

CITY OF GLADSTONE, OREGON

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended
June 30, 2022

with

Independent Auditor's Report

DRAFT

CITY OF GLADSTONE, OREGON
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INTRODUCTORY SECTION

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CITY OF GLADSTONE, OREGON

CITY OFFICIALS

June 30, 2022

City Officials

Tamara Stempel, Mayor
Gladstone, Oregon 97027

Term Expires

December 31, 2022

Council Members

Matt Tracy
Gladstone, Oregon 97027

December 31, 2022

Greg Alexander
Gladstone, Oregon 97027

December 31, 2024

Randy Ripley
Gladstone, Oregon 97027

December 31, 2022

Tracy Todd
Gladstone, Oregon 97027

December 31, 2022

Mindy Garlington, President
Gladstone, Oregon 97027

December 31, 2024

Annessa Hartman
Gladstone, Oregon 97027

December 31, 2024

City Administrator

Jacque Betz
Gladstone, Oregon 97027

Finance Consultant

Cathy Brucker
Gladstone, Oregon 97027

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, City Council, and Audit Committee
City of Gladstone, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of City of Gladstone, Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Gladstone, Oregon's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gladstone, Oregon, as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

financial statements of North Clackamas County Water Commission, a joint venture of the City of Gladstone, which represents 15 percent and 17 percent of assets and net position of the business-type activities respectively. 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.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of pension liability, schedule of contributions – pension, schedule of the proportionate share of OPEB – RHIA, schedule of contributions to OPEB – RHIA, schedule of changes in total OPEB liability and related ratios – implicit rate subsidy and schedule of contributions to OPEB – implicit rate subsidy, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

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

Other Information

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

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


Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022 on our consideration of City of Gladstone, Oregon’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Gladstone, Oregon’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gladstone, Oregon’s internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 28, 2022, on our consideration of 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.


For Merina+Co
Tualatin, Oregon
December 28, 2022

June 30, 2022
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, 2022.

Financial Highlights

The assets and deferred outflows of resources of the City of Gladstone exceeded the sum of its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$46,061,096 (net position). Of this amount, \$27,420,940 is the City's net investment in capital assets, \$9,426,807 is restricted for specific purposes, and \$9,213,349 (unrestricted) may be used to meet the City's obligations to creditors and to meet service expectations by its citizens. The City's total net position increased by \$2,739,273 from the prior year.

The City's governmental activities reported total net position of \$27,869,319. Of this amount, \$(1,976,397) is the unrestricted balance. Due to the long-term perspective of net position, this negative balance reflects the amount to be resolved with future resources, such as long-term debt and deferred inflows.

The City's business-type activities reported total net position of \$18,191,777. Of this amount, \$11,189,746 is unrestricted and thus available for spending at the City's discretion.

The City's governmental funds reported combined ending fund balances of \$16,219,449, an increase of \$4,962,941 compared to the prior year. The increase is primarily due to unspent proceeds of the borrowing for the Public Works facility reconstruction.

Overview of the Financial Statements

The Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the City of Gladstone'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 required and 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the resulting difference between them 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 reserves 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 report on general government, public safety, highways and streets, culture and recreation and urban renewal functions. Urban renewal is considered a component of the City of Gladstone even though it publishes separate financial statements and management discussion and analysis. Business-type activities consist of water, sewer and storm water operations.

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 five 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, Road and Street Fund, Police and Communications Special Levy Fund, Fire and Emergency Services Special Levy Fund, and Urban Renewal Agency Fund. All of these funds are considered to be major funds.

Proprietary Funds. Proprietary funds represent three segments of operations, water, sewer, and storm water, used to account for activities 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. The Municipal Court Fund is custodial in nature and does 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.

Other Supplementary Information. Other supplementary information contains the combining schedules for the General Fund and American Rescue Plan Act fund, along with the budgetary comparison schedule for the General Fund expenditures, American Rescue Plan Act Fund and the proprietary funds.

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 \$46,061,096 at the close of the most recent fiscal year.

