ 307,467	\$ 3,057,754	\$ 2,744,532	\$ 3,416,761	\$ 3,051,999
Operating grants and contributions	48,267	40,437	-	-	48,267	40,437
Capital grants and contributions	-	105,990	-	-	-	105,990
General receipts						
Property tax	5,068,152	4,870,744	-	-	5,068,152	4,870,744
Franchise fees and public services tax	2,069,951	2,034,347	-	-	2,069,951	2,034,347
Interest	56,747	62,810	-	-	56,747	62,810
Other	266,671	94,940	34,737	5,853	301,408	100,793
Total receipts	<u>7,868,795</u>	<u>7,516,735</u>	<u>3,092,491</u>	<u>2,750,385</u>	<u>10,961,286</u>	<u>10,267,120</u>
Expenses						
Governmental activities						
General government	1,064,211	941,058	-	-	1,064,211	941,058
Public safety	3,854,704	3,682,376	-	-	3,854,704	3,682,376
Highways and streets	672,328	539,069	-	-	672,328	539,069
Culture and recreation	1,258,039	1,296,225	-	-	1,258,039	1,296,225
Urban renewal	23,885	46,974	-	-	23,885	46,974
Business type activities						
Water	-	-	999,683	1,060,655	1,060,655	1,060,655
Sewer	-	-	1,750,897	1,595,691	1,595,691	1,595,691
Total expenses	<u>6,873,167</u>	<u>6,505,702</u>	<u>2,750,580</u>	<u>2,656,346</u>	<u>9,623,747</u>	<u>9,162,048</u>
Change in net position before transfers	995,628	1,011,033	341,911	94,039	1,337,539	1,105,072
Transfers	38,396	37,277	(38,396)	(37,277)	-	-
Reimbursement to Clackamas County	-	(1,500,000)	-	-	(1,500,000)	-
Equity income (loss) in joint venture	-	-	(50,901)	(75,418)	(50,901)	(75,418)
Changes in net position	1,034,024	(451,690)	252,614	(18,656)	1,286,638	(470,346)
Beginning net position	21,566,860	22,018,550	9,417,357	9,479,559	30,984,217	31,498,109
Special item	(496,984)	-	496,984	-	-	-
Prior period adjustments	-	-	-	(43,546)	-	(43,546)
Ending net position	<u>\$ 22,103,900</u>	<u>\$ 21,566,860</u>	<u>\$ 10,166,955</u>	<u>\$ 9,417,357</u>	<u>\$ 32,270,855</u>	<u>\$ 30,984,217</u>

Governmental Activities. Governmental activities increased the City of Gladstone's net position by \$537,040.

Business-type Activities. Business-type activities increased the City of Gladstone's net position by \$749,598.

Financial Analysis of the City's Funds

Governmental Funds. The focus of the City of Gladstone'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 Gladstone's financial requirements. In particular, unassigned fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year as they have not been limited to use for a particular purpose.

At the end of the fiscal year, the City of Gladstone's governmental funds reported combined ending fund balances of \$9,213,374.

Proprietary Funds. The City's proprietary funds are enterprise funds and fiduciary 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. Fiduciary funds do not involve results of operations and are custodial in nature.

Budgetary Highlights

Changes to the General Fund budget included an appropriation transfer from Contingency to cover additional operating expenses in the Administration Department, Police Department and the Library.

Capital Assets and Debt Administration

The following tables compare capital assets and changes in capital assets as of June 30, 2014 and June 30, 2013:

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 5,519,830	\$ 5,519,830	\$ 640,964	\$ 640,964	\$ 6,160,794	\$ 6,160,794
Construction in Progress	1,223,341	1,223,341	-	-	1,223,341	1,223,341
Buildings	2,045,924	2,132,244	15,035	17,250	2,060,959	2,149,494
Vehicles and Equipment	930,490	681,301	17,260	32,174	947,750	713,475
Intangible Assets	52,669	53,420	-	-	52,669	53,420
Infrastructure	3,211,002	3,320,193	5,753,877	5,907,709	8,964,879	9,227,902
Total	<u>\$12,983,256</u>	<u>\$12,930,329</u>	<u>\$ 6,427,136</u>	<u>\$ 6,598,097</u>	<u>\$19,410,392</u>	<u>\$19,528,426</u>

Table 4
Changes in Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 12,930,329	\$ 13,078,293	\$ 6,598,097	\$ 6,670,911	\$ 19,528,426	\$ 19,749,204
Additions	563,686	319,844	81,340	178,833	645,026	498,677
Depreciation	(510,759)	(467,808)	(252,301)	(251,647)	(763,060)	(719,455)
Deletions	-	-	-	-	-	-
Ending Balance	<u>\$ 12,983,256</u>	<u>\$ 12,930,329</u>	<u>\$ 6,427,136</u>	<u>\$ 6,598,097</u>	<u>\$ 19,410,392</u>	<u>\$ 19,528,426</u>

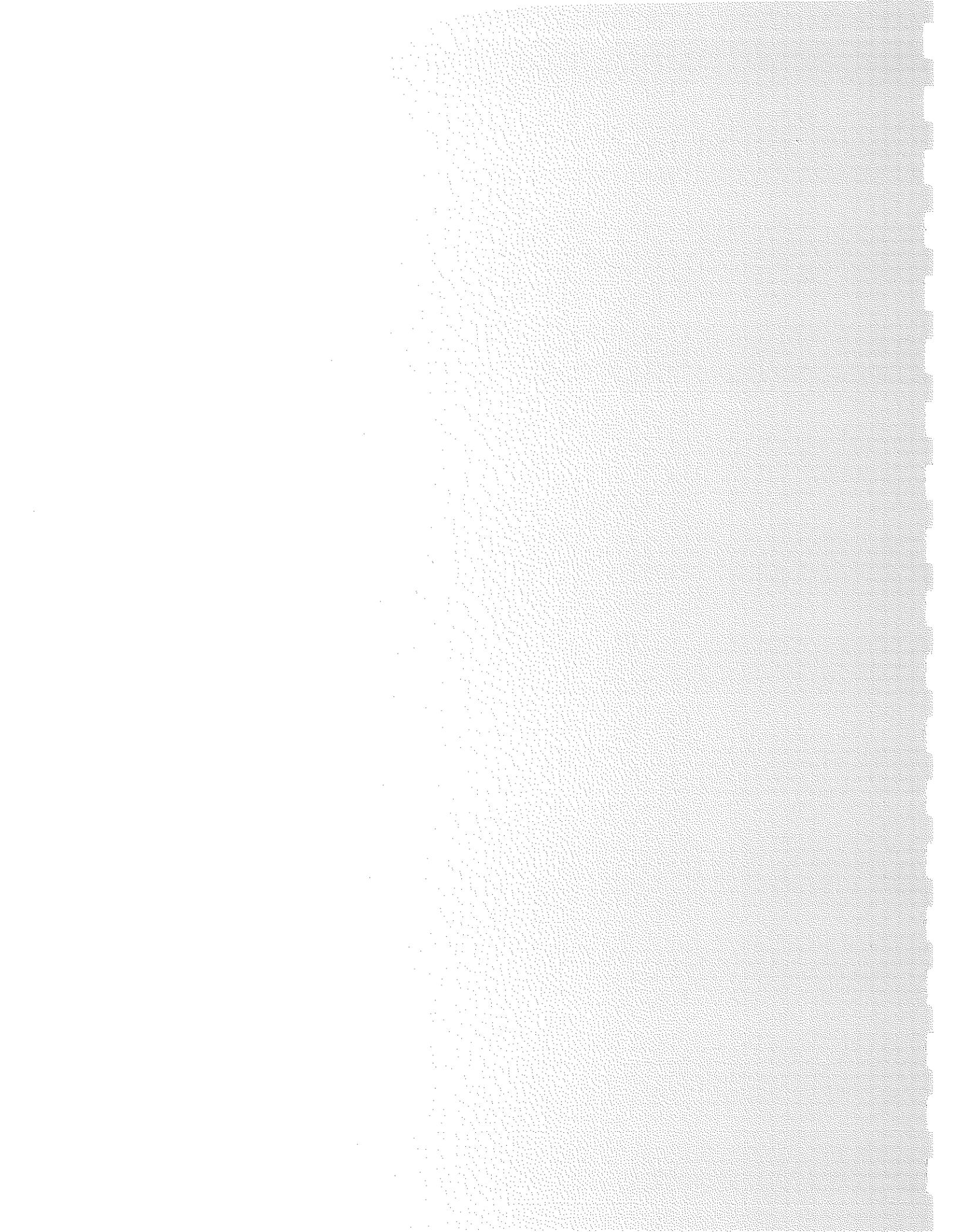
Long-term Debt. At June 30, 2014, the City had bonded debt outstanding of \$1,815,000 compared to \$1,935,000 at June 30, 2013. State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total real market value of all taxable property within its boundary. The current debt limitation for the City of Gladstone is \$29,176,747.

Economic Factors and Next Year's Budget. The Gladstone community is part of the Portland Metropolitan area and business, employment and other factors generally do not directly affect the City's financial conditions. Gladstone has virtually no vacant land and has limited potential for significant increase in property tax revenue from "qualifying improvements" as allowed by property tax limitation commonly known as Measure 50. The following fiscal year revenues should exceed expenditures.

Gladstone voters approved a new library ballot measure in November of 2014. This ballot measure allows the City to acquire property in the Portland Avenue area and construct a library that will serve the Gladstone and Oak Grove Library Service Areas. The estimated cost of the project is \$6.365 million broken down as follows: \$5.075 million to design, construct, finance, and acquire property, plus \$1.29 million in interest to finance debt. Funding sources include \$1 million from Clackamas County, \$1.375 million from the Clackamas County Library District, and the remaining funds necessary to construct the project will come from incurring debt. Debt payments will be covered by an increase in annual Library District revenue due to consolidation of the library service areas.

Requests for Information. This report was modeled after "Management's Discussion and Analysis" prepared by other cities, based on figures furnished by the City's auditor. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator at 525 Portland Avenue, Gladstone, 97027, who may consult with the City's auditor, Merina & Company, LLP.

BASIC FINANCIAL STATEMENTS



BASIC FINANCIAL STATEMENTS

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

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

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CITY OF GLADSTONE, OREGON
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 9,031,217	\$ 2,055,681	\$ 11,086,898
Cash with county treasurer	29,324	-	29,324
Accounts receivable	49,461	521,654	571,115
Property taxes receivable	311,676	-	311,676
Prepays	-	155,846	155,846
Due from other governments	51,645	-	51,645
Total current assets	9,473,323	2,733,181	12,206,504
Noncurrent assets:			
Restricted cash and investments	286,009	306,143	592,152
Assessments receivable	-	6,062	6,062
Interest receivable	-	2,564	2,564
Investment in joint venture	-	2,931,574	2,931,574
Capital assets:			
Non depreciable	6,743,171	640,964	7,384,135
Depreciable, net	6,240,085	5,786,172	12,026,257
Total noncurrent assets	13,269,265	9,673,479	22,942,744
Total assets	\$ 22,742,588	\$ 12,406,660	\$ 35,149,248
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 232,946	\$ 348,831	\$ 581,777
Interest payable	-	35,846	35,846
Accrued compensated absences	198,999	19,773	218,772
Bonds payable - current maturity	-	120,000	120,000
Other current liabilities	29,251	-	29,251
Total current liabilities	461,196	524,450	985,646
Noncurrent liabilities:			
OPEB liability	177,492	20,255	197,747
Noncurrent portion of long-term obligations	-	1,695,000	1,695,000
Total noncurrent liabilities	177,492	1,715,255	1,892,747
Total liabilities	638,688	2,239,705	2,878,393
NET POSITION:			
Net investment in capital assets	12,983,256	4,612,136	17,595,392
Restricted for:			
911 system	1,663	-	1,663
Street operations	637,724	-	637,724
Senior center	145,432	-	145,432
Library capital projects	538,886	-	538,886
System development	-	306,143	306,143
Urban Renewal development	3,539,538	-	3,539,538
Unrestricted	4,257,401	5,248,676	9,506,077
Total net position	22,103,900	10,166,955	32,270,855
Total liabilities and net position	\$ 22,742,588	\$ 12,406,660	\$ 35,149,248

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

CITY OF GLADSTONE, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 1,064,211	\$ 22,324	\$ -
Public safety	3,854,704	238,701	12,057
Highways and streets	672,328	19,863	-
Urban and renewal	23,885	-	-
Culture and recreation	1,258,039	78,119	36,210
Total governmental activities	<u>6,873,167</u>	<u>359,007</u>	<u>48,267</u>
Business-type activities:			
Water Fund	999,683	1,221,855	-
Sewer Fund	1,750,897	1,835,899	-
Total business type activities	<u>2,750,580</u>	<u>3,057,754</u>	<u>-</u>
Total government	<u>\$ 9,623,747</u>	<u>\$ 3,416,761</u>	<u>\$ 48,267</u>

General revenues:

Taxes:

 Property taxes

 Public service taxes

Franchise fees

Interest and investment earnings

Gain (loss) in joint venture

Miscellaneous

Transfers in (out)

Special item:

 Interfund loan forgiveness

Total general revenues, transfers and special item

Change in net position

Net position - beginning

Net position - ending

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

Net Expense Revenue and Change in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,041,887)	\$ -	\$ (1,041,887)
(3,603,946)	-	(3,603,946)
(652,465)	-	(652,465)
(23,885)	-	(23,885)
(1,143,710)	-	(1,143,710)
(6,465,893)	-	(6,465,893)
-	222,172	222,172
-	85,002	85,002
-	307,174	307,174
(6,465,893)	307,174	(6,158,719)
5,068,152	-	5,068,152
1,558,036	-	1,558,036
511,915	-	511,915
56,747	-	56,747
-	(50,901)	(50,901)
266,671	34,737	301,408
38,396	(38,396)	-
(496,984)	496,984	-
7,002,933	442,424	7,445,357
537,040	749,598	1,286,638
21,566,860	9,417,357	30,984,217
\$ 22,103,900	\$ 10,166,955	\$ 32,270,855

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

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

The General Fund accounts for the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Primary expenditures are for police protection, fire protection, maintenance of parks, operation of the library and senior center, and general administration.

State Revenue Sharing Fund

The State Revenue Sharing Fund accounts for the receipt and expenditure of revenue sharing funds received from the State of Oregon.

Road and Street Fund

The Road and Street Fund accounts for revenues from state gasoline taxes apportioned from the State of Oregon.

Urban Renewal Agency Fund

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

Library Capital Fund

The Library Capital Fund accounts for the construction of the City's new library. The primary source of funds are debt proceeds or current Urban Renewal funds dedicated to the library design and construction.

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CITY OF GLADSTONE, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	State Revenue Sharing Fund	Road and Street Fund
ASSETS:			
Cash and investments	\$ 3,129,762	\$ 806,338	\$ 468,746
Restricted cash and investments	145,432	-	140,577
Cash with county treasurer	19,849	-	-
Accounts receivable	23,662	25,799	-
Property taxes receivable	211,465	-	-
Due from other governments	-	-	51,645
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,530,170</u>	<u>\$ 832,137</u>	<u>\$ 660,968</u>
LIABILITIES:			
Accounts payable	\$ 184,370	\$ -	\$ 23,244
Other current liabilities	29,251	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>213,621</u>	<u>-</u>	<u>23,244</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues - property taxes	192,559	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>192,559</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Restricted:			
911 system	-	-	-
Street operations	-	-	637,724
Senior center	145,432	-	-
Library capital projects	-	-	-
Urban Renewal development	-	-	-
Assigned:			
Capital projects	-	832,137	-
Police services	-	-	-
Fire and emergency services	-	-	-
Unassigned	2,978,558	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>3,123,990</u>	<u>832,137</u>	<u>637,724</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,530,170</u>	<u>\$ 832,137</u>	<u>\$ 660,968</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

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

<u>Urban Renewal Agency Fund</u>	<u>Library Capital Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 3,529,678	\$ 538,886	\$ 557,807	\$ 9,031,217
-	-	-	286,009
5,058	-	4,417	29,324
-	-	-	49,461
53,592	-	46,619	311,676
-	-	-	51,645
<u>\$ 3,588,328</u>	<u>\$ 538,886</u>	<u>\$ 608,843</u>	<u>\$ 9,759,332</u>
\$ -	\$ -	\$ 25,332	\$ 232,946
-	-	-	29,251
-	-	25,332	262,197
48,790	-	42,412	283,761
48,790	-	42,412	283,761
-	-	1,663	1,663
-	-	-	637,724
-	-	-	145,432
-	538,886	-	538,886
3,539,538	-	-	3,539,538
-	-	-	832,137
-	-	360,965	360,965
-	-	178,471	178,471
-	-	-	2,978,558
<u>3,539,538</u>	<u>538,886</u>	<u>541,099</u>	<u>9,213,374</u>
<u>\$ 3,588,328</u>	<u>\$ 538,886</u>	<u>\$ 608,843</u>	
			12,983,256
			283,761
			(376,491)
			<u>\$ 22,103,900</u>