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

	Summary of Net Position					
	Governmental Activities		Business type Activities		Totals	
	2022	2021	2022	2021	2022	2020
Cash and investments	\$ 15,989,839	\$ 9,696,981	\$ 8,596,644	\$ 6,159,131	\$ 24,586,483	\$ 15,856,112
Restricted cash and investments	1,590,450	1,467,427	1,251,266	1,245,173	2,841,716	2,712,600
Other assets	837,386	756,627	4,006,781	3,966,186	4,844,167	4,722,813
Capital assets	26,670,041	27,730,709	6,426,023	6,162,834	33,096,064	33,893,543
Total assets	45,087,716	39,651,744	20,280,714	17,533,324	65,368,430	57,185,068
Deferred outflows	3,152,161	2,980,325	483,550	448,350	3,635,711	3,428,675
Total assets and deferred outflow of resources	\$ 48,239,877	\$ 42,632,069	\$ 20,764,264	\$ 17,981,674	\$ 69,004,141	\$ 60,613,743
Current liabilities	\$ 1,836,788	\$ 1,480,010	\$ 804,324	\$ 787,809	\$ 2,641,112	\$ 2,267,819
Long-term liabilities	13,591,229	12,276,597	1,215,323	1,786,046	14,806,552	14,062,643
Total liabilities	15,428,017	13,756,607	2,019,647	2,573,855	17,447,664	16,330,462
Deferred inflows	4,942,541	835,674	552,840	125,717	5,495,381	961,391
Net position						
Net investment in capital assets	21,682,917	22,127,474	5,738,023	5,309,834	27,420,940	27,437,308
Restricted	8,162,799	5,460,621	1,264,008	1,253,113	9,426,807	6,713,734
Unrestricted	(1,976,397)	451,693	11,189,746	8,719,155	9,213,349	9,170,848
Total net position	27,869,319	28,039,788	18,191,777	15,282,102	46,061,096	43,321,890
Total liabilities and deferred inflows of resources and net position	\$ 48,239,877	\$ 42,632,069	\$ 20,764,264	\$ 17,981,674	\$ 69,004,141	\$ 60,613,743

A large 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 restricted net position is attributable to assets that are legally restricted for specific purposes, such as Urban Renewal Agency, system development charges

and the street and road revenues. The remaining balance of \$(1,976,397) is unrestricted net position, and reflects the long term perspective of resources necessary to meet long-term obligations and deferred inflows.

The following table summarizes revenues and expenses for fiscal years 2022 and 2021:

	Governmental and Proprietary Activities					
	Governmental Activities		Business type Activities		Totals	
	2022	2021	2022	2021	2022	2020
Receipts						
Program Receipts						
Charges for services	\$ 796,649	\$ 738,181	\$ 7,376,536	\$ 6,786,373	\$ 8,173,185	\$ 7,524,554
Operating grants and contributions	326,622	452,121	-	-	326,622	452,121
Capital grants and contributions	-	161,719	-	-	-	161,719
General receipts						
Property tax	6,695,372	6,524,953	-	-	6,695,372	6,524,953
Franchise fees and public service tax	2,765,796	2,644,721	-	-	2,765,796	2,644,721
Interest	136,871	139,858	-	-	136,871	139,858
Other	(603,821)	221,582	2,385	5,721	(601,436)	227,303
Total receipts	<u>\$10,117,489</u>	<u>\$10,883,135</u>	<u>\$ 7,378,921</u>	<u>\$ 6,792,094</u>	<u>\$17,496,410</u>	<u>\$17,675,229</u>
Expenses						
Governmental activities						
General government	\$ 2,653,172	\$ 2,421,760	\$ -	\$ -	\$ 2,653,172	\$ 2,421,760
Public safety	5,885,239	6,326,422	-	-	5,885,239	6,326,422
Highways and streets	980,877	996,932	-	-	980,877	996,932
Culture and recreation	1,078,889	1,060,240	-	-	1,078,889	1,060,240
Urban renewal	9,483	1,673	-	-	9,483	1,673
Business type activities						
Water	-	-	1,009,247	1,391,186	1,009,247	1,391,186
Sewer	-	-	2,893,491	2,462,285	2,893,491	2,462,285
Storm	-	-	293,085	398,731	293,085	398,731
Total expenses	<u>\$10,607,660</u>	<u>\$10,807,027</u>	<u>\$ 4,195,823</u>	<u>\$ 4,252,202</u>	<u>\$14,803,483</u>	<u>\$15,059,229</u>
Change in net position before transfers	<u>(490,171)</u>	<u>76,108</u>	<u>3,183,098</u>	<u>2,539,892</u>	<u>2,692,927</u>	<u>2,616,000</u>
Transfers	\$ 319,769	\$ 159,281	\$ (319,769)	\$ (159,281)	\$ -	\$ -
Equity income (loss) in joint venture	-	-	46,346	49,651	46,346	49,651
Changes in net position	(170,402)	235,389	2,909,675	2,430,262	2,739,273	2,665,651
Beginning net position	28,039,788	27,804,399	15,282,102	12,851,840	43,321,890	40,656,239
Restatement	(67)	-	-	-	(67)	-
Beginning net position-restated	<u>28,039,721</u>	<u>27,804,399</u>	<u>15,282,102</u>	<u>12,851,840</u>	<u>43,321,823</u>	<u>40,656,239</u>
Ending net position	<u>\$27,869,319</u>	<u>\$28,039,788</u>	<u>\$18,191,777</u>	<u>\$15,282,102</u>	<u>\$46,061,096</u>	<u>\$43,321,890</u>

Governmental Activities. Governmental activities decreased the City of Gladstone's net position by \$(170,402).