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

CITY OF GLADSTONE, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	State Revenue Sharing Fund	Road and Street Fund
REVENUES:			
Property taxes	\$ 3,442,106	\$ -	\$ -
Public service taxes	795,017	106,196	656,823
Franchise taxes	511,915	-	-
Grants	14,819	-	-
Charges for services	78,119	-	19,863
Licenses and permits	22,324	-	-
Fines and forfeitures	238,701	-	-
Contributions and donations	33,448	-	-
Interest	30,222	3,941	-
Miscellaneous	263,051	-	3,620
Total revenues	<u>5,429,722</u>	<u>110,137</u>	<u>680,306</u>
EXPENDITURES:			
Current:			
General government	1,036,126	-	-
Public safety	2,906,463	-	-
Highways and streets	-	-	488,047
Urban and renewal	-	-	-
Culture and recreation	1,124,926	-	-
Capital outlay	155,969	7,895	27,174
Total expenditures	<u>5,223,484</u>	<u>7,895</u>	<u>515,221</u>
Revenues over (under) expenditures	206,238	102,242	165,085
OTHER FINANCING SOURCES (USES):			
Transfers in	113,766	-	-
Transfers out	-	-	(57,021)
Total other financing sources (uses)	<u>113,766</u>	<u>-</u>	<u>(57,021)</u>
Net changes in fund balances before special item	320,004	102,242	108,064
Special item:			
Interfund loan forgiveness	-	(496,984)	-
Net changes in fund balances	320,004	(394,742)	108,064
FUND BALANCES, BEGINNING	<u>2,803,986</u>	<u>1,226,879</u>	<u>529,660</u>
FUND BALANCES, ENDING	<u>\$ 3,123,990</u>	<u>\$ 832,137</u>	<u>\$ 637,724</u>

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

Urban Renewal Agency Fund	Library Capital Fund	Other Governmental	Total Governmental
\$ 878,054	\$ -	\$ 765,850	\$ 5,086,010
-	-	-	1,558,036
-	-	-	511,915
-	-	-	14,819
-	-	-	97,982
-	-	-	22,324
-	-	-	238,701
-	-	-	33,448
16,874	2,641	3,069	56,747
-	-	-	266,671
<u>894,928</u>	<u>2,641</u>	<u>768,919</u>	<u>7,886,653</u>
-	-	-	1,036,126
-	-	592,637	3,499,100
-	-	-	488,047
23,886	-	-	23,886
-	-	-	1,124,926
45,193	-	518,146	754,377
<u>69,079</u>	<u>-</u>	<u>1,110,783</u>	<u>6,926,462</u>
825,849	2,641	(341,864)	960,191
-	-	-	113,766
-	-	(18,349)	(75,370)
<u>-</u>	<u>-</u>	<u>(18,349)</u>	<u>38,396</u>
825,849	2,641	(360,213)	998,587
<u>-</u>	<u>-</u>	<u>-</u>	<u>(496,984)</u>
825,849	2,641	(360,213)	501,603
<u>2,713,689</u>	<u>536,245</u>	<u>901,312</u>	<u>8,711,771</u>
<u>\$ 3,539,538</u>	<u>\$ 538,886</u>	<u>\$ 541,099</u>	<u>\$ 9,213,374</u>

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

**CITY OF GLADSTONE, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Amounts reported in the statement of activities are different because:

Net change in fund balances	\$	501,603
The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		52,927
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.		(17,858)
Accrued compensated absences and OPEB obligations are not due and payable in the current period and therefore are not reported in the funds.		<u>368</u>
Change in net position of governmental activities	\$	<u><u>537,040</u></u>

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

FUND FINANCIAL STATEMENTS
Proprietary Funds

Enterprise Funds

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

Water Fund

The Water Fund accounts for the City's water utility operations.

Sewer Fund

The Sewer Fund accounts for the City's sewer utility operations.

CITY OF GLADSTONE, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 879,837	\$ 1,175,844	\$ 2,055,681
Trade accounts receivable	194,560	327,094	521,654
Prepays	155,846	-	155,846
Total current assets	<u>1,230,243</u>	<u>1,502,938</u>	<u>2,733,181</u>
Noncurrent assets:			
Assessments receivable	-	6,062	6,062
Interest receivable	-	2,564	2,564
Restricted cash	158,380	147,763	306,143
Investment in joint venture	2,931,574	-	2,931,574
Capital assets:			
Non-depreciable	129,414	511,550	640,964
Depreciable	<u>3,721,338</u>	<u>2,064,834</u>	<u>5,786,172</u>
Total noncurrent assets	<u>6,940,706</u>	<u>2,732,773</u>	<u>9,673,479</u>
Total assets	<u>\$ 8,170,949</u>	<u>\$ 4,235,711</u>	<u>\$ 12,406,660</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 71,329	\$ 277,502	\$ 348,831
Interest payable	35,846	-	35,846
Accrued compensated absences	6,816	12,957	19,773
Bonds payable - current maturity	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total current liabilities	<u>233,991</u>	<u>290,459</u>	<u>524,450</u>
Noncurrent liabilities:			
OPEB liability	9,732	10,523	20,255
Bonds payable	<u>1,695,000</u>	<u>-</u>	<u>1,695,000</u>
Total noncurrent liabilities	<u>1,704,732</u>	<u>10,523</u>	<u>1,715,255</u>
Total liabilities	<u>1,938,723</u>	<u>300,982</u>	<u>2,239,705</u>
NET POSITION:			
Net investment in capital assets	2,035,752	2,576,384	4,612,136
Restricted for:			
System development	158,380	147,763	306,143
Unrestricted	<u>4,038,094</u>	<u>1,210,582</u>	<u>5,248,676</u>
Total net position	<u>6,232,226</u>	<u>3,934,729</u>	<u>10,166,955</u>
Total liabilities and net position	<u>\$ 8,170,949</u>	<u>\$ 4,235,711</u>	<u>\$ 12,406,660</u>

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

**CITY OF GLADSTONE, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 For the Fiscal Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Service charges	\$ 1,189,254	\$ 1,810,060	\$ 2,999,314
Connection and installation fees	12,975	23,284	36,259
System development charge	19,626	2,555	22,181
Miscellaneous	31,897	2,840	34,737
Total operating revenues	<u>1,253,752</u>	<u>1,838,739</u>	<u>3,092,491</u>
OPERATING EXPENSES:			
Purchases	277,392	1,285,386	1,562,778
Salaries and fringe benefits	257,862	238,493	496,355
Maintenance and repairs	195,309	140,414	335,723
Utilities	16,714	355	17,069
Depreciation and amortization	166,680	85,621	252,301
Net OPEB obligation	1,129	628	1,757
Miscellaneous	12,906	-	12,906
Total operating expenses	<u>927,992</u>	<u>1,750,897</u>	<u>2,678,889</u>
Operating income (loss)	325,760	87,842	413,602
NON-OPERATING REVENUES (EXPENSES):			
Interest expense	(71,691)	-	(71,691)
Gain (loss) in joint venture	(50,901)	-	(50,901)
Total non-operating revenues (expenses)	<u>(122,592)</u>	<u>-</u>	<u>(122,592)</u>
Income before transfers	203,168	87,842	291,010
TRANSFERS:			
Transfers in (out)	(13,685)	(24,711)	(38,396)
Income before special item	189,483	63,131	252,614
SPECIAL ITEM:			
Interfund loan forgiveness	496,984	-	496,984
Change in net position	686,467	63,131	749,598
NET POSITION, BEGINNING	<u>5,545,759</u>	<u>3,871,598</u>	<u>9,417,357</u>
NET POSITION, ENDING	<u>\$ 6,232,226</u>	<u>\$ 3,934,729</u>	<u>\$ 10,166,955</u>

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

CITY OF GLADSTONE, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,248,908	\$ 1,783,706	\$ 3,032,614
Cash paid to employees for salaries and benefits	(258,233)	(233,054)	(491,287)
Cash paid to suppliers and others	(467,677)	(1,347,713)	(1,815,390)
Net cash provided by operating activities	522,998	202,939	725,937
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Payment from (to) other funds	(150,000)	150,000	-
Transfers in (out)	(13,685)	(24,711)	(38,396)
Net cash provided (used) by non-capital financing activities	(163,685)	125,289	(38,396)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(17,766)	(63,574)	(81,340)
Principal paid on capital debt	(120,000)	-	(120,000)
Interest paid on capital debt	(73,941)	-	(73,941)
Net cash used by capital and related financing activities	(211,707)	(63,574)	(275,281)
Net increase in cash and cash equivalents	147,606	264,654	412,260
CASH AND CASH EQUIVALENTS, BEGINNING	890,611	1,058,953	1,949,564
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,038,217</u>	<u>\$ 1,323,607</u>	<u>\$ 2,361,824</u>
COMPRISED AS FOLLOWS:			
Unrestricted	\$ 879,837	\$ 1,175,844	\$ 2,055,681
Restricted	158,380	147,763	306,143
Total cash and cash equivalents	<u>\$ 1,038,217</u>	<u>\$ 1,323,607</u>	<u>\$ 2,361,824</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	\$ 325,760	\$ 87,842	\$ 413,602
Adjustments:			
Depreciation	166,680	85,621	252,301
Decrease (increase) in:			
Accounts receivable	(4,844)	(55,033)	(59,877)
Prepays	2,250	-	2,250
Increase (decrease) in:			
Accounts payable and accrued expenses	33,523	79,070	112,593
Accrued compensated absences	(1,500)	4,811	3,311
OPEB obligation	1,129	628	1,757
Net cash provided by operating activities	<u>\$ 522,998</u>	<u>\$ 202,939</u>	<u>\$ 725,937</u>
NON-CASH INFORMATION:			
Special item: interfund loan forgiveness	\$ 496,984	\$ -	\$ 496,984
Increase (decrease) in joint venture	(50,901)	-	(50,901)

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

FUND FINANCIAL STATEMENTS
Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results.

CITY OF GLADSTONE, OREGON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	<u>\$ 25,504</u>
Total assets	<u><u>\$ 25,504</u></u>
LIABILITIES:	
Other current liabilities	<u>\$ 25,504</u>
Total liabilities	<u><u>\$ 25,504</u></u>

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

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies of the City are described below.

A. Description of Reporting Entity

The City was incorporated in 1911. The City operates under the voter-approved City of Gladstone, Oregon charter of 1984. Under the charter, the City is governed by an elected mayor and six council members who comprise the City Council.

The City is a municipal corporation governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the government and its component unit (Gladstone Urban Renewal Agency), entities for which the government is considered to be financially accountable.

Gladstone Urban Renewal Agency

The Agency was formed to plan, direct, and manage certain projects within Gladstone. Pursuant to ORS 457.055, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency Fund is reported as governmental fund type and is considered a blended component unit.

Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Gladstone Urban Renewal Agency has a June 30 year-end. The Gladstone Urban Renewal Agency is governed by the City Council of The City of Gladstone. Complete financial statements for the Agency may be obtained at the City of Gladstone – City Hall, 525 Portland Avenue, Gladstone, Oregon 97027.

Based on the criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, the Gladstone Seniors Foundation, a nonprofit 501(c)(3), and Gladstone Public Library Foundation, a nonprofit 501(c)(3), are considered discretely presented component units. These discretely presented component units are not considered material in relation to the City of Gladstone and accordingly, have not been included in the City of Gladstone's financial report. Only those revenues and expenditures directly processed by the City of Gladstone finance department are included in the financial statements.

The City is a ten percent partner with the Sunrise Water Authority and the Oak Lodge Water District in the North Clackamas County Water Commission, a joint venture. The purpose of this joint venture is to operate, maintain, and enhance a regional water supply system with water rights from the Clackamas River and to cooperatively conduct water resource planning (see Note 6).

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

Government-wide statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City'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.

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, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

C. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The new GASB 34 model sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

The *General Fund* accounts for the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Primary expenditures are for police protection, fire protection, maintenance of parks, operation of the library and senior center, and general administration.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

The *State Revenue Sharing Fund* accounts for the receipt and expenditures of revenue sharing funds received from the State of Oregon.

The *Road and Street Fund* accounts for revenues from state gasoline taxes apportioned from the State of Oregon.

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

The *Library Capital Fund* accounts for the construction of the City's new library. The primary source of funds are debt proceeds or current Urban Renewal funds dedicated to the library design and construction.

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

- *Water Fund*
- *Sewer Fund*

Fiduciary Funds reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City reports the following fiduciary funds:

- *Municipal Court Fund*
- *Library Board Trust Fund*

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 Government-Wide Financial Statements and the Proprietary Funds Financial Statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the fiduciary 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. 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 City 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

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

A deferred inflow of resources arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that deferred inflow of resources also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expended to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized, thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements. 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. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Water and Sewer Funds are charges to customers for sales and services. The Water and Sewer Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, the City considers cash equivalents as all highly liquid debt instruments purchased with maturity of three months or less.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

F. Investments

Investments are stated at share value, which approximates fair value.

G. Restricted Cash and Investments

Assets whose use is restricted to specific purposes by state statute are segregated on the balance sheet.

H. Fund Balance

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

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

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

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

Assigned – Includes amounts assigned for specific purposes by council action. In accordance with the City's adopted fund policy, adopted by resolution, amounts may be assigned by the City Administrator.

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

I. Use of Restricted Resources

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

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

J. Receivables and Payables

Property taxes receivable in the governmental fund types, which have been collected within sixty days following year end, are considered measurable and available and are recognized as revenues in Governmental Funds. All other property taxes receivable for the governmental fund types are offset by deferred inflows of resources and, accordingly, have not been recorded as revenue. Property taxes become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15 and May 15 following the lien date. All property taxes receivable are due from property owners within the City.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Management believes that any uncollectible accounts included in the governmental fund receivable balances are not significant, and therefore no provision for uncollectible accounts has been made. Receivables in proprietary funds are stated net of an allowance for uncollectible accounts

K. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.), are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is unknown. Donated fixed assets are recorded at their estimated fair market value at the time received.

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2014.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

- *Building and improvements - 50 years*
- *Supply and distribution systems (including utility plant infrastructure) - 50 years*
- *Machinery and equipment – 5-10 years*

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

L. Investments Accounted For By The Equity Method

The City's investment in the North Clackamas County Water Commission is accounted for under the equity method, as prescribed by GASB 14 for joint ventures. Under the equity method, the investment in an equity investee is increased or decreased by the investor's equity in the increase or decrease in the net position of the investee. Profit on operating transactions between the investor and investee is eliminated in the calculation of this equity interest. Non-operating transactions increase or decrease the investment in the equity investee.

M. Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, accumulated vested vacation pay is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Sick pay, which does not vest, is recorded in all funds when leave is taken.

Funds used to liquidate accrued compensated absences included the General Fund, Road and Street Fund, Police Communications Special Levy Fund, Fire and Emergency Services Special Levy Fund, Water Fund, and Sewer Fund.

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 expensed in the period incurred.

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 financial sources while discounts on debt proceeds received are reported as debt service expenditures.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The City does not have deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item "unavailable revenue," is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

P. Net Position

In the government-wide financial statements and proprietary funds 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 City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. The remaining net position is considered unrestricted.

Q. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted requires that management make estimates and assumptions which affect the reporting amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

2. Cash and Investments

At June 30, 2014 investments of the City and its component unit consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 11,360,357
Municipal bond	14.00	31,981
Portfolio weighted average maturity	0.04	\$ 11,392,338

A. Interest rate risk

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

B. Credit risk

State statutes authorize the City to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company and is unrated. The City also invests in U.S. government obligations and agency obligation and commercial paper with a Standard & Poor's rating of A or better.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

C. Concentration of credit risk

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

D. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2014, none of the City's bank balances were exposed to custodial credit risk.

E. Custodial credit risk – investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2014, the City had no investments exposed to custodial credit risk.

F. Restricted Deposits

Restricted cash and investments represent system development charges and transportation impact fees collected by the City which can be expended only for capital improvement projects and a bequest to the Senior Center which can only be expended for Senior Center projects.