Business-type Activities. Business-type activities increased the City of Gladstone's net position by \$2,909,675.

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 \$16,219,449.

	General Fund	Road and Street Fund	Police and Communications Special Levy Fund	Fire and Emergency Services Special Levy Fund	Urban Renewal Agency Fund	Total Governmental
Beginning Fund Balance	\$ 4,991,163	\$ 3,296,732	\$ 122,893	\$ 255,445	\$ 2,590,275	\$ 11,256,508
Increase (decrease) current year	4,369,184	338,694	(112,250)	134,609	232,704	4,962,941
Ending Fund Balance as of June 30, 2022	<u>\$ 9,360,347</u>	<u>\$ 3,635,426</u>	<u>\$ 10,643</u>	<u>\$ 390,054</u>	<u>\$ 2,822,979</u>	<u>\$ 16,219,449</u>

- General Fund increased by 87.54 percent over the previous year fund balance, mainly due to the unspent debt proceeds from the Public Works Facility borrowing. The majority of revenues have returned to pre-pandemic levels except state shared revenues and transient lodging taxes. Expenditures have stayed within appropriation, but fully utilized existing fund balance estimated for the first budget year of the biennium.
- Road and Street Fund increased 10.27 percent over the previous year, but is realizing reduced right of way fees from telecomm collections. Highway user taxes have recovered along with vehicle registration revenues.
- The Police and Communications Special Levy Fund experienced a decrease of 8.66 percent in fund balance due mainly to expenditures front-loaded into the first budget year of the biennium.
- The Fire and Emergency Services Special Levy Fund increased by 52.70 percent from stable property taxes and reduced capital expenditures, in anticipation of the agreement with Clackamas Fire District #1.
- The Urban Renewal Agency Fund increased by 8.98 percent from annual tax revenues. These revenues will be more than sufficient to finance the debt retirement from the Civic Buildings debt service.

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.

	Water Fund	Sewer Fund	Storm Water Fund	Total Business Type
Beginning Fund Balance	\$ 9,032,440	\$ 4,972,593	\$ 1,277,069	\$ 15,282,102
Increase (decrease) - current year	1,470,828	802,833	636,014	2,909,675
Ending Fund Balance as of June 30, 2022	<u>\$ 10,503,268</u>	<u>\$ 5,775,426</u>	<u>\$ 1,913,083</u>	<u>\$ 18,191,777</u>

- All business type funds had significant gains due to rate increases in user fees from the previous two years. Increases will now approximate the cost of living index for the near

future, with this year at 4.00 percent. Storm water realized the largest impact of 49.80 percent, with Water at 16.28 percent and Sewer at 16.15 percent. These funds have allowed capital planning for much needed system improvements throughout the City infrastructure.

Budgetary Highlights

The City had appropriation increases, approved through one supplemental budget resolution and one budget transfer resolution, during the year ended June 30, 2022. The City Council approved on February 8, 2022 adjustments to the General Fund for the American Rescue Plan Funding received and subsequent budget effects, along with a transfer from General Fund Contingency to fund the Community Services Manager position within the Senior Center department. Then, on May 10, 2022, the City Council approved a budget adjustment to the General Fund to acknowledge the voter approved financing and appropriation of funds for the Public Works Facility reconstruction.

Capital Assets and Debt Administration

The following tables compare capital assets and changes in capital assets as of June 30, 2022 and June 30, 2021:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2020</u>
Land	\$ 6,498,106	\$ 6,498,106	\$ 640,964	\$ 640,964	\$ 7,139,070	\$ 7,139,070
Work in Progress	277,817	124,686	473,412	266,146	751,229	390,832
Buildings	15,849,549	16,157,015	7,084	7,294	15,856,633	16,164,309
Vehicles & Equipment	634,335	1,477,743	295,517	395,857	929,852	1,873,600
Intangible Assets	52,342	85,494	12,632	12,632	64,974	98,126
Infrastructure	3,348,397	3,387,665	4,996,414	4,839,941	8,344,811	8,227,606
Leased Equipment	9,495	-	-	-	9,495	-
Total	<u>\$ 26,670,041</u>	<u>\$ 27,730,709</u>	<u>\$ 6,426,023</u>	<u>\$ 6,162,834</u>	<u>\$ 33,096,064</u>	<u>\$ 33,893,543</u>

Changes in Capital Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 27,730,709	\$ 28,033,506	\$ 6,162,834	\$ 6,151,506	\$ 33,893,543	\$ 34,185,012
Additions	462,342	1,118,773	591,551	327,822	1,053,893	1,446,595
Depreciation	(851,749)	(745,263)	(320,382)	(316,494)	(1,172,131)	(1,061,757)
Deletions	(671,261)	(676,307)	(7,980)	-	(679,241)	(676,307)
Ending Balance	<u>\$ 26,670,041</u>	<u>\$ 27,730,709</u>	<u>\$ 6,426,023</u>	<u>\$ 6,162,834</u>	<u>\$ 33,096,064</u>	<u>\$ 33,893,543</u>

Within governmental activities, vehicles and equipment were decreased by the agreement with Clackamas County Fire District #1 to assume our emergency medical and fire services, as explained in Note 16. Because the date of the agreement started July 1, 2022, all assets were disposed of, and adjusted for as of June 30, 2022. Infrastructure improvements are in the preliminary phases within the business type activities, and will increase in the next fiscal year.

Long-term Debt. At June 30, 2022, the City had business-type bonded debt outstanding of \$688,000 compared to \$853,000 at June 30, 2021. 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 approximately \$48.4 million.

At June 30, 2022, the City had governmental activities debt outstanding of notes payable for \$9,937,254 and leases payable of \$9,552. Debt was assumed as of July 2018 for \$6.8 million and combined with additional funds available within the Urban Renewal Agency to construct the new Civic Center, completed in April 2020. Then, in April 2022, \$5 million was borrowed for reconstruction/remodeling of the Public Works Facility, located beside the Civic Center. More information on the debt is available in Note 8, Long Term Debt within the notes to the financial statements.

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. However, infill development is occurring, along with the start of a formalized downtown revitalization.

On November 2, 2021 the Gladstone voters approved up to \$5 million for the financing and reconstruction/remodeling of the Public Works Facility to be located on the existing property. The new Civic Center buildings are located beside this facility, creating a cohesive and attractive municipal complex for the City. Commencement of this progressive design-build project is anticipated in fall 2023 with completion in spring 2024.

The current biennium budget has begun to show signs of recovery from the global health crisis and resulting, devastating economic impacts. The City was able to secure several grants, with the latest being the American Rescue Plan Agreement (ARPA) funding for \$2.7 million. To date, most of the funds have been committed for specific use. Furthermore, the City falls under the \$10 million cap of a non-entitlement unit (NEU) so will be liable for less reporting and regulation with the federal government.

Overall, the City has been able to mitigate the pandemic impacts by closely monitoring and adjusting when necessary through conscientious planning and execution. While disruption will likely continue in some respect, economic impacts should diminish over time. The City continues to monitor the financial situation and actively search for any funding mechanisms available.

The City has purchased financial forecasting software to facilitate the budget process starting with the 2023-2025 biennium. A capital improvement plan will be a component, based on six-year cycles, to plan and utilize infrastructure projects and needs.

The Meldrum Bar Park master plan was recently completed, and development for the various phases and projects will be included in the capital forecasting. Grant funding from both State and Federal sources will be pursued to facilitate these improvements.

A significant sewer project designed to mitigate sewer inflow and infiltration is currently in design, in agreement with Water Environmental Services of Clackamas County, a financial partner of the project. Construction should be completed in January 2024, with \$1.2 million financed by the ARPA funding.

On July 1, 2022, the City entered into an Intergovernmental Agreement with Clackamas County Fire District #1 to manage the emergency medical and fire services within Gladstone. The three full-time employees were absorbed in with their personnel and several vehicles and equipment items were also transferred. The Gladstone Fire Station continues to house the department, but is retained under City ownership. The initial contract period is for one year, with two 2-year extensions, and will be financed by existing General Fund and Fire & Emergency Services Levy Fund property tax revenues. Total cost will approximate the 2022/23 budget plus inflationary increases.

The City has experienced an unprecedented previous two years, while maintaining our services, all employees and fiscal accountability. The future will continue to be a challenge, and plans will be developed accordingly to meet the ongoing needs.

Requests for Information. The City's financial statements are designed to present to City taxpayers, customers, investors and creditors with a general overview of the finances and accountability of Gladstone. If you have any questions about the report, or need additional information, please contact Cathy Brucker, Finance Consultant, at 18505 Portland Ave., Gladstone, OR 97027; (503) 479-6860; or finance@ci.gladstone.or.us.