3. Assessment Liens Receivable

Assessment liens receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Because the assessments are liens against the benefited property, an allowance for uncollectible amounts is not deemed necessary.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. Interfund Transfers

Transfers between funds during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
General Fund	\$ 113,766	\$ -
Road & Street Fund	-	57,021
Total Major Governmental Funds	<u>113,766</u>	<u>57,021</u>
Non-major Governmental Funds		
Police / Comm. Levy Fund	-	12,919
Fire / Emergency Services Fund	-	5,430
Total Non-major Governmental Funds	<u>-</u>	<u>18,349</u>
Proprietary Funds		
Water Fund	-	13,685
Sewer Fund	-	24,711
Total Proprietary Funds	<u>-</u>	<u>38,396</u>
Total All Funds	<u>\$ 113,766</u>	<u>\$ 113,766</u>

The Police and Communications Special Levy Fund, Fire and Emergency Services Special Levy Fund, Water Fund, Sewer Fund, and the Road and Street Fund transferred \$113,766 to the General Fund to cover general operating and administrative expenses.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

5. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 5,519,830	\$ -	\$ -	\$ 5,519,830
Construction in progress	1,223,341	-	-	1,223,341
Total capital assets, non-depreciable	<u>6,743,171</u>	<u>-</u>	<u>-</u>	<u>6,743,171</u>
Capital assets, depreciable:				
Intangible assets	59,086	11,350	-	70,436
Buildings, structures and improve	3,589,007	-	-	3,589,007
Equipment	1,246,773	58,675	-	1,305,448
Vehicles	2,607,757	493,661	(15,389)	3,086,029
Infrastructure	3,885,906	-	-	3,885,906
Total capital assets, depreciable	<u>11,388,529</u>	<u>563,686</u>	<u>(15,389)</u>	<u>11,936,826</u>
Total assets	18,131,700	563,686	(15,389)	18,679,997
Less accumulated depreciation for:				
Intangible assets	(5,666)	(12,101)	-	(17,767)
Buildings, structures and improve	(1,456,763)	(86,320)	-	(1,543,083)
Equipment	(1,148,273)	(39,904)	-	(1,188,177)
Vehicles	(2,024,956)	(263,243)	15,389	(2,272,810)
Infrastructure	(565,713)	(109,191)	-	(674,904)
Total accumulated depreciation	<u>(5,201,371)</u>	<u>(510,759)</u>	<u>15,389</u>	<u>(5,696,741)</u>
Net depreciable capital assets	<u>6,187,158</u>	<u>52,927</u>	<u>-</u>	<u>6,240,085</u>
Net capital assets	<u>\$ 12,930,329</u>	<u>\$ 52,927</u>	<u>\$ -</u>	<u>\$ 12,983,256</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 28,148
Public safety	260,465
Roads and highways	146,172
Culture and recreations	75,974
Total depreciation expense	<u>\$ 510,759</u>

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:				
Land	\$ 640,964	\$ -	\$ -	\$ 640,964
Total capital assets, non-depreciable	640,964	-	-	640,964
Capital assets, depreciable:				
Buildings	299,113	-	-	299,113
Equipment	155,650	-	-	155,650
Vehicles	125,991	-	-	125,991
Infrastructure	10,688,976	81,340	-	10,770,316
Total capital assets, depreciable	11,269,730	81,340	-	11,351,070
Total	11,910,694	81,340	-	11,992,034
Less accumulated depreciation for:				
Buildings	(281,863)	(2,215)	-	(284,078)
Equipment	(136,855)	(11,604)	-	(148,459)
Vehicles	(112,612)	(3,310)	-	(115,922)
Infrastructure	(4,781,267)	(235,172)	-	(5,016,439)
Total accumulated depreciation	(5,312,597)	(252,301)	-	(5,564,898)
Net depreciable capital assets	5,957,133	(170,961)	-	5,786,172
Net capital assets	\$ 6,598,097	\$ (170,961)	\$ -	\$ 6,427,136
Business-type activities:				
Water		\$ (166,680)		
Sewer		(85,621)		
Total depreciation expense - business-type activities		<u>\$ (252,301)</u>		

6. Joint Venture

The City is a member of a joint venture known as the North Clackamas County Water Commission, in which the City has a ten percent interest and the Sunrise Water Authority and the Oak Lodge Water District have forty-eight and forty-two percent interests, respectively. The joint venture was created in 1998 by the First Intergovernmental Agreement between the Damascus and Mt. Scott Water Districts (which became the Sunrise Water Authority) and the Oak Lodge Water District to plan, construct, and operate a regional water supply system with water rights from the Clackamas River; to operate, maintain, and facilities for the production of potable water from the headworks on the Clackamas River, and to cooperatively conduct water resource planning and management. The Second Intergovernmental Agreement between Sunrise Water Authority and Oak Lodge Water District in 2004

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

provided for the expansion of the water treatment works operated by the Commission to handle the full capacity of the intake at the headworks on the Clackamas River.

The City of Gladstone became a partner in the joint venture through the First Addendum to the Second Intergovernmental Agreement, paying \$2,609,118, transferring rights to 8,900,000 gallons per day of Clackamas River Water, and supporting the substitution of the North Clackamas County Water Commission for the City as a member of the Willamette Water Resources Commission to acquire ten percent interest in the assets and liabilities of the North Clackamas County Water Commission and an allocation of 2,500,000 gallons per day of treated water from the Commission's water treatment facility. The Addendum also requires each of the parties to allow the other parties of the agreement access to use of their facilities to the extent that they are not needed for service of the party's own customers. Fees for such usage are determined on a cost basis.

The Addendum to the second intergovernmental agreement reconstituted the Board of Commissioners for the North Clackamas County Water Commission. The Board of Commissioners consists of seven members: the Boards of Commissioners for Sunrise Water Authority and Oak Lodge Water District selects three commissioners each, and the Gladstone City Council selects one commissioner. The commissioners are required to be voting members of the governing body, council, or board of commissioners of the party making the selection. The commissioners select a Chair from among their members to serve a term of one year, beginning July 1 of each year. The position of Chair will rotate each year to represent each party. The commissioners will also select a Vice Chair to serve in the absence of the Chair. Each commissioner will have one vote. Five commissioners must be present to meet requirements for a quorum, and five affirmative votes will be required for adoption of any measure, ordinance, or resolution.

The City's net position in the joint venture as of June 30, 2014 was \$2,931,574. The current year operation of the Commission resulted in a net loss on investment to the City of \$50,901. The City had water purchases from the Commission of \$258,596 for the year ended June 30, 2014.

Separate financial statements for the North Clackamas County Water Commission can be obtained from the Commission at 14496 SE River Road, Milwaukie, Oregon 97267.

7. Construction in Process

For the year ended June 30, 2014 the City had \$1,233,341 in construction in process. The City had set out to design and build a new library that would support the City of Gladstone and Oak Lodge area two years ago. Near the end of the design process citizens approved ballot measures amending the City Charter. These amendments required the City to seek voter approval to move forward with the library construction project.

Gladstone voters approved a new library ballot measure in November of 2014. This ballot measure allows the City to acquire property in the Portland Avenue area and construct a library that will serve the Gladstone and Oak Grove Library Service Areas. The estimated cost of the project is \$6.365 million broken down as follows: \$5.075 million to design, construct, finance, and acquire property plus \$1.29 million in interest to finance debt. Funding sources include \$1 million from Clackamas County, \$1.375 million from the Clackamas County Library District, and the remaining funds necessary to construct the project will come from incurring debt. Debt payments will be covered by an increase in annual Library District revenue due to consolidation of the library service areas.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

8. Deferred Inflows of Resources

Deferred revenue as of June 30, 2014 consists of the following:

	General Fund	Fire & Emergency Services Special Levy Fund	Police & Communications Special Levy Fund	Urban Renewal Fund	Total
Property taxes	\$ 192,559	\$ 13,881	\$ 28,531	\$ 48,790	\$ 283,761

9. Long Term Debt

A. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Compensated absences	\$ 220,426	\$ 198,999	\$ (220,426)	\$ 198,999	\$ 198,999
Other postemployment benefits	156,433	21,059	-	177,492	-
Governmental activities Long-term liabilities	<u>\$ 376,859</u>	<u>\$ 220,058</u>	<u>\$ (220,426)</u>	<u>\$ 376,491</u>	<u>\$ 198,999</u>
Business-type Activities					
Bonds	\$ 1,935,000	\$ -	\$ (120,000)	\$ 1,815,000	\$ 120,000
Compensated absences	16,462	19,773	16,462	19,773	19,773
Other postemployment benefits	18,498	1,757	-	20,255	-
Business-type activities Long-term liabilities	<u>\$ 1,969,960</u>	<u>\$ 21,530</u>	<u>\$ (103,538)</u>	<u>\$ 1,855,028</u>	<u>\$ 139,773</u>

For governmental activities, compensated absences are liquidated by the general fund.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

B. Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Business Activities

During 2005-2006, the City issued \$2,650,000 in general obligations bonds to finance the purchase of a portion of a water treatment plant and for capital improvements to the City's water system. The bonds carry interest rates varying from 3.00% to 4.00%. Interest is payable semiannually on January 1 and July 1 of each year. Bond principal is payable annually through July 2025.	<u>\$ 1,815,000</u>
Total bonds payable	<u>\$ 1,815,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Business-type Activities

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.000 %	\$ 120,000	\$ 69,290	\$ 189,290
2016	3.700 %	125,000	64,579	189,579
2017	3.700 %	130,000	59,861	189,861
2018	3.800 %	135,000	54,891	189,891
2019-2023	3.800 - 4.125 %	765,000	190,550	955,550
2024-2028	4.000 - 4.125 %	540,000	32,800	572,800
Total		\$ 1,815,000	\$ 471,971	\$ 2,286,971

10. Net Position

Net position resulting from the City's receipt of state gas tax revenue is restricted for road and street repairs and improvement in the amount of \$637,724.

11. Pension Plan

A. Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program; this is paid by the City. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF rate for the year ended June 30, 2014 was 12.61% and the annual pension cost was \$453,610. The OPSRP rates in effect for the year ended June 30, 2014 was 8.16% for general employees and 10.89% for police and fire employees. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

C. Annual Pension Cost

Contribution information for the years ended June 30, 2014, 2013, and 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 419,507	100%	-
6/30/13	\$ 417,726	100%	-
6/30/14	\$ 453,610	100%	-

12. Post Employment Benefits Other than Pensions

A. Plan Description

The City does not have a formal post-employment benefits plan for its employees; however, the City will allow retirees to continue health insurance coverage for themselves and their qualified dependents at the same rates as active employees, until they become eligible for Medicare, as required by ORS 243.303. Retirees' electing to remain on the City's sponsored health care plan pay the entire premium to maintain coverage. Although the City does not pay any portion of the retiree premium there is an implicit subsidy with respect to the retired employee as the medical premium rates charged are less than would they would be if the retiree were in a separately rated health care plan.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

B. Funding Policy

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The current monthly health care premium for plan members at June 30, 2014 is:

	<u>Regence</u>	<u>Kaiser</u>
Employee	\$ 497	\$ 583
Employee + child	908	1,055
Employee + spouse	1,035	1,203
Employee + family	1,427	1,699

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) determined by the actuary. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost and net OPEB obligation at June 30, 2014 is as follows:

	<u>2014</u>
Annual Required Contribution (ARC)	\$ 33,573
Interest on Net OPEB Obligation	6,997
Adjustment to ARC	<u>(6,248)</u>
Annual OPEB cost	34,322
Contributions made	<u>(11,506)</u>
Increase in Net OPEB Obligation	22,816
Net OPEB Obligation – beginning of year	<u>174,931</u>
Net OPEB Obligation – end of year	<u>\$ 197,747</u>

The annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2014	\$ 34,322	34%	\$ 197,747
6/30/2013	33,078	23%	174,931
6/30/2012	82,432	49%	149,372

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

D. Funding Status

As of July 1, 2012, the most recent actuarial valuation, the plan was zero percent funded. The actuarial accrued liability (AAL) for benefits was \$296,770 and also equaled the unfunded actuarial accrued liability (UAAL). The annual payroll of active employees covered by the plan (covered payroll) was \$2,525,297 and the ratio of the UAAL to the covered payroll was 11.8%.

E. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new assumptions are made about the future. Calculations are based on types of benefits provided at the time of valuation and the pattern of cost-sharing between the employer and plan members to that point. Actuarial calculations reflect a long-term prospective, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an accrued liability discount rate of 4.0%, projected salary increases of 3.5%, and a healthcare cost trend rate of 8% for 2014, grading down over seventeen years to 5%. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized over an open period of 30 years.

13. Retirement Health Insurance Account (RHIA)

A. Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

B. Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever, is less shall be paid by the eligible retired member in the manner provided in ORS 238.410.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual coverall payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represent a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) of the plan over a period

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2014 equaled the required contributions.

14. Agreements with Service Districts

The City has agreements with certain service districts to collect and process City sewage. General terms of these agreements are as follows:

- The City will process and review all permit applications for hookup and inspection thereof; operate and maintain local collection facilities; bill and collect use charges and bill and collect connection charges.
- The City will collect and remit all connections charges to the service districts, except for a portion to reimburse administrative costs.
- The City or the service districts may terminate the agreements upon 30 to 180 days notice.

Payments of \$1,285,386 were made to the service districts during fiscal year 2014 under these agreements.

15. Risk Management

The City 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 City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2013 to 2014. 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.

16. Contingency

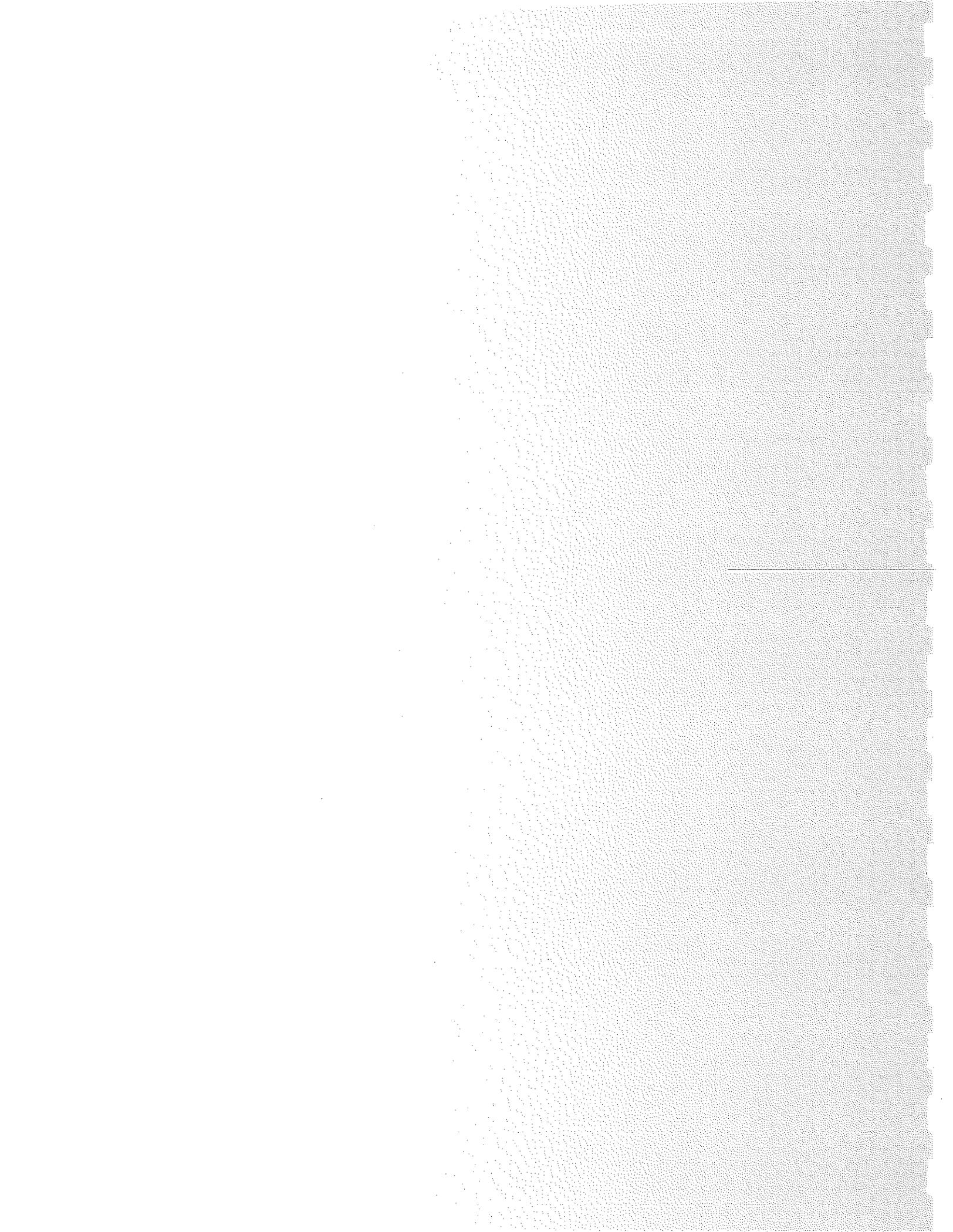
Management of the City believes that total amount of liability, if any, which may arise from claims and lawsuits pending against the City beyond which is covered by insurance, would not have a material effect on the City's financial condition.

17. Special Item

During 2013-2014, the City of Gladstone forgave the interfund loan of \$496,984 owed to the State Revenue Sharing Fund by the Water Fund. The forgiveness of this interfund loan has been reported as a special item on the Statement of Activities.