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BASIC FINANCIAL STATEMENTS

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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, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 15,974,169	\$ 8,596,644	\$ 24,570,813
Cash with county treasurer	15,670	-	15,670
Accounts receivable	476,529	695,184	1,171,713
Property tax receivable	217,800	-	217,800
Interest receivable	2,099	-	2,099
Prepaid expenses	57,893	172,811	230,704
Total current assets	16,744,160	9,464,639	26,208,799
Noncurrent assets:			
Restricted cash and investments	1,590,450	1,251,266	2,841,716
Net OPEB asset	83,065	12,742	95,807
Investment in joint venture	-	3,126,044	3,126,044
Capital assets:			
Non depreciable	6,775,923	1,114,376	7,890,299
Depreciable, net	19,884,623	5,311,647	25,196,270
Lease assets, net	9,495	-	9,495
Total noncurrent assets	28,343,556	10,816,075	39,159,631
Total assets	45,087,716	20,280,714	65,368,430
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflow related to pension	3,100,212	475,581	3,575,793
Deferred outflow related to OPEB	51,949	7,969	59,918
Total deferred outflows of resources	3,152,161	483,550	3,635,711
Total assets and deferred outflows of resources	\$ 48,239,877	\$ 20,764,264	\$ 69,004,141
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 448,122	\$ 552,644	\$ 1,000,766
Interest payable	71,846	6,811	78,657
Accrued compensated absences	326,371	63,096	389,467
Bonds payable - current maturity	868,299	166,000	1,034,299
Leases payable - current	7,306	-	7,306
Other current liabilities	115,240	15,773	131,013
Total current liabilities	1,837,184	804,324	2,641,508
Noncurrent liabilities:			
Net pension liability	4,088,614	627,203	4,715,817
OPEB liability	431,018	66,120	497,138
Noncurrent portion of bonds payable	9,068,955	522,000	9,590,955
Noncurrent portion of leases payable	2,246	-	2,246
Total noncurrent liabilities	13,590,833	1,215,323	14,806,156
Total liabilities	15,428,017	2,019,647	17,447,664
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflow related to pension	3,575,288	548,457	4,123,745
Deferred inflow related to OPEB	28,581	4,383	32,964
Deferred inflow related to grant funds	1,338,672	-	1,338,672
Total deferred inflows of resources	4,942,541	552,840	5,495,381
NET POSITION:			
Net investment in capital assets	21,682,917	5,738,023	27,420,940
Restricted for:			
OPEB benefits	83,065	12,742	95,807
American rescue plan act funding	1,338,672	-	1,338,672
Street operations	3,635,426	-	3,635,426
System development	282,657	1,251,266	1,533,923
Urban Renewal development	2,822,979	-	2,822,979
Unrestricted	(1,976,397)	11,189,746	9,213,349
Total net position	27,869,319	18,191,777	46,061,096
Total liabilities, deferred inflows of resources and net position	\$ 48,239,877	\$ 20,764,264	\$ 69,004,141

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, 2022

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 2,478,377	\$ 462,533	\$ 90,138
Public safety	5,885,239	334,116	53,230
Highways and streets	980,877	-	107,103
Urban and renewal	9,483	-	-
Culture and recreation	1,078,889	-	52,500
Interest on long-term debt	174,795	-	-
Total governmental activities	<u>10,607,660</u>	<u>796,649</u>	<u>302,971</u>
Business-type activities:			
Water Fund	1,009,247	2,588,160	-
Sewer Fund	2,893,491	3,863,406	-
Storm Water Fund	293,085	924,970	-
Total business type activities	<u>4,195,823</u>	<u>7,376,536</u>	<u>-</u>
Total government	<u>\$ 14,803,483</u>	<u>\$ 8,173,185</u>	<u>\$ 302,971</u>

General revenues:
 Taxes:
 Property taxes
 Public service taxes
 Franchise fees
 Grants and contributions not restricted to specific programs
 Interest and investment earnings
 Gain (loss) in joint venture
 Miscellaneous
 Gain (loss) on sale/transfer of capital assets
 Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning

Cumulative effect of restatement from GASB 87

Net position - beginning as restated

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
\$ (1,925,706)	\$ -	\$ (1,925,706)
(5,497,893)	-	(5,497,893)
(873,774)	-	(873,774)
(9,483)	-	(9,483)
(1,026,389)	-	(1,026,389)
(174,795)	-	(174,795)
<u>(9,508,040)</u>	<u>-</u>	<u>(9,508,040)</u>
-	1,578,913	1,578,913
-	969,915	969,915
-	631,885	631,885
-	<u>3,180,713</u>	<u>3,180,713</u>
<u>(9,508,040)</u>	<u>3,180,713</u>	<u>(6,327,327)</u>
6,695,372	-	6,695,372
1,714,155	-	1,714,155
1,051,641	-	1,051,641
23,651	-	23,651
136,871	-	136,871
-	46,346	46,346
31,775	2,385	34,160
(635,596)	-	(635,596)
319,769	(319,769)	-
<u>9,337,638</u>	<u>(271,038)</u>	<u>9,066,600</u>
(170,402)	2,909,675	2,739,273
28,039,788	15,282,102	43,321,890
(67)	-	(67)
<u>28,039,721</u>	<u>15,282,102</u>	<u>43,321,823</u>
<u>\$ 27,869,319</u>	<u>\$ 18,191,777</u>	<u>\$ 46,061,096</u>

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.

Road and Street Fund

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

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.

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.