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REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules
 - General Fund
 - State Revenue Sharing Fund
 - Road and Street Fund
 - Urban Renewal Agency Fund
- Other Post Employment Benefits Schedule of Funding Progress
- Notes to the Required Supplementary Information

CITY OF GLADSTONE, OREGON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,203,059	\$ 3,203,059	\$ 3,442,106	\$ 239,047
Public service taxes	750,735	750,735	795,017	44,282
Franchise taxes	479,837	479,837	511,915	32,078
Grants	254,100	254,100	14,819	(239,281)
Charges for services	42,400	42,400	78,119	35,719
Licenses and permits	19,550	19,550	22,324	2,774
Fines and forfeitures	185,000	185,000	238,701	53,701
Contributions and donations	30,500	30,500	33,448	2,948
Interest	23,000	23,000	30,222	7,222
Miscellaneous	285,935	285,935	263,051	(22,884)
Total revenues	5,274,116	5,274,116	5,429,722	155,606
EXPENDITURES:				
General government	1,018,091	1,173,091	1,036,126	136,965
Public safety	3,169,977	3,169,977	2,906,463	263,514
Cultural and recreation	1,243,997	1,243,997	1,124,926	119,071
Capital outlay	1,250,030	1,250,030	155,969	1,094,061
Contingency	300,000	145,000	-	145,000
Total expenditures	6,982,095	6,982,095	5,223,484	1,758,611
Revenues over (under) expenditures	(1,707,979)	(1,707,979)	206,238	1,914,217
OTHER FINANCING SOURCES (USES):				
Transfers in	113,766	113,766	113,766	-
Total other financing sources (uses)	113,766	113,766	113,766	-
Net changes in fund balances	(1,594,213)	(1,594,213)	320,004	1,914,217
FUND BALANCES, BEGINNING	2,648,453	2,648,453	2,803,986	155,533
FUND BALANCES, ENDING	\$ 1,054,240	\$ 1,054,240	\$ 3,123,990	\$ 2,069,750

**CITY OF GLADSTONE, OREGON
STATE REVENUE SHARING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Public service taxes	\$ 92,000	\$ 92,000	\$ 106,196	\$ 14,196
Interest	2,800	2,800	3,941	1,141
Total revenues	94,800	94,800	110,137	15,337
EXPENDITURES:				
Capital outlay	754,924	754,924	7,895	747,029
Total expenditures	754,924	754,924	7,895	747,029
Revenues over (under) expenditures	(660,124)	(660,124)	102,242	762,366
OTHER FINANCING SOURCES (USES):				
Interfund loan receipts	99,396	99,396	-	(99,396)
Interfund loan payments	(150,000)	(150,000)	-	150,000
Total other financing sources (uses)	(50,604)	(50,604)	-	50,604
Net changes in fund balances	(710,728)	(710,728)	102,242	812,970
FUND BALANCES, BEGINNING BUDGETARY BASIS				
	710,728	710,728	729,895	19,167
FUND BALANCES, ENDING				
	\$ -	\$ -	\$ 832,137	\$ 832,137

CITY OF GLADSTONE, OREGON
ROAD AND STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Public service taxes	\$ 585,200	\$ 585,200	\$ 656,823	\$ 71,623
Charges for services	5,000	5,000	19,863	14,863
Miscellaneous	500	500	3,620	3,120
Total revenues	590,700	590,700	680,306	89,606
EXPENDITURES:				
Personnel service	176,003	176,003	159,344	16,659
Materials and service	232,575	417,575	328,703	88,872
Capital outlay	592,559	407,559	27,174	380,385
Total expenditures	1,001,137	1,001,137	515,221	485,916
Revenues over (under) expenditures	(410,437)	(410,437)	165,085	575,522
OTHER FINANCING SOURCES (USES):				
Transfers out	(57,021)	(57,021)	(57,021)	-
Total other financing sources (uses)	(57,021)	(57,021)	(57,021)	-
Net changes in fund balances	(467,458)	(467,458)	108,064	575,522
FUND BALANCES, BEGINNING	467,458	467,458	529,660	62,202
FUND BALANCES, ENDING	\$ -	\$ -	\$ 637,724	\$ 637,724

**CITY OF GLADSTONE, OREGON
 URBAN RENEWAL AGENCY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 855,072	\$ 855,072	\$ 878,054	\$ 22,982
Interest	8,500	8,500	16,874	8,374
Total revenues	863,572	863,572	894,928	31,356
EXPENDITURES:				
Materials and service	76,300	76,300	23,886	52,414
Capital outlay	3,492,593	3,492,593	45,193	3,447,400
Total expenditures	3,568,893	3,568,893	69,079	3,499,814
Net changes in fund balances	(2,705,321)	(2,705,321)	825,849	3,531,170
FUND BALANCES, BEGINNING	2,705,321	2,705,321	2,713,689	8,368
FUND BALANCES, ENDING	\$ -	\$ -	\$ 3,539,538	\$ 3,539,538

CITY OF GLADSTONE, OREGON
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS
June 30, 2014

Other Post-Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2009	\$ -	\$ 699,333	\$ 699,333	0.00%	\$ 2,937,298	24.00%
7/1/2012	-	296,770	296,770	0.00%	2,525,297	11.80%

CITY OF GLADSTONE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

1. Stewardship, Compliance, and Accountability

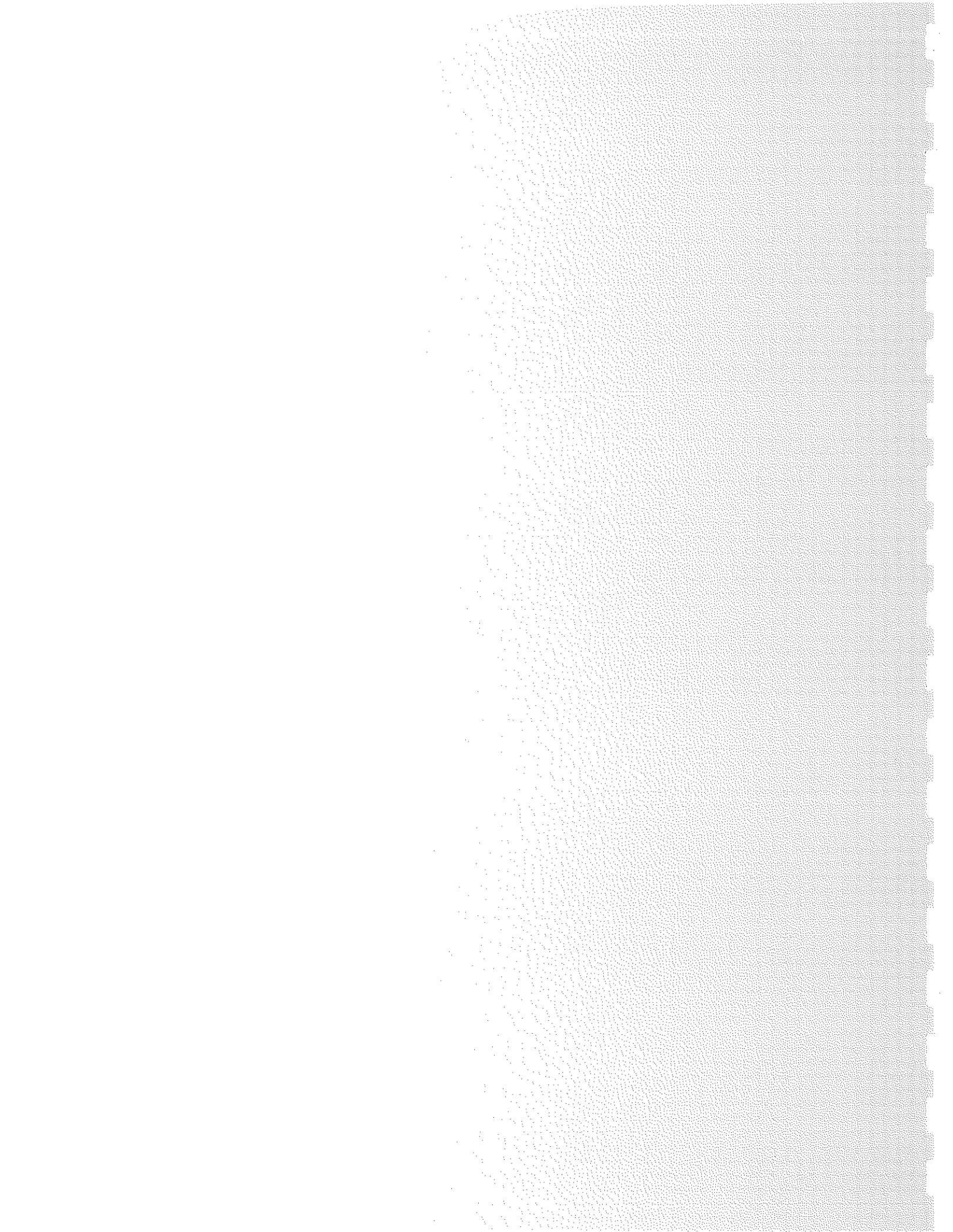
A. Budgetary Information

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

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Expenditure categories of personnel services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. The City had appropriation transfers during the year ended June 30, 2014. Appropriations lapse as of year-end.

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OTHER SUPPLEMENTARY INFORMATION



OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedules
 - General Fund
 - Library Capital Fund
 - Nonmajor Governmental Funds
- Budgetary Comparison Schedules
 - Enterprise Funds
- Other Financial Schedules

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

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

911 Excise Tax Resource Fund

The 911 Excise Tax Resource Fund accounts for revenue received from the State of Oregon from the "911" state emergency telephone system.

Police and Communications Special Levy Fund

The Police and Communications Special Levy Fund accounts for the receipts and expenditure of taxes received from a five year local option levy. Proceeds from the levy will be used to increase police personnel.

Fire and Emergency Services Special Levy Fund

The Fire and Emergency Services Special Levy Fund accounts for the receipt and expenditure of taxes received from a five year local option levy. Proceeds from the levy will be used to increase fire personnel and to increase current services.

Agency Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results. Funds included in this category are:

Municipal Court Fund

The Municipal Court Fund accounts for resources received and held by the City in a fiduciary capacity.

Library Board Trust Fund

The Library Board Trust Fund accounts for resources received and held by the City in a fiduciary capacity.

CITY OF GLADSTONE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	911 Excise Tax Resource Fund	Police and Communications Special Levy Fund	Fire and Emergency Services Special Levy Fund	Total
ASSETS:				
Cash and investments	\$ 1,663	\$ 365,032	\$ 191,112	\$ 557,807
Cash with county treasurer	-	2,985	1,432	4,417
Property taxes receivable	-	31,374	15,245	46,619
Total assets	<u>\$ 1,663</u>	<u>\$ 399,391</u>	<u>\$ 207,789</u>	<u>\$ 608,843</u>
LIABILITIES:				
Accounts payable	<u>\$ -</u>	<u>\$ 9,895</u>	<u>\$ 15,437</u>	<u>\$ 25,332</u>
Total liabilities	<u>-</u>	<u>9,895</u>	<u>15,437</u>	<u>25,332</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - property taxes	<u>-</u>	<u>28,531</u>	<u>13,881</u>	<u>42,412</u>
Total deferred inflows of resources	<u>-</u>	<u>28,531</u>	<u>13,881</u>	<u>42,412</u>
FUND BALANCES:				
Restricted:				
911 system	1,663	-	-	1,663
Assigned:				
Police services	-	360,965		360,965
Fire and emergency services	-	-	178,471	178,471
Total fund balances	<u>1,663</u>	<u>360,965</u>	<u>178,471</u>	<u>541,099</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,663</u>	<u>\$ 399,391</u>	<u>\$ 207,789</u>	<u>\$ 608,843</u>

CITY OF GLADSTONE, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2014

	911 Excise Tax Resource Fund	Police and Communications Special Levy Fund	Fire and Emergency Services Special Levy Fund	Total
REVENUES:				
Property taxes	\$ -	\$ 517,580	\$ 248,270	\$ 765,850
Interest	9	2,017	1,043	3,069
Total revenues	<u>9</u>	<u>519,597</u>	<u>249,313</u>	<u>768,919</u>
EXPENDITURES:				
Public safety	-	470,077	122,560	592,637
Capital outlay	-	9,894	508,252	518,146
Total expenditures	<u>-</u>	<u>479,971</u>	<u>630,812</u>	<u>1,110,783</u>
Revenues over (under) expenditures	9	39,626	(381,499)	(341,864)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(12,919)	(5,430)	(18,349)
Total other financing sources (uses)	<u>-</u>	<u>(12,919)</u>	<u>(5,430)</u>	<u>(18,349)</u>
Net changes in fund balances	9	26,707	(386,929)	(360,213)
FUND BALANCES, BEGINNING	<u>1,654</u>	<u>334,258</u>	<u>565,400</u>	<u>901,312</u>
FUND BALANCES, ENDING	<u>\$ 1,663</u>	<u>\$ 360,965</u>	<u>\$ 178,471</u>	<u>\$ 541,099</u>

CITY OF GLADSTONE, OREGON
AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Municipal Court Fund				
Assets				
Cash	\$ 6,115	\$ -	\$ 2,784	\$ 3,331
Liabilities				
Other current liabilities	\$ 6,115	\$ -	\$ 2,784	\$ 3,331
Library Board Trust Fund				
Assets				
Cash	\$ 22,055	\$ 118	\$ -	\$ 22,173
Liabilities				
Other current liabilities	\$ 22,055	\$ 118	\$ -	\$ 22,173
Totals - All Agency Funds				
Assets				
Cash	\$ 28,170	\$ 118	\$ 2,784	\$ 25,504
Liabilities				
Other current liabilities	\$ 28,170	\$ 118	\$ 2,784	\$ 25,504

BUDGETARY COMPARISON SCHEDULES

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

These Budgetary Comparison schedules included the following:

- General Fund Schedule of Expenditures
- Library Capital Fund
- Special Revenue Funds - Nonmajor Governmental Funds
 - 911 Excise Tax Resource Fund
 - Police and Communications Special Levy Fund
 - Fire and Emergency Services Special Levy Fund

CITY OF GLADSTONE, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General Administration:				
Personnel services	\$ 484,091	\$ 484,091	\$ 453,034	\$ 31,057
Materials and services	534,000	689,000	583,092	105,908
Subtotal	1,018,091	1,173,091	1,036,126	136,965
Municipal Court:				
Personnel services	136,094	136,094	158,135	(22,041)
Materials and services	131,219	131,219	66,119	65,100
Subtotal	267,313	267,313	224,254	43,059
Police:				
Personnel services	1,863,660	1,863,660	1,729,419	134,241
Materials and services	233,000	233,000	246,187	(13,187)
Capital outlay	5,000	5,000	22	4,978
Subtotal	2,101,660	2,101,660	1,975,628	126,032
Fire:				
Personnel services	443,204	443,204	409,508	33,696
Materials and services	362,800	362,800	297,095	65,705
Capital outlay	640,000	640,000	36,887	603,113
Subtotal	1,446,004	1,446,004	743,490	702,514
Parks:				
Personnel services	149,907	149,907	117,133	32,774
Materials and services	123,712	123,712	115,772	7,940
Capital outlay	311,835	311,835	22,030	289,805
Subtotal	585,454	585,454	254,935	330,519
Recreation:				
Personnel services	27,000	27,000	21,275	5,725
Materials and services	34,910	34,910	28,955	5,955
Subtotal	61,910	61,910	50,230	11,680

CITY OF GLADSTONE, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Senior Center:				
Personnel services	211,784	211,784	206,857	4,927
Materials and services	43,700	43,700	36,395	7,305
Capital outlay	182,195	182,195	1,195	181,000
Subtotal	437,679	437,679	244,447	193,232
Library:				
Personnel services	560,185	560,185	509,435	50,750
Materials and services	92,799	92,799	89,104	3,695
Capital outlay	111,000	111,000	95,835	15,165
Subtotal	763,984	763,984	694,374	69,610
Total expenditures	\$ 6,682,095	\$ 6,837,095	\$ 5,223,484	\$ 1,613,611

CITY OF GLADSTONE, OREGON
LIBRARY CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 2,641	\$ 2,641
Total revenues	-	-	2,641	2,641
Net changes in fund balances	-	-	2,641	2,641
FUND BALANCES, BEGINNING	-	-	536,245	536,245
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,886</u>	<u>\$ 538,886</u>

**CITY OF GLADSTONE, OREGON
 911 EXCISE TAX RESOURCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 9	\$ 9
Total revenues	-	-	9	9
Net changes in fund balances	-	-	9	9
FUND BALANCES, BEGINNING	-	-	1,654	1,654
FUND BALANCES, ENDING	\$ -	\$ -	\$ 1,663	\$ 1,663

CITY OF GLADSTONE, OREGON
POLICE AND COMMUNICATIONS SPECIAL LEVY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 505,247	\$ 505,247	\$ 517,580	\$ 12,333
Interest	2,500	2,500	2,017	(483)
Total revenues	<u>507,747</u>	<u>507,747</u>	<u>519,597</u>	<u>11,850</u>
EXPENDITURES:				
Personnel service	453,073	483,073	467,767	15,306
Materials and service	119,930	119,930	2,310	117,620
Capital outlay	130,000	100,000	9,894	90,106
Total expenditures	<u>703,003</u>	<u>703,003</u>	<u>479,971</u>	<u>223,032</u>
Revenues over (under) expenditures	(195,256)	(195,256)	39,626	234,882
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(12,919)</u>	<u>(12,919)</u>	<u>(12,919)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,919)</u>	<u>(12,919)</u>	<u>(12,919)</u>	<u>-</u>
Net changes in fund balances	(208,175)	(208,175)	26,707	234,882
FUND BALANCES, BEGINNING	<u>358,612</u>	<u>358,612</u>	<u>334,258</u>	<u>(24,354)</u>
FUND BALANCES, ENDING	<u>\$ 150,437</u>	<u>\$ 150,437</u>	<u>\$ 360,965</u>	<u>\$ 210,528</u>

CITY OF GLADSTONE, OREGON
FIRE AND EMERGENCY SERVICES SPECIAL LEVY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 234,485	\$ 234,485	\$ 248,270	\$ 13,785
Interest	2,000	2,000	1,043	(957)
Total revenues	<u>236,485</u>	<u>236,485</u>	<u>249,313</u>	<u>12,828</u>
EXPENDITURES:				
Personnel service	131,164	131,164	117,327	13,837
Materials and service	20,000	20,000	5,233	14,767
Capital outlay	654,000	654,000	508,252	145,748
Total expenditures	<u>805,164</u>	<u>805,164</u>	<u>630,812</u>	<u>174,352</u>
Revenues over (under) expenditures	(568,679)	(568,679)	(381,499)	187,180
OTHER FINANCING SOURCES (USES):				
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(5,430)	(5,430)	(5,430)	-
Total other financing sources (uses)	<u>144,570</u>	<u>144,570</u>	<u>(5,430)</u>	<u>(150,000)</u>
Net changes in fund balances	(424,109)	(424,109)	(386,929)	37,180
FUND BALANCES, BEGINNING	<u>543,551</u>	<u>543,551</u>	<u>565,400</u>	<u>21,849</u>
FUND BALANCES, ENDING	<u>\$ 119,442</u>	<u>\$ 119,442</u>	<u>\$ 178,471</u>	<u>\$ 59,029</u>

BUDGETARY COMPARISON SCHEDULES
Enterprise Funds

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

Enterprise Budgetary Comparison schedules include the following:

- Water Fund
- Sewer Fund

CITY OF GLADSTONE, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Service charges	\$ 1,134,000	\$ 1,134,000	1,189,254	\$ 55,254
Connection and installation fees	2,500	2,500	12,975	10,475
System development charge	1,500	1,500	19,626	18,126
Miscellaneous	500	500	31,897	31,397
Total revenues	<u>1,138,500</u>	<u>1,138,500</u>	<u>1,253,752</u>	<u>115,252</u>
EXPENDITURES:				
Personnel service	299,201	299,201	257,862	41,339
Materials and service	659,400	659,400	476,318	183,082
Capital outlay	573,006	552,006	43,769	508,237
Debt service:				
Principal	120,000	120,000	120,000	-
Interest	73,941	73,941	73,941	-
Total expenditures	<u>1,725,548</u>	<u>1,704,548</u>	<u>971,890</u>	<u>732,658</u>
Revenues over (under) expenditures	(587,048)	(566,048)	281,862	847,910
OTHER FINANCING SOURCES (USES):				
Interfund loan payments	(129,396)	(150,396)	(150,000)	396
Transfers out	(13,685)	(13,685)	(13,685)	-
Total other financing sources (uses)	<u>(143,081)</u>	<u>(164,081)</u>	<u>(163,685)</u>	<u>396</u>
Net changes in fund balances	(730,129)	(730,129)	118,177	848,306
FUND BALANCES, BEGINNING				
BUDGETARY BASIS	<u>730,129</u>	<u>730,129</u>	<u>1,007,073</u>	<u>276,944</u>
FUND BALANCES, ENDING				
BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,250</u>	<u>\$ 1,125,250</u>
			<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above			\$ 1,253,752	\$ 971,890
Operating transfers in/out			-	13,685
Expenditures capitalized			-	(17,766)
Debt service principal payments			-	(120,000)
Depreciation expense			-	166,680
Accrued interest payable			-	(2,250)
Net OPEB obligation			-	1,129
Special item: interfund loan forgiveness			496,984	-
Equity in net income/loss of joint venture			(50,901)	-
Total revenues and expenses - generally accepted accounting principles			<u>\$ 1,699,835</u>	<u>1,013,368</u>
Change in net position				<u>\$ 686,467</u>

CITY OF GLADSTONE, OREGON
SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Service charge	\$ 1,718,478	\$ 1,718,478	\$ 1,810,060	\$ 91,582
Connection and installation fees	4,000	4,000	23,284	19,284
System development charge	500	500	2,555	2,055
Miscellaneous	600	600	2,840	2,240
Total revenues	<u>1,723,578</u>	<u>1,723,578</u>	<u>1,838,739</u>	<u>115,161</u>
EXPENDITURES:				
Personnel service	243,166	243,166	238,493	4,673
Materials and service	1,563,518	1,563,518	1,416,292	147,226
Capital outlay	842,547	842,547	73,437	769,110
Total expenditures	<u>2,649,231</u>	<u>2,649,231</u>	<u>1,728,222</u>	<u>921,009</u>
Revenues over (under) expenditures	(925,653)	(925,653)	110,517	1,036,170
OTHER FINANCING SOURCES (USES):				
Interfund loan receipts	30,000	30,000	150,000	120,000
Transfers out	(24,711)	(24,711)	(24,711)	-
Total other financing sources (uses)	<u>5,289</u>	<u>5,289</u>	<u>125,289</u>	<u>120,000</u>
Net changes in fund balances	(920,364)	(920,364)	235,806	1,156,170
FUND BALANCES, BEGINNING				
BUDGETARY BASIS	<u>920,364</u>	<u>920,364</u>	<u>908,838</u>	<u>(11,526)</u>
FUND BALANCES, ENDING				
BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,144,644</u>	<u>\$ 1,144,644</u>
			Revenues	Expenditures
Total revenue and expenditures above			\$ 1,838,739	\$ 1,728,222
Operating transfers in/out			-	24,711
Expenditures capitalized			-	(63,574)
Depreciation and amortization expense			-	85,621
Net OPEB obligation			-	628
Total revenues and expenses - generally accepted accounting principles			<u>\$ 1,838,739</u>	<u>1,775,608</u>
Change in net position				<u>\$ 63,131</u>

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OTHER FINANCIAL SCHEDULES

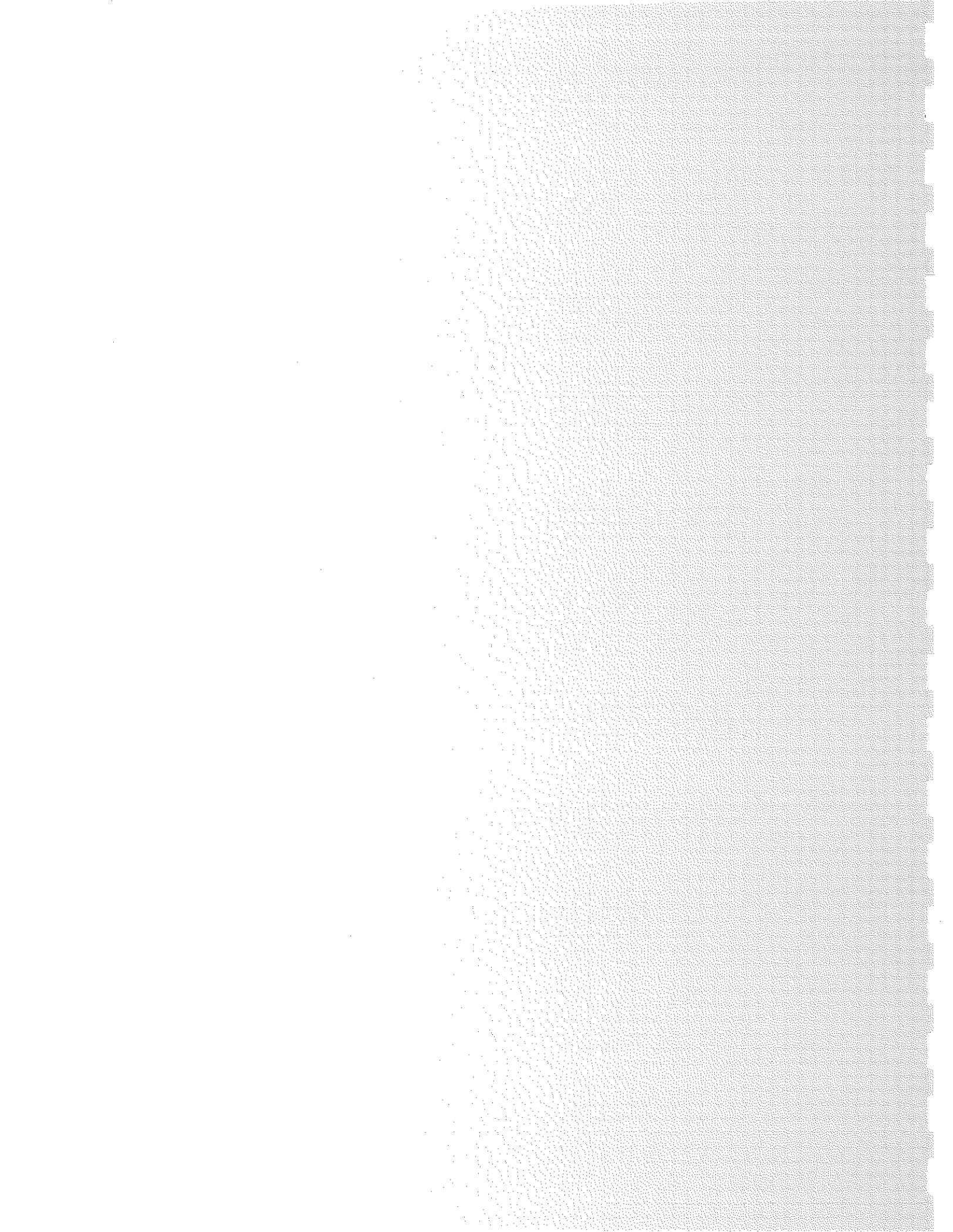
CITY OF GLADSTONE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>2013-2014 Levy</u>	<u>Adjustments/ Discount</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 5,159,734	\$ (140,435)	\$ (4,924,712)	\$ 130,587
2012-2013	147,911	-	(3,972)	(71,811)	72,128
2011-2012	83,264	-	(1,273)	(31,215)	50,776
2010-2011	52,843	-	(361)	(23,493)	28,989
2009-2010	29,787	-	(562)	(8,558)	20,667
2008-2009	5,273	-	(738)	(964)	3,571
Prior years	6,785	-	(766)	(1,061)	4,958
Totals	\$ 325,863	\$ 5,159,734	\$ (148,107)	\$ (5,061,814)	\$ 311,676

Taxes receivable classified by fund:

General Fund	\$ 211,465
Police and Communications Special Levy Fund	31,374
Fire and Emergency Services Special Levy Fund	15,245
Urban Renewal Agency Debt Service Fund	53,592
	<u>\$ 311,676</u>

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



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

We have audited the basic financial statements of the City of Gladstone, Oregon, as of and for the year ended June 30, 2014 and have issued our report thereon dated December 29, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Gladstone, Oregon'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 the 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:

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

In connection with our testing, nothing came to our attention that caused us to believe the City of Gladstone, Oregon, was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as

specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

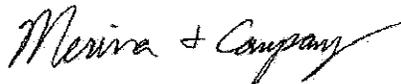
In planning and performing our audit, we considered the City of Gladstone, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control and have communicated them in a separate letter to management dated December 29, 2014.

In addition, we noted certain matters that we reported to management of the City of Gladstone, Oregon, in a separate letter to management dated December 29, 2014.

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



Merina & Company, LLP
West Linn, Oregon
December 29, 2014

GLADSTONE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF GLADSTONE, OREGON)

FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2014

with

Independent Auditor's
Report

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

5499 AMY STREET • WEST LINN, OR 97068
PHONE: (503) 723-0300 • FAX: (503) 723-9946 • WWW.MERINACPAS.COM

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GLADSTONE URBAN RENEWAL AGENCY
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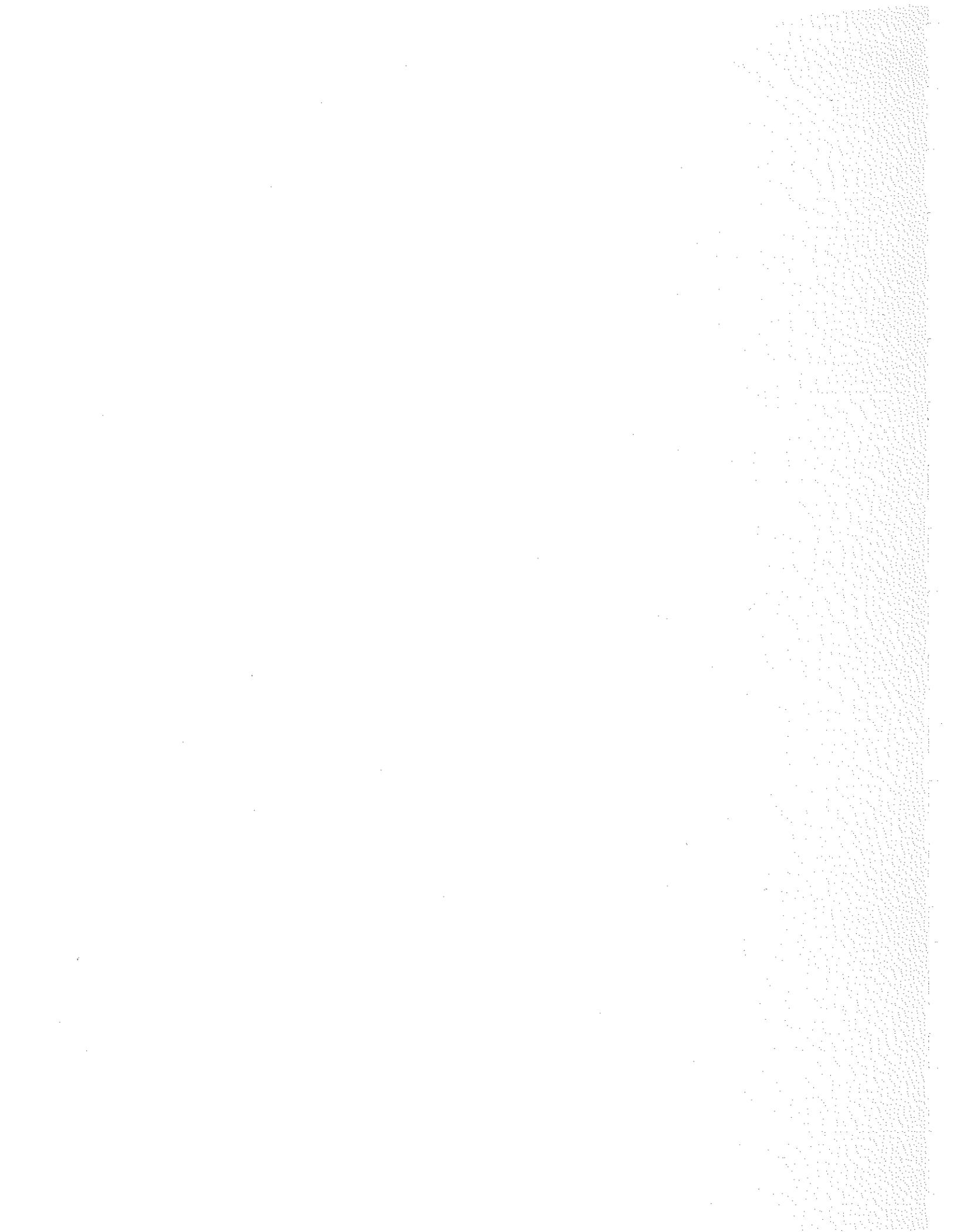
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INTRODUCTORY SECTION



**GLADSTONE URBAN RENEWAL AGENCY
LIST OF PRINCIPAL OFFICIALS
June 30, 2014**

Officials

Term Expires

Wade Byers, Mayor
Gladstone, Oregon 97027

December 31, 2014

Ray Jaren, President
Gladstone, Oregon 97027

December 31, 2014

Kari Martinez
Gladstone, Oregon 97027

December 31, 2014

Neal Reisner
Gladstone, Oregon 97027

December 31, 2016

Len Nelson
Gladstone, Oregon 97027

December 31, 2016

Hal Busch
Gladstone, Oregon 97027

December 31, 2014

Thomas Mersereau
Gladstone, Oregon 97027

December 31, 2016

Administrator

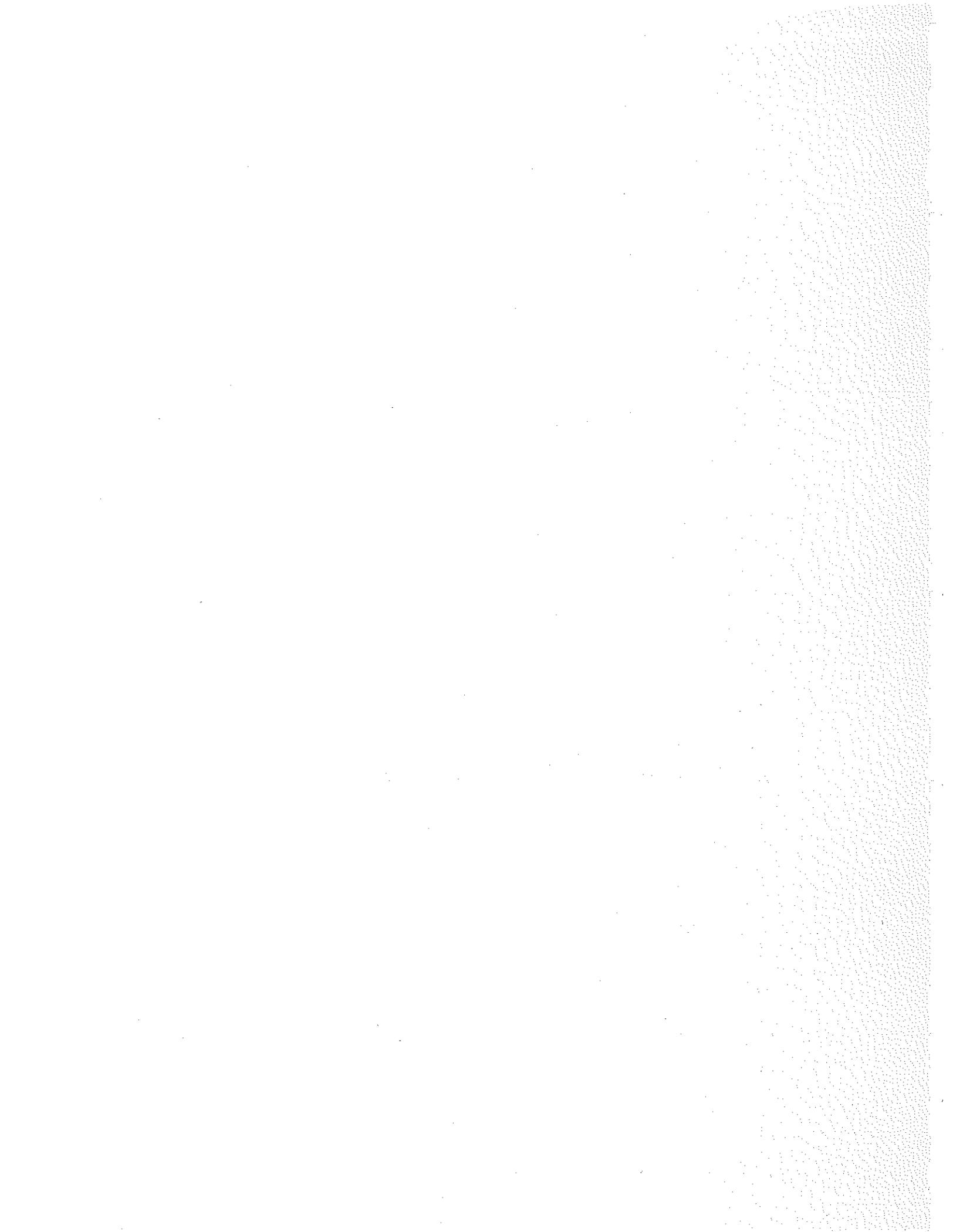
Peter Boyce
Gladstone, Oregon 97027

Assistant Administrator

Jolene Morishita
Gladstone, Oregon 97027

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Agency Officials
Gladstone Urban Renewal Agency
Gladstone, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Gladstone Urban Renewal Agency, a component unit of the City of Gladstone, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Gladstone Urban Renewal Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Gladstone Urban Renewal Agency, as of June 30, 2014, and, the respective changes in financial position and the respective budgetary comparison for the Agency Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents, 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 management's discussion and analysis, as listed in the table of contents, 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.