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CITY OF GLADSTONE, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Road and Street Fund	Police and Communications Special Levy Fund
ASSETS:			
Cash and investments	\$ 9,856,637	\$ 2,897,266	\$ 11,733
Restricted cash and investments	994,311	596,139	-
Cash with county treasurer	10,885	-	1,658
Accounts receivable	133,352	57,828	-
Property taxes receivable	150,886	-	22,992
Interest Receivable	1,469	-	224
Due from other governments	163,870	121,479	-
Prepaid Expenses	57,893	-	-
Total assets	<u>\$ 11,369,303</u>	<u>\$ 3,672,712</u>	<u>\$ 36,607</u>
LIABILITIES:			
Accounts payable	\$ 411,082	\$ 36,693	\$ 347
Other current liabilities	111,532	593	3,115
Total liabilities	<u>522,614</u>	<u>37,286</u>	<u>3,462</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues - property taxes	147,670	-	22,502
Unavailable revenues - other	1,338,672	-	-
Total deferred inflows of resources	<u>1,486,342</u>	<u>-</u>	<u>22,502</u>
FUND BALANCES:			
Non-Spendable:			
Prepays	57,893	-	-
Restricted:			
Street operations	-	3,635,426	-
System development	282,657	-	-
Urban Renewal development	-	-	-
Committed:			
Business Development and Promotion	406,492	-	-
Tourism Promotion and Activities	284,266	-	-
Assigned:			
Capital projects	20,896	-	-
Police services	-	-	10,643
Fire and emergency services	-	-	-
Library board	17,430	-	-
Unassigned	8,290,713	-	-
Total fund balance	<u>9,360,347</u>	<u>3,635,426</u>	<u>10,643</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 11,369,303</u>	<u>\$ 3,672,712</u>	<u>\$ 36,607</u>

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

Lease assets are not financial resources and, therefore, are not reported in the funds. Other assets are not available to pay for current-period expenditures deferred in the funds:

- Deferred outflows of resources-pension
- Net OPEB benefit resource
- Deferred outflow of resources - OPEB

Liabilities and deferred inflows of resources, including accrued liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:

- Unavailable revenue - property taxes
- Accrued compensated absences
- Accrued interest payable
- Net pension liability
- Net OPEB liability
- Deferred inflows of resources - pension
- Deferred inflows of resources - OPEB
- Long-term debt obligations
- Lease financings

Net position of governmental activities

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

Fire and Emergency Services Special Levy Fund	Urban Renewal Agency Func	Total Governmental
\$ 388,974	\$ 2,819,559	\$ 15,974,169
-	-	1,590,450
755	2,372	15,670
-	-	191,180
10,470	33,452	217,800
102	304	2,099
-	-	285,349
-	-	57,893
<u>\$ 400,301</u>	<u>\$ 2,855,687</u>	<u>\$ 18,334,610</u>

\$ -	\$ -	\$ 448,122
-	-	115,240
-	-	563,362
10,247	32,708	213,127
-	-	1,338,672
<u>10,247</u>	<u>32,708</u>	<u>1,551,799</u>

-	-	57,893
-	-	3,635,426
-	-	282,657
-	2,822,979	2,822,979
-	-	406,492
-	-	284,266
-	-	20,896
-	-	10,643
390,054	-	390,054
-	-	17,430
-	-	8,290,713
<u>390,054</u>	<u>2,822,979</u>	<u>16,219,449</u>
<u>\$ 400,301</u>	<u>\$ 2,855,687</u>	

ources and, therefore, a	26,660,546
ted in the fun	9,495
s and, therefore, a	
	3,100,212
	83,065
	51,949
ilities and bonds payat reported in fun	
	213,127
	(326,371)
	(71,846)
	(4,088,614)
	(431,018)
	(3,575,288)
	(28,581)
	(9,937,254)
	<u>(9,552)</u>
	<u>\$ 27,869,319</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, 2022

	General Fund	Road and Street Fund	Police and Communications Special Levy Fund
REVENUES:			
Property taxes	\$ 4,621,694	\$ -	\$ 704,123
Public service taxes	423,871	1,290,284	-
Franchise and right of way fees	831,846	219,795	-
Grants	302,971	-	-
Charges for services	95,353	-	-
Licenses and permits	205,612	-	-
Fines and forfeitures	334,116	-	-
Special assessments	161,568	-	-
Contributions and donations	23,651	-	-
Interest	116,622	-	1,740
Miscellaneous	6,555	25,220	-
	<u>7,123,859</u>	<u>1,535,299</u>	<u>705,863</u>
Total revenues			
EXPENDITURES:			
Current:			
General government	2,091,728	-	-
Public safety	4,907,764	-	765,061
Highways and streets	-	821,905	-
Urban and renewal	-	-	-
Culture and recreation	965,811	-	-
Capital outlay	266,343	213,789	-
Debt service:			
Principal	207,889	-	-
Interest	91,944	-	-
	<u>8,531,479</u>	<u>1,035,694</u>	<u>765,061</u>
Total expenditures			
Revenues over (under) expenditures	(1,407,620)	499,605	(59,198)
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	21,902	-	-
Debt proceeds	5,000,000	-	-
Debt issuance costs	(50,077)	-	-
Transfers in	804,979	368,522	-
Transfers out	-	(529,433)	(53,052)
	<u>5,776,804</u>	<u>(160,911)</u>	<u>(53,052)</u>
Total other financing sources (uses)			
Net changes in fund balances	4,369,184	338,694	(112,250)
FUND BALANCES, BEGINNING	<u>4,991,163</u>	<u>3,296,732</u>	<u>122,893</u>
FUND BALANCES, ENDING	<u>\$ 9,360,347</u>	<u>\$ 3,635,426</u>	<u>\$ 10,643</u>

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

Fire and Emergency Services Special Levy Fund	Urban Renewal Agency Fund	Total Governmental
\$ 320,724	\$ 1,010,047	\$ 6,656,588
-	-	1,714,155
-	-	1,051,641
-	-	302,971
-	-	95,353
-	-	205,612
-	-	334,116
-	-	161,568
-	-	23,651
2,419	16,090	136,871
-	-	31,775
<u>323,143</u>	<u>1,026,137</u>	<u>10,714,301</u>
-	-	2,091,728
157,314	-	5,830,139
-	-	821,905
-	9,483	9,483
-	-	965,811
5,377	-	485,509
-	458,092	665,981
-	80,454	172,398
<u>162,691</u>	<u>548,029</u>	<u>11,042,954</u>
160,452	478,108	(328,653)
-	-	21,902
-	-	5,000,000
-	-	(50,077)
-	-	1,173,501
<u>(25,843)</u>	<u>(245,404)</u>	<u>(853,732)</u>
<u>(25,843)</u>	<u>(245,404)</u>	<u>5,291,594</u>
134,609	232,704	4,962,941
<u>255,445</u>	<u>2,590,275</u>	<u>11,256,508</u>
<u>\$ 390,054</u>	<u>\$ 2,822,979</u>	<u>\$ 16,219,449</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, 2022

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

Net change in fund balances - total governmental funds	\$ 4,962,941
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.	(1,070,153)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(4,961,216)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued compensated absences	21,120
Accrued interest payable	(2,397)
Net OPEB obligations	(7,781)
Net pension liability	221,103
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but does not have any effect on net position.	<u>665,981</u>
Change in net position of governmental activities	<u><u>\$ (170,402)</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.

Storm Water Fund

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

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CITY OF GLADSTONE, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 4,061,996	\$ 3,045,632	\$ 1,489,016	\$ 8,596,644
Trade accounts receivable	215,263	387,805	92,116	695,184
Prepays	172,811	-	-	172,811
Total current assets	4,450,070	3,433,437	1,581,132	9,464,639
Noncurrent assets:				
Restricted cash	657,771	469,159	124,336	1,251,266
Net OPEB asset	818	10,859	1,065	12,742
Investment in joint venture	3,126,044	-	-	3,126,044
Capital assets:				
Non-depreciable	147,152	827,830	139,394	1,114,376
Depreciable	2,979,384	2,081,184	251,079	5,311,647
Total noncurrent assets	6,911,169	3,389,032	515,874	10,816,075
Total assets	11,361,239	6,822,469	2,097,006	20,280,714
DEFERRED OUTFLOWS OF RESOURCES				
Pension	30,532	405,297	39,752	475,581
Other post employment benefits	512	6,791	666	7,969
Total deferred outflows of resources	31,044	412,088	40,418	483,550
Total assets & deferred outflows of resources	\$ 11,392,283	\$ 7,234,557	\$ 2,137,424	\$ 20,764,264
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 91,158	\$ 342,080	\$ 119,406	\$ 552,644
Interest payable	6,811	-	-	6,811
Accrued payroll payable	-	308	-	308
Accrued compensated absences	7,579	54,743	774	63,096
Bonds payable - current maturity	166,000	-	-	166,000
Other	15,465	-	-	15,465
Total current liabilities	287,013	397,131	120,180	804,324
Noncurrent liabilities:				
OPEB liability	4,245	56,348	5,527	66,120
Bonds payable	522,000	-	-	522,000
Net pension liability	40,266	534,512	52,425	627,203
Total noncurrent liabilities	566,511	590,860	57,952	1,215,323
Total liabilities	853,524	987,991	178,132	2,019,647
DEFERRED INFLOWS OF RESOURCES				
Pension	35,210	467,404	45,843	548,457
Other post employment benefits	281	3,736	366	4,383
Total deferred inflows of resources	35,491	471,140	46,209	552,840
NET POSITION:				
Net investment in capital assets	2,438,536	2,909,014	390,473	5,738,023
Restricted for:				
OPEB benefits	818	10,859	1,065	12,742
System development	657,771	469,159	124,336	1,251,266
Unrestricted	7,406,143	2,386,394	1,397,209	11,189,746
Total net position	10,503,268	5,775,426	1,913,083	18,191,777
Total liabilities, deferred inflows & net position	\$ 11,392,283	\$ 7,234,557	\$ 2,137,424	\$ 20,764,264