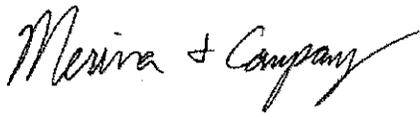
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladstone Urban Renewal Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 29, 2014, on our consideration of Gladstone 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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 29, 2014

Gladstone Urban Renewal Agency Management's Discussion and Analysis

Management staff of the Gladstone Urban Renewal Agency offers this executive summary of the financial activities of the Gladstone Urban Renewal Agency for the fiscal year ended June 30, 2014.

Financial Highlights

The assets of the Gladstone Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by \$3,588,328 (net position). This amount may be used to meet the Agency's ongoing obligations to citizens and creditors.

The Gladstone Urban Renewal Agency's total net position increased by \$822,840 from the fiscal year ending in 2014 due to the Agency initiating no capital projects and, instead, saving almost all of its assets for possible future construction of a new library or streetscape improvements on Portland Avenue.

As of the close of the current fiscal year, the Gladstone Urban Renewal Agency's governmental fund reported a total ending fund balance of \$3,539,538. The difference between \$3,588,328 unrestricted net position and the ending fund balance of \$3,539,538 is due to uncollected property tax.

REPORT LAYOUT

The Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the Gladstone Urban Renewal Agency's 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 data in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on the City's total assets and liabilities, with the resulting difference between the two presented as net position. Over time, increases or decreases to net position may serve as a useful indicator of whether the Agency's financial position is improving or deteriorating.

The Statement of Activities focuses on the change in net position over the last year. The costs of the Agency's programs are presented and show to what extent governmental activities are subsidized by taxes and other general revenues.

Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The Agency's fund is presented in its own column. A "Budgetary Comparison Statement" is included as part of the "Basic Financial Statements."

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Completing the document is a report by the independent certified public accountant, as required by statute.

AGENCY AS A WHOLE

Government-Wide Financial Statements

Statement of Net Position at June 30, 2014:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$3,588,328 at the close of the most recent fiscal year.

By far the largest portion of the Gladstone Urban Renewal Agency's assets is cash and investments which have financial liquidity easily available for future spending.

The following table reflects a Summary of Net Position for fiscal years 2013-2014 and 2012-2013.

	<u>2014</u>	<u>2013</u>	<u>Total Change</u>
Cash and investments	\$ 3,529,678	\$ 2,705,622	\$ 824,056
Due from other governments	5,058	3,901	1,157
Property taxes receivable	53,592	55,965	(2,373)
Total assets	<u>\$ 3,588,328</u>	<u>\$ 2,765,488</u>	<u>\$822,840</u>
Net position:			
Unrestricted	<u>\$ 3,588,328</u>	<u>\$ 2,765,488</u>	<u>\$ 822,840</u>
Total net position	<u>\$ 3,588,328</u>	<u>\$ 2,765,488</u>	<u>\$ 822,840</u>

The following table summarizes revenues and expenses for fiscal years 2013-2014 and 2012-2013.

**Table 2
Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>Total Change</u>
REVENUES			
General Revenues:			
Property taxes	\$ 875,045	\$ 840,254	\$ 34,791
Interest	16,874	13,553	3,321
Total revenues	<u>891,919</u>	<u>853,807</u>	<u>38,112</u>
EXPENSES			
Community development	<u>69,079</u>	<u>114,961</u>	<u>(45,882)</u>
Increase (Decrease)in net position	822,840	738,846	83,994
Beginning net position	<u>2,765,488</u>	<u>2,026,642</u>	<u>738,846</u>
Ending net position	<u>\$ 3,588,328</u>	<u>\$ 2,765,488</u>	<u>\$ 822,840</u>

Governmental Activities. Governmental activities increased the Gladstone Urban Renewal Agency's net position by \$822,840.

Financial Analysis of the Agency's funds

Governmental Fund. The focus of the Gladstone Urban Renewal Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financial requirements. In particular, unrestricted net position may serve as useful measure of a government's net resources available for spending at the end of the fiscal year. The \$3,588,328 ending net position is unrestricted for Urban Renewal Development.

Budgetary Highlights. The Agency's General Fund original legal appropriations totaled \$3,568,893. No Changes to the original appropriations were made during the fiscal year.

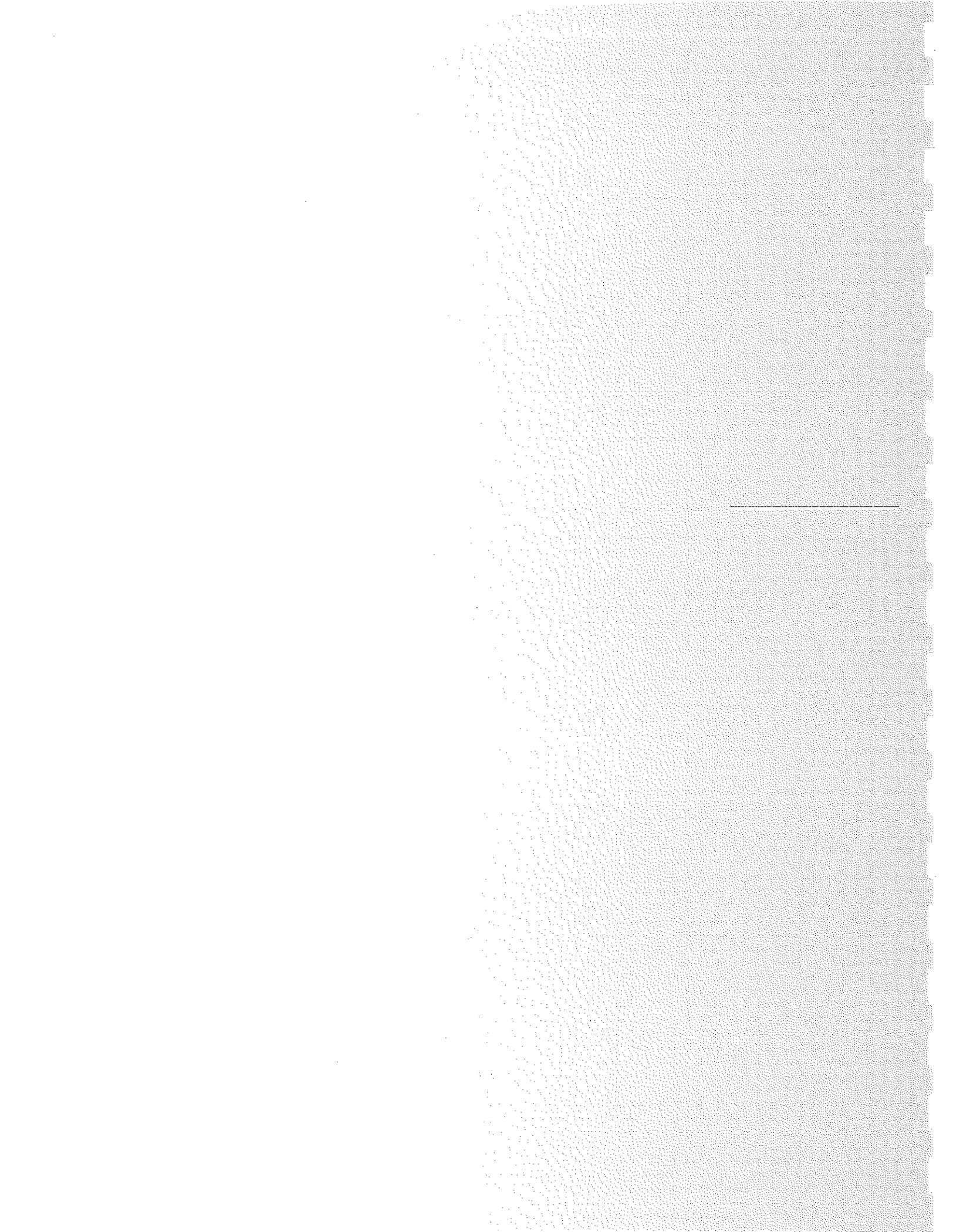
Capital Assets. The Gladstone Urban Renewal Agency has no capital assets. Upon completion of street improvements construction, the assets are transferred to the City of Gladstone.

Long-term Debt. At the end of the fiscal year, the Gladstone Urban Renewal Agency had no long-term debt outstanding. In response to 1997 state legislation, the Gladstone City Council, acting as officials of the Gladstone Urban Renewal Agency, at its April 1998 meeting, authorized \$23,000,000 in maximum indebtedness (adjusted for future inflation) for projects that could be financed over the next 30 years.

Economic Factors and Next Year's Budget. The future finances of the Agency will largely be determined by pending decisions of its governing board regarding the inclusion of additional streets within the Agency's boundary and possible exclusion of land and increment value from existing renewal boundary.

Requests for Information. This report was modeled after "Management's Discussion and Analysis" prepared by other cities, based on figures furnished by the Gladstone Urban Renewal Agency's auditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City staff at 525 Portland Avenue, Gladstone, 97027 or call 503-557-2767. Staff may consult with the City's auditor, Merina & Company.

BASIC FINANCIAL STATEMENTS



GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,529,678
Due from other governments	5,058
Property taxes receivable	<u>53,592</u>
Total assets	<u><u>\$ 3,588,328</u></u>
 NET POSITION:	
Unrestricted:	
Urban Renewal Development	<u>\$ 3,588,328</u>
Total net position	<u><u>\$ 3,588,328</u></u>

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Changes in Net Position</u>
EXPENSES:		
Governmental activities:		
Community development	\$ 69,079	\$ (69,079)
Total program expenses		<u>(69,079)</u>
GENERAL REVENUES:		
Property taxes		875,045
Interest		<u>16,874</u>
Total general revenues		<u>891,919</u>
Change in net position		822,840
NET POSITION, BEGINNING		<u>2,765,488</u>
NET POSITION, ENDING		<u><u>\$ 3,588,328</u></u>

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2014

ASSETS:

Cash and cash equivalents	\$ 3,529,678
Due from other governments	5,058
Property taxes receivable	<u>53,592</u>
 Total assets	 <u><u>\$ 3,588,328</u></u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes	<u>\$ 48,790</u>
 Total deferred inflows of resources	 <u>48,790</u>

FUND BALANCE:

Unassigned	<u>3,539,538</u>
 Total fund balance	 <u>3,539,538</u>
 Total deferred inflows of resources and fund balance	 <u><u>\$ 3,588,328</u></u>

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

Total fund balance	\$ 3,539,538
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the fund	 <u>48,790</u>
 Net position of governmental activities	 <u><u>\$ 3,588,328</u></u>

GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2014

REVENUES:

Property taxes	\$ 878,054
Interest on investments	16,874
	<hr/>
Total revenues	894,928
	<hr/>

EXPENDITURES:

Materials and services	23,886
Capital outlay	45,193
	<hr/>
Total expenditures	69,079
	<hr/>

Net change in fund balance	825,849
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FUND BALANCE, BEGINNING	<hr/> 2,713,689
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FUND BALANCE, ENDING	<hr/> <hr/> \$ 3,539,538
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The accompanying notes are an integral part of these financial statements

**GLADSTONE URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

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

Net change in fund balance - total governmental fund	\$ 825,849
Some revenue reported in the statement of activities do not provide current financial resources in the government fund	<u>(3,009)</u>
Changes in net position of governmental activities	<u><u>\$ 822,840</u></u>

GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 855,072	\$ 855,072	\$ 878,054	\$ 22,982
Interest on investments	8,500	8,500	16,874	8,374
Total revenues	863,572	863,572	894,928	31,356
EXPENDITURES:				
Materials and services	76,300	76,300	23,886	52,414
Capital outlay	3,492,593	3,492,593	45,193	3,447,400
Total expenditures	3,568,893	3,568,893	69,079	3,499,814
Net change in fund balances	(2,705,321)	(2,705,321)	825,849	3,531,170
FUND BALANCES, BEGINNING	2,705,321	2,705,321	2,713,689	8,368
FUND BALANCES, ENDING	\$ -	\$ -	\$ 3,539,538	\$ 3,539,538

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

(1) Description of the Agency and Summary of Significant Accounting Policies

The financial statements of 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 Gladstone Urban Renewal Agency (the Agency) (a component unit of the City of Gladstone) was organized October 11, 1988 under the provisions of Oregon Revised Statutes, Chapter 457, to provide rehabilitation of blighted and deteriorated areas within the Agency's designated urban renewal area. The fiscal year ended June 30, 1998 was the first year property taxes were levied by the Agency. As provided by ORS 457, the City Council of the City of Gladstone is designated as the governing body of the Gladstone Urban Renewal Agency. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City of Gladstone.

The Agency is a legally separate entity governed by the City of Gladstone. The Agency Officials are 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 body, 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 blended component unit of the City of Gladstone and, as such is included in the financial statements of the City of Gladstone for the year ended June 30, 2014.

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 on the Agency are categorized as governmental.

Agency-wide financial statements

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

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.

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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 has only governmental fund types.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures.

The GASB 34 model sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of either fund category) for the determination of major funds. For purposes of presentation, the Agency's fund is presented as a major fund.

General Fund - The General 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. However, long-term compensated absences are recorded only when payment is due.

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

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

E. Cash and Investments

The Agency considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments include 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 sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred inflow of resources because it is not deemed available to finance operations of the current period. Property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. 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 the Agency's boundaries.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Agency does not have deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Agency only has one type of item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item "unavailable revenue," is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. 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 items not immediately converted to cash, such as prepaid items and inventory.

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

Committed – Includes amounts that have been committed by resolution by the Agency's Officials which is the Agency's "highest level of decision-making authority." Committed

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

amounts may not be used for any other purpose unless the Agency Official removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the Agency. Assignments of fund balance can be done at any time, including after the fiscal year end date. In accordance with the Agency’s adopted fund policy, amounts may be assigned by the Agency Administrator.

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

I. 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 are available for use it is the Agency’s policy to use committed resources first, then assigned, and then unassigned as needed.

J. 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) Stewardship, Compliance, and Accountability

A. Budgetary Information

On or before June 30 of each 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 of Directors 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.

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

(3) Cash and Cash Equivalents

At June 30, 2014 investments included in cash and cash equivalents of the Gladstone Urban Renewal Agency consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	<u>0.00</u>	<u>\$ 3,510,518</u>

A. Interest rate risk

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

B. Credit risk

State statutes authorize the Gladstone Urban Renewal 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 Treasurer's Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

C. Concentration of credit risk

The Gladstone Urban Renewal Agency does not currently have an investment policy for concentration of credit risk.

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company and is not rated.

D. 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 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. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2014, none of the Agency's bank balances were exposed to custodial credit risk.

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

(4) Property Taxes

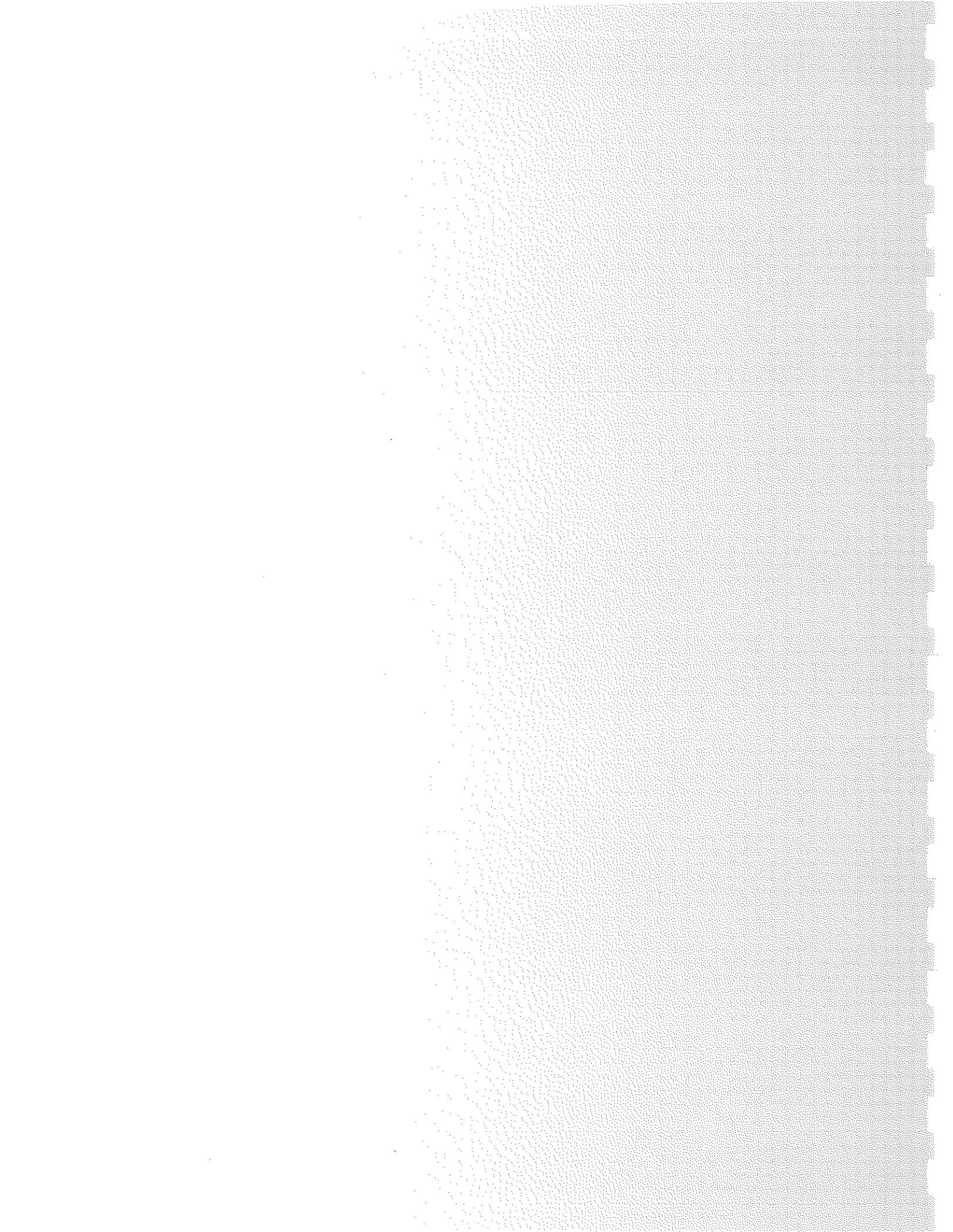
Property tax transactions for the year ended June 30, 2014, were as follows:

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2013</u>	<u>2013-2014 Levy</u>	<u>Collections</u>	<u>Adjustments and Discounts</u>	<u>Taxes Receivable June 30, 2014</u>
2013-2014		\$ 897,097	\$ (850,302)	\$ (24,248)	\$ 22,547
2012-2013	25,518	-	(12,389)	(686)	12,443
2011-2012	14,286	-	(5,356)	(219)	8,711
2010-2011	9,187	-	(4,084)	(62)	5,041
2009-2010	5,048	-	(1,450)	(95)	3,503
2008-2009	879	-	(161)	(123)	595
Prior	1,048	-	(172)	(124)	752
	<u>\$ 55,966</u>	<u>\$ 897,097</u>	<u>\$ (873,914)</u>	<u>\$ (25,557)</u>	<u>\$ 53,592</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. There has been no reduction in commercial insurance coverage from fiscal year 2013 to 2014.

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



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

We have audited the basic financial statements of the governmental activities and the major fund, of Gladstone Urban Renewal Agency, a component unit of the City of Gladstone, Oregon, as of and for the year ended June 30, 2014 and have issued our report thereon dated December 29, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Gladstone 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 grants, including the provisions of Oregon Revised Statutes as specified in the 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments. The Agency does not have any debt.
- 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 Agency does not receive highway revenues.
- 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 Agency does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe Gladstone Urban Renewal 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 the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

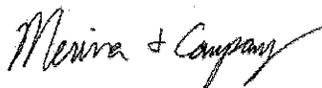
In planning and performing our audit, we considered Gladstone Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not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

We noted certain matters that we reported to management of Gladstone Urban Renewal Agency, in a separate letter to management dated December 29, 2014.

This report is intended solely for the information and use of the Agency Officials, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
December 29, 2014

City of Gladstone Staff Report

Report Date: February 19, 2015
Meeting Date: February 24, 2015
To: City Council
From: Pete Boyce, City Administrator

AGENDA ITEM

Request for Proposals to Provide a Street Master Plan and Transportation System Plan Update

History/Background

City Council has ordered master plans to be developed for streets along with a transportation system plan update. Staff has developed a solicitation to receive proposals to develop said plan.

Proposal

Authorize staff to advertise request for proposals (RFP).

Options

N/A

Cost Impact

Costs will include advertising expenses and staff time to evaluate proposals once received. Additional staff time to provide information, monitor and coordinate with the selected consultant will be required.

Recommended Staff Action

Staff recommends council authorize the solicitation of RFP's.

Department Head: N/A
Date:

Administration: Pete Boyce
Date: 02/19/2015

City of Gladstone
Formal Solicitation for Engineering Consulting Services

Request for Proposal (RFP) to Provide a
Street Master Plan and Transportation System Plan Update

Due Date: April 3, 2015

City of Gladstone Public Works
525 Portland Ave.
Gladstone, OR 97027

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City of Gladstone, Oregon
Street Master Plan and Transportation System Plan Update
Request for Proposals from Prequalified Engineering Consultants

The City of Gladstone (City) seeks a qualified engineering consultant or consultant team to develop a Street Master Plan(SMP) and Transportation System Plan (TSP)Update for its road and street infrastructure that will enable the City to identify necessary system upgrades and improvements and document funding requirements. The Master Plan will also assist the City to address current and long-term future infrastructure needs. The planning horizon for this study will be 20 years into the future. Qualified consultants or consultant teams are asked to respond to this request.

Within the requested project scope and budget, proposing consultants or consultant teams are asked to recognize a key element to project success is use of an efficient and cost-effective strategy for completion of the master plan and transportation system plan update.

Project Name: Engineering Consulting Services – City of Gladstone Street Master Plan and Transportation System Plan Update

Proposal Schedule: The Request for Proposals (RFP) will be distributed via e-mail to the consultant’s project manager identified for each prequalified consultant or consultant team. A pre-submission meeting will not be held for this project. Questions related to the RFP must be submitted in writing to the City’s point of contact.

Project Schedule:	Proposal due:	April 3, 2015
	Interviews (if necessary):	April 6, 2015
	Awarded consultant notified:	April 15, 2015
	Scope and fee negotiation complete:	April 24, 2015
	City Council approval:	April 28, 2015
	Project completion:	December 31, 2015

City’s Point of Contact: Pete Boyce, City of Gladstone Administrator
boyce@ci.gladstone.or.us

All questions related to this RFP must be submitted in writing via e-mail. The City will provide a response to questions, and as necessary, the City will issue a project addendum/clarification to those prequalified consultants or consultant teams.

I. BACKGROUND

A. City Description

The City of Gladstone is a primarily developed residential community located in Clackamas County, Oregon. The Clackamas River borders the city on the south and the Willamette River on the west. There is little vacant or undeveloped land available within the city limits. The principal land use within the city is residential. The major transportation corridors of Interstate 205 (I-205) and Highway 99 East (99E) run through the city. Commercial land use is primarily isolated to the corridor along Highway 99E and I-205. The population of Gladstone is approximately 11,400 and the city encompasses approximately 1,500 acres.

B. Existing Infrastructure

Over 40 miles of general purpose roadways traverse the City of Gladstone, serving a range of functions based on established classification standards, from providing direct local access to residential properties, connecting intra-urban activity centers, such as schools, commercial districts, and public service centers, and accommodating interurban access to regional activity centers and general through traffic. Of this total over 36 miles are city-owned and for whom full maintenance responsibility is held. The State of Oregon is responsible for approximately 1.66 miles of major arterials (99-E) and freeway (I-205).

C. Project Goals and Objectives

The City has identified specific project goals and objectives. Proposals submitted for consideration should reference these goals and objectives in the submittal of a statement of understanding (see Section III). The goals and objectives are as follows:

1. Meet pertinent regulatory (federal, state, and local) requirements.
2. Create usable documents that can be easily referenced, revised, updated, and used as tools to aid in fiscal evaluations, planning and policy decisions.
3. Maintain project schedule and budgetary commitments efficiently and effectively.
4. Develop, prioritize, and provide estimated costs for specific capital improvement projects.
5. Engage the City Council and internal and external stakeholders as appropriate.

II. PROJECT SCOPE AND DELIVERABLES

The selected engineering consultant or consultant team shall develop a scope of work to address the following project elements and any additional elements that may be necessary or required within the allowable budget provisions. In addition, the consultant or consultant team may be asked to perform any or all of the following supplementary services, contingent upon project budget: identify compliance requirements to meet transportation planning regional requirements, assess current street conditions and identify maintenance and construction projects:

- Review the City's previous TSP. Collaborate with City staff or perform necessary investigation and field work to obtain missing data needed for preparing the SMP/TSP.
- Review existing documents that pertain to the development of the SMP/TSP.
- Identify stakeholders and regulatory agencies that are affected by or have a direct interest in this SMP/TSP. Communicate with stakeholders and regulators to receive and address input and concerns that may affect the SMP/TSP, including but not limited to, Clackamas County, Oregon Department of Transportation (ODOT) and METRO.
- Account for changes to the transportation network and population growth in the City and the Portland metropolitan region, and ensure consistency with state, regional, and county plans. Evaluate and recommend modeling software appropriate for the City.

- The Proposed TSP must be consistent with state land use and transportation guidelines and the transportation plans of the State of Oregon and Clackamas County (County), and will be developed in cooperation with the Oregon Department of Transportation (ODOT) and County. The Proposed TSP will be produced as an amendment to the City of Gladstone's Comprehensive Plan.
- Develop a prioritized list of capital improvement projects (CIP) to address capital needs to. The CIP should consider the known structural condition of the street system.
- The CIP list should also consider the estimated costs and timing of each recommended project.
- Conduct a street fee study and recommend fees that will support on-going maintenance of the system and proposed CIP's.

Additional project objectives include:

- Assess the City's current TSP and address identified deficiencies.
- Revise the planned system of connected streets and intersections in the current TSP to serve planned land uses and to address local as well as regional transportation needs.
- Develop concept-level designs for transportation improvements.
- Establish general design standards for off-road bicycle/pedestrian facilities.
- Consider the financial feasibility of improvement alternatives and identify funding mechanisms and strategies.
- Develop a prioritized Implementation Plan which considers both public and private investments, development code requirements and procedures and other actions needed to support Plan implementation.
- Identify necessary amendments to the City's Comprehensive Plan, Development Code, Roadway Standards, and Capital Improvement Program project list to implement Proposed TSP. Ensure *Final* products are sufficiently detailed for implementation through adoption into regulatory documents as appropriate.
- Conduct a planning process that meets all state and local code provisions for amendments to a local comprehensive plan, development code, and engineering design standards if applicable. Ensure coordination with stakeholder agencies including Metro, ODOT, and County.
- Comply and be consistent with all applicable state, regional and local land use and transportation-related mandates, including but not limited to the 1999 Oregon Highway Plan (OHP) (as amended in 2006), 2003 Highway Design Manual (HDM), and ODOT access management rule OAR 734-051.
- Utilize the ODOT Transportation System Planning Guidelines if available.
- Ensure the development and selection of solutions address social, environmental and financial impacts.

Preparation and adoption of the Proposed TSP for the City will provide the following benefits:

- Enable transportation facilities to adequately support planned land uses over the next 20 years;
- To the extent possible, provide context, certainty and predictability for the siting of new roadways, transit, pedestrian and bicycle facilities, and other transportation related improvements;
- Help reduce the cost and maximize efficiency of public spending on transportation facilities and services by coordinating land use and transportation decisions;
- Identify and make land use code and guideline revisions needed to protect and develop a safe and efficient transportation system;
- Assess financial feasibility and funding options for transportation improvements.

III. INSTRUCTIONS FOR PROPOSERS

The submitted proposal shall be a maximum of 14 pages, not including a one-page cover letter and resumes.

A. Proposal Format

The following elements must be contained in the submitted proposal.

1. Cover letter (1 page) – Not included in the total page count. The cover letter shall describe the consultant or consultant team's interests in performing the range of services anticipated and identify the consultant or consultant team's project manager/primary contact person for this contract.
2. Project Team Roles and Responsibilities (2 pages) – A project organization chart and description of the roles of key staff shall be provided and shall correlate with the tasks identified in the scope of work. Include an estimate of staff's availability to work on the project. Identify the project manager, lead scientists, or other professionals for each major discipline including flow monitoring lead, hydrologic and hydraulic modeler, financial consultant, other key personnel and the length of tenure each has with the project team's proposed firm(s).
3. Project Team Experience (3 pages) – Proposer shall provide project descriptions of up to five completed projects in the last 5 years that involved other similar projects with other government agencies. Proposer shall include a list of references associated with each of these projects including the contact name, title, agency, phone number, e-mail address, and mailing address; the initial and final project fee; and the initial and actual project completion date.
4. Statement of Understanding (2 pages) – Provide a statement of understanding, confirming the proposing consultant or consultant team's understanding of the City's goals and objectives outlined in Section I.C of this RFP. The statement of understanding shall also include a description of the requirements for the project (as understood by the consultant or consultant team) and identification of major issues anticipated for the project.
5. Project Approach and Scope of Work (5 pages) – Proposer shall prepare a project approach that discusses how the consultant or consultant team will approach this project. Include a scope of work, highlighting (at a minimum) a description of the tasks and activities necessary to meet the City's objectives and project elements outlined in Section II, the primary team members responsible for each task, and the deliverables resulting from each task. Include any suggestions of additional work tasks that could be performed in conjunction with or subsequent to the project elements outline in Section II.
6. Quality Assurance and Control Measures (1 page) – Provide a description of the quality assurance and control methods to be employed on the project. Specifically highlight management methods, tools, and personnel that will be used to ensure that the project deliverables are completed on schedule and within budget.
7. Schedule (1 page, 11 by 17 inches allowed) – Provide a proposed project schedule identifying the key tasks, their duration and sequence, and key milestone dates.
8. Resumes – Provide resumes (maximum 2 pages each) for each key staff member. Resumes should include recent experience regardless of the type of project to demonstrate the abilities of the proposed staff. Provide professional registration number and state of registration for registered personnel.

B. Proposal Submittal Requirements

Each proposer's submission in response to this RFP must:

1. Be clear and concise, printed double-sided, and within the allowable page number. A page is defined as one side of an 8.5 by 11-inch sheet that would contain text, figures,

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graphs, charts, or any other graphic. Text must be no smaller than 11 point font with 0.5-inch margins. For the project schedule, an 11 by 17-inch single-sided page will be allowed and counted as one page.

2. Follow the outline as detailed in Section III.A. Emphasis should be concentrated on accuracy, clarity, and completeness.
3. Include four (7) paper originals (marked as such) and four (4) CD/DVD copies of the proposal that include the consultant or consultant team's name and name of the proposed project manager. Label all CD/DVD(s) accordingly.
4. Provide documents and CD/DVD(s) submitted in a sealed envelope, plainly marked as "Proposal to Provide Street Master Planning and TSP Services" and include the lead firm's name and address.
5. Be received by the City of Gladstone's Administrator's Office, 525 Portland Avenue, Gladstone, OR 97027 no later than 3:00 pm April 3, 2015.

IV. EVALUATION PROCEDURES/SELECTION PROCESS

A. Selection Process

The selection committee may be comprised of City staff, staff from other local jurisdictions who have recently conducted similar master planning efforts and others as the City deems necessary. Submittals will be scored as outlined in Section IV.B. A ranking of the submittals will be developed based on the individual scoring. Interviews may be conducted if multiple proposals are ranked too closely and/or the scoring is tied.

The City may request additional information from proposing teams once submittals are obtained. Dates or deadlines may change at the City's discretion.

B. Scoring/Evaluation Criteria

The selection committee will score submittals in accordance with the following general evaluation criteria and point allocation:

- Project Understanding (15%), specifically how well the team understands the tasks required to complete the project while demonstrating an understanding of the City's identified goals and objectives within the proposal.
- Project Approach and Scope of Work (40%), with an emphasis on clarity in the presentation of the detailed scope of work and identification of potential cost saving measures and efficiencies. Costs are an important factor for the City and will be considered in the context of the proposed scope of work.
- Project Team and Experience (35%), emphasizing the abilities, qualifications, and past experience of key staff that will work on specific tasks as identified in the proposed scope of work.
- Project Management, Quality Control, and Schedule (10%), approach including quality assurance and control methods, and how the project manager intends to ensure cost control and maintain project schedule.

A maximum total of 100 points is available for the proposal. If interviews are held, interview scoring will be added to the proposal score to determine the final rankings of the proposers.

C. Disqualifications and Limitations

The City reserves the right to disqualify incomplete or late submittals or waive minor defects in proposals submitted. The City also reserves the right to accept or reject any or all submittals received; to cancel this RFP at any time; or to modify and reissue this RFP, if it is in the best interest of the City. This RFP does not commit the City to award a contract, to pay any costs incurred in preparation of a response to this RFP, or to procure or contract services outlined in this RFP.

Any documentation submitted to the City in response to this RFP and not withdrawn prior to the closing date shall, upon receipt by the City, become the property of the City.

D. Non-Discrimination Statement

The City is an equal opportunity employer. The City's programs, services, and employment opportunities are open to all persons without regard to race, religion, color, national origin, sex, age, marital status, handicap, or political affiliation.

E. Qualification Protest

A person may protest a qualification decision in accordance with protest procedures set forth in the Oregon Model Public Contract Rules (OAR 137-048-0240).

V. TERMS AND CONDITIONS

A. Development of a Scope of Services and Award of Contract

The City will negotiate a scope of work and fee with the top ranked consultant or consultant team and recommend to City Council for final approval. Award of the contract is subject to approval by City Council.

Following agreement of a scope of work and fee between the City and the awarded consultant or consultant team and the approval of the scope and fee by City Council, the City will enter into a Professional Services Agreement (Agreement) with the awarded consultant or consultant team. The City reserves the right without limitation to do the following:

1. Determine acceptability of the Agreement;
2. Modify its selection of the awarded consultant or consultant team if any provisions of the Agreement are not mutually acceptable;
3. Enter into Agreement with the next highest ranked consultant or consultant team in the event the originally selected consultant or consultant team defaults or fails to execute the Agreement; and
4. Take any other action regarding this RFP or the selection of the awarded consultant or consultant team that would be in the best interest of the City.

B. Payment

Billings and progress reports shall be submitted monthly for services provided for the previous month. Compensation shall be based on hours expended for services provided in conjunction with the hourly rates.

City of Gladstone Staff Report

Report Date: February 19, 2015
Meeting Date: February 24, 2015
To: City Council
From: Pete Boyce, City Administrator

AGENDA ITEM

Sewer Master Plan Request for Proposals

History/Background

City Council has ordered master plans to be developed for the sanitary sewer system. Staff has developed a solicitation to receive proposals to develop said plan and sent copies of the RFP to all consultants in the Portland metro area. Proposals are due February 24, 2015. Staff will evaluate/score proposals and negotiate a service agreement with the most qualified consultant. The contract will be provided to City Council March 10, 2015 for consideration.

Proposal

No action required at this time.

Options

N/A

Cost Impact

Costs will include staff time to negotiate agreement with consultant. Staff time will also be involved in master plan development providing information, monitoring and coordinating with the selected consultant.

Recommended Staff Action

No action required at this time.

Department Head: N/A
Date:

Administration: Pete Boyce
Date: 02/19/2015

City of Gladstone
Formal Solicitation for Engineering Consulting Services

Request for Proposal (RFP) to Provide a
Sanitary Sewer Master Plan

Due Date: February 24, 2015

City of Gladstone Public Works
525 Portland Ave.
Gladstone, OR 97027

City of Gladstone, Oregon
Sanitary Sewer Master Plan Development
Request for Proposals from Prequalified Engineering Consultants

The City of Gladstone (City) seeks a qualified engineering consultant or consultant team to develop a Sanitary Sewer Master Plan (SSMP) for its sanitary sewer infrastructure that will enable the City to identify necessary system upgrades and improvements and document funding requirements. The Master Plan will also assist the City to address current and long-term future infrastructure needs. The planning horizon for this study will be 20 years into the future. Qualified consultants or consultant teams are asked to respond to this request.

Within the requested project scope and budget, proposing consultants or consultant teams are asked to recognize a key element to project success is use of an efficient and cost-effective strategy for completion of the master plan.

Project Name: Engineering Consulting Services – City of Gladstone Sanitary Sewer Master Plan

Proposal Schedule: The Request for Proposals (RFP) will be distributed via e-mail to the consultant's project manager identified for each prequalified consultant or consultant team on . A pre-submission meeting will not be held for this project. Questions related to the RFP must be submitted in writing to the City's point of contact.

Project Schedule:	Proposal due:	February 24, 2015
	Interviews (if necessary):	February 27, 2015
	Awarded consultant notified:	March 2, 2015
	Scope and fee negotiation complete:	March 9, 2015
	City Council approval:	March 10, 2015
	Project completion:	November 20, 2015

City's Point of Contact: Pete Boyce, City of Gladstone Administrator
boyce@ci.gladstone.or.us

All questions related to this RFP must be submitted in writing via e-mail. The City will provide a response to questions, and as necessary, the City will issue a project addendum/clarification to those prequalified consultants or consultant teams.

I. BACKGROUND

A. City Description

The City of Gladstone is a primarily developed residential community located in Clackamas County, Oregon. The Clackamas River borders the city on the south and the Willamette River on the west. There is little vacant or undeveloped land available within the city limits. The principal land use within the city is residential. The major transportation corridors of Interstate 205 (I-205) and Highway 99 East (99E) run through the city. Commercial land use is primarily isolated to the corridor along Highway 99E and I-205. The population of Gladstone (per the 2008 records) was 12,215 and the city encompasses approximately 1,500 acres.

B. Existing Utility Services/Programs

The City owns and operates a sanitary sewer system consisting of 125,000 linear feet of piping ranging in diameter from 2 to 24 inches. The City also owns two sanitary pump stations that are operated by Clackamas County that will be part of this study. Sanitary flows are conveyed from the City to either the Oak Lodge Sanitary District Water Reclamation Facility or the Clackamas County Tri-City Water Pollution Control Plant for treatment. The study area for this plan is the current and planned sanitary sewer utility service area for the City, which includes the current city limits as well as the City's unincorporated urban planning area (see Exhibit A). The City's sanitary sewer system is currently being mapped electronically in CAD and ESRI-based geographic information system (GIS) formats and should be available to the selected consultant or consultant team.

Pump station flow data are available from the Clackamas County Gladstone Pump Station. A manhole level sensor recording diversion of flow at Portland Avenue from early 2012 is also available. No other flow data have been collected in the City's system.

Additional information that can be provided reasonably from existing records will be available to the proposers upon request.

The City does not have an existing stand-alone sanitary sewer master plan or a comprehensive list of capital improvement projects related to the sanitary system.

C. Project Goals and Objectives

The City has identified specific project goals and objectives. Proposals submitted for consideration should reference these goals and objectives in the submittal of a statement of understanding (see Section III). The goals and objectives are as follows:

1. Meet pertinent regulatory (federal, state, and local) requirements.
2. Create usable documents that can be easily referenced, revised, updated, and used as tools to aid in fiscal evaluations, planning and policy decisions.
3. Maintain project schedule and budgetary commitments efficiently and effectively.
4. Develop, prioritize, and provide estimated costs for utility-specific capital improvement projects.
5. Engage the City Council and internal and external stakeholders as appropriate.

II. PROJECT SCOPE AND DELIVERABLES

The selected engineering consultant or consultant team shall develop a scope of work to address the following project elements and any additional elements that may be necessary or required within the allowable budget provisions. In addition, the consultant or consultant team may be asked to perform any or all of the following supplementary services, contingent upon project budget: identify compliance requirements to meet the Capacity Management Operations and Maintenance regulations, including spill response; and develop an infiltration/inflow (I/I) abatement program. Project elements that may be beneficial but not required for completion of the project may be presented in the scope of work as optional tasks. Preparation of this document shall consider the following:

- Review the City's sanitary sewer mapping and GIS database for any missing data needed for the development of the SSMP. Collaborate with City staff or perform necessary investigation and field work to obtain missing data needed for mapping, modeling, and analysis associated with preparing the SSMP.
- Review existing documents that pertain to the development of the SSMP, including 1990 Clackamas County Tri-City Facilities Plan, Intergovernmental Agreement between the City of Gladstone and Clackamas County, and relevant permits.
- Identify stakeholders and regulatory agencies that are affected by or have a direct interest in this SSMP. Communicate with stakeholders and regulators to receive and address input and concerns that may affect the SSMP, including but not limited to, Clackamas County, Oak Lodge Sanitary District, and the Oregon Department of Environmental Quality.
- Use smoke testing and dye testing techniques to identify any immediate short-term improvements that will greatly benefit the development of the SSMP.
- Identify and implement any flow monitoring needed to evaluate the capacity of the existing sanitary system and to support future modeling efforts.
- Evaluate and recommend modeling software appropriate for the City. Recommendation of an appropriate hydrologic and hydraulic model should consider the functional needs of City staff. Determine the extent of the model for the City's specific needs.
- Develop a prioritized list of capital improvement projects (CIP) to address short-term capital needs to eliminate I/I from the system. The CIP should consider the known structural condition of the collection system as well as consider alternative solutions, such as I/I abatement and coordination with the City's draft stormwater master plan. This CIP program will identify future modeling effort to develop further understanding of the City collection system, include recommendations related to operations and maintenance practices and/or development policies in the CIP as applicable.
- The CIP list should also consider the estimated costs and timing of each recommended project and any necessary changes in rates or connection fees needed to fully fund the CIP.
- Conduct a rate study and recommend rates that will support on-going maintenance of the system and proposed CIP's. Review the City's current bases and rate factors for assessing sanitary sewer system development charges, research bases and rate factors used by similar jurisdictions, and make recommendations for retention or revision of the City's current approach.

III. INSTRUCTIONS FOR PROPOSERS

The submitted proposal shall be a maximum of 14 pages, not including a one-page cover letter and resumes.

A. Proposal Format

The following elements must be contained in the submitted proposal.

1. Cover letter (1 page) – Not included in the total page count. The cover letter shall describe the consultant or consultant team's interests in performing the range of services anticipated and identify the consultant or consultant team's project manager/primary contact person for this contract.

2. Project Team Roles and Responsibilities (2 pages) – A project organization chart and description of the roles of key staff shall be provided and shall correlate with the tasks identified in the scope of work. Include an estimate of staff's availability to work on the project. Identify the project manager, lead scientists, or other professionals for each major discipline including flow monitoring lead, hydrologic and hydraulic modeler, financial consultant, other key personnel and the length of tenure each has with the project team's proposed firm(s).
3. Project Team Experience (3 pages) – Proposer shall provide project descriptions of up to five completed projects in the last 5 years that involved sanitary sewer master planning for municipal agencies and related projects including sanitary sewer system development charge and utility rate studies, projects that included developing long-range cost estimates for sanitary sewer projects, projects involving sanitary sewer modeling, and other similar projects with other government agencies. Proposer shall include a list of references associated with each of these projects including the contact name, title, agency, phone number, e-mail address, and mailing address; the initial and final project fee; and the initial and actual project completion date.
4. Statement of Understanding (2 pages) – Provide a statement of understanding, confirming the proposing consultant or consultant team's understanding of the City's goals and objectives outlined in Section I.C of this RFP. The statement of understanding shall also include a description of the requirements for the project (as understood by the consultant or consultant team) and identification of major issues anticipated for the project.
5. Project Approach and Scope of Work (5 pages) – Proposer shall prepare a project approach that discusses how the consultant or consultant team will approach this project. Include a scope of work, highlighting (at a minimum) a description of the tasks and activities necessary to meet the City's objectives and project elements outlined in Section II, the primary team members responsible for each task, and the deliverables resulting from each task. Include any suggestions of additional work tasks that could be performed in conjunction with or subsequent to the project elements outline in Section II.
6. Quality Assurance and Control Measures (1 page) – Provide a description of the quality assurance and control methods to be employed on the project. Specifically highlight management methods, tools, and personnel that will be used to ensure that the project deliverables are completed on schedule and within budget.
7. Schedule (1 page, 11 by 17 inches allowed) – Provide a proposed project schedule identifying the key tasks, their duration and sequence, and key milestone dates.
8. Resumes – Provide resumes (maximum 2 pages each) for each key staff member. Resumes should include recent experience regardless of the type of project to demonstrate the abilities of the proposed staff. Provide professional registration number and state of registration for registered personnel.

B. Proposal Submittal Requirements

Each proposer's submission in response to this RFP must:

1. Be clear and concise, printed double-sided, and within the allowable page number. A page is defined as one side of an 8.5 by 11-inch sheet that would contain text, figures, graphs, charts, or any other graphic. Text must be no smaller than 11 point font with 0.5-inch margins. For the project schedule, an 11 by 17-inch single-sided page will be allowed and counted as one page.
2. Follow the outline as detailed in Section III.A. Emphasis should be concentrated on accuracy, clarity, and completeness.
3. Include four (4) paper originals (marked as such) and four (4) CD/DVD copies of the proposal that include the consultant or consultant team's name and name of the proposed project manager. Label all CD/DVD(s) accordingly.

4. Provide documents and CD/DVD(s) submitted in a sealed envelope, plainly marked as "Proposal to Provide Sanitary Sewer Master Planning Services" and include the lead firm's name and address.
5. Be received by the City of Gladstone's Administrator's Office, 525 Portland Avenue, Gladstone, OR 97027 no later than 3:00 pm February 24, 2015,.

IV. EVALUATION PROCEDURES/SELECTION PROCESS

A. Selection Process

The selection committee will be comprised of City staff, staff from other local jurisdictions who have recently conducted similar master planning efforts and others as the City deems necessary. Submittals will be scored as outlined in Section IV.B. A ranking of the submittals will be developed based on the individual scoring. Interviews may be conducted if multiple proposals are ranked too closely and/or the scoring is tied.

The City may request additional information from proposing teams once submittals are obtained. Dates or deadlines may change at the City's discretion.

B. Scoring/Evaluation Criteria

The selection committee will score submittals in accordance with the following general evaluation criteria and point allocation:

- Project Understanding (15%), specifically how well the team understands the tasks required to complete the project while demonstrating an understanding of the City's identified goals and objectives within the proposal.
- Project Approach and Scope of Work (40%), with an emphasis on clarity in the presentation of the detailed scope of work and identification of potential cost saving measures and efficiencies. Costs are an important factor for the City and will be considered in the context of the proposed scope of work.
- Project Team and Experience (35%), emphasizing the abilities, qualifications, and past experience of key staff that will work on specific tasks as identified in the proposed scope of work.
- Project Management, Quality Control, and Schedule (10%), approach including quality assurance and control methods, and how the project manager intends to ensure cost control and maintain project schedule.

A maximum total of 100 points is available for the proposal. If interviews are held, interview scoring will be added to the proposal score to determine the final rankings of the proposers.

C. Disqualifications and Limitations

The City reserves the right to disqualify incomplete or late submittals or waive minor defects in proposals submitted. The City also reserves the right to accept or reject any or all submittals received; to cancel this RFP at any time; or to modify and reissue this RFP, if it is in the best interest of the City. This RFP does not commit the City to award a contract, to pay any costs incurred in preparation of a response to this RFP, or to procure or contract services outlined in this RFP.

Any documentation submitted to the City in response to this RFP and not withdrawn prior to the closing date shall, upon receipt by the City, become the property of the City.

D. Non-Discrimination Statement

The City is an equal opportunity employer. The City's programs, services, and employment opportunities are open to all persons without regard to race, religion, color, national origin, sex, age, marital status, handicap, or political affiliation.

E. Qualification Protest

A person may protest a qualification decision in accordance with protest procedures set forth in the Oregon Model Public Contract Rules (OAR 137-048-0240).

V. TERMS AND CONDITIONS

A. Development of a Scope of Services and Award of Contract

The City will negotiate a scope of work and fee with the top ranked consultant or consultant team and recommend to City Council for final approval. Award of the contract is subject to approval by City Council.

Following agreement of a scope of work and fee between the City and the awarded consultant or consultant team and the approval of the scope and fee by City Council, the City will enter into a Professional Services Agreement (Agreement) with the awarded consultant or consultant team.

The City reserves the right without limitation to do the following:

1. Determine acceptability of the Agreement;
2. Modify its selection of the awarded consultant or consultant team if any provisions of the Agreement are not mutually acceptable;
3. Enter into Agreement with the next highest ranked consultant or consultant team in the event the originally selected consultant or consultant team defaults or fails to execute the Agreement; and
4. Take any other action regarding this RFP or the selection of the awarded consultant or consultant team that would be in the best interest of the City.

B. Payment

Billings and progress reports shall be submitted monthly for services provided for the previous month. Compensation shall be based on hours expended for services provided in conjunction with the hourly rates.

VI. EXHIBIT

A. Map of Study Areas