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, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Total
OPERATING REVENUES:				
Service charges	\$ 2,587,612	\$ 3,857,313	\$ 924,970	\$ 7,369,895
Connection and installation fees	548	-	-	548
System development charge	-	6,093	-	6,093
Miscellaneous	-	2,385	-	2,385
Total operating revenues	<u>2,588,160</u>	<u>3,865,791</u>	<u>924,970</u>	<u>7,378,921</u>
OPERATING EXPENSES:				
Purchases	530,319	1,859,609	-	2,389,928
Salaries and fringe benefits	33,874	762,343	139,841	936,058
Contract charges	80,612	18,527	25,566	124,705
Maintenance and repairs	125,938	57,188	58,777	241,903
Utilities	28,928	6,112	2,843	37,883
Depreciation	151,762	145,704	22,916	320,382
Supplies	44,192	44,008	43,142	131,342
Total operating expenses	<u>995,625</u>	<u>2,893,491</u>	<u>293,085</u>	<u>4,182,201</u>
Operating income (loss)	1,592,535	972,300	631,885	3,196,720
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(13,622)	-	-	(13,622)
Gain (loss) in joint venture	46,346	-	-	46,346
Total non-operating revenues (expenses)	<u>32,724</u>	<u>-</u>	<u>-</u>	<u>32,724</u>
Income before transfers	1,625,259	972,300	631,885	3,229,444
TRANSFERS:				
Transfers in (out)	<u>(154,431)</u>	<u>(169,467)</u>	<u>4,129</u>	<u>(319,769)</u>
Change in net position	1,470,828	802,833	636,014	2,909,675
NET POSITION, BEGINNING	<u>9,032,440</u>	<u>4,972,593</u>	<u>1,277,069</u>	<u>15,282,102</u>
NET POSITION, ENDING	<u>\$ 10,503,268</u>	<u>\$ 5,775,426</u>	<u>\$ 1,913,083</u>	<u>\$ 18,191,777</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, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,624,473	\$ 3,844,696	\$ 919,670	\$ 7,388,839
Cash paid to employees for salaries and benefits	(315,566)	(376,208)	(247,192)	(938,966)
Cash paid to suppliers and others	(877,300)	(2,028,694)	(21,804)	(2,927,798)
Net cash provided by operating activities	1,431,607	1,439,794	650,674	3,522,075
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	(154,431)	(169,467)	4,129	(319,769)
Net cash provided (used) by non-capital financing activities	(149,304)	(169,467)	4,129	(314,642)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(78,228)	(318,405)	(186,938)	(583,571)
Principal paid on capital debt	(165,000)	-	-	(165,000)
Interest paid on capital debt	(15,256)	-	-	(15,256)
Net cash used by capital and related financing activities	(258,484)	(318,405)	(186,938)	(763,827)
Net increase in cash and cash equivalents	1,023,819	951,922	467,865	2,443,606
CASH AND CASH EQUIVALENTS, BEGINNING	3,695,948	2,562,869	1,145,487	7,404,304
CASH AND CASH EQUIVALENTS, ENDING	\$ 4,719,767	\$ 3,514,791	\$ 1,613,352	\$ 9,847,910
COMPRISED AS FOLLOWS:				
Unrestricted	\$ 4,061,996	\$ 3,045,632	\$ 1,489,016	\$ 8,596,644
Restricted	657,771	469,159	124,336	1,251,266
Total cash and cash equivalents	\$ 4,719,767	\$ 3,514,791	\$ 1,613,352	\$ 9,847,910
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (loss)	\$ 1,592,535	\$ 972,300	\$ 631,885	\$ 3,196,720
Adjustments:				
Depreciation	151,762	145,704	22,916	320,382
Decrease (increase) in:				
Accounts receivable	36,314	(21,095)	(5,300)	9,919
Prepays	634	-	-	634
Deferred outflows related to pension	162,085	(255,159)	57,874	(35,200)
Increase (decrease) in:				
Accounts payable and accrued expenses	(67,946)	(43,250)	108,524	(2,672)
Accrued compensated absences	760	15,709	(1,775)	14,694
Deferred inflows related to pension	(18,662)	427,137	18,648	427,123
Pension liability	(405,649)	172,179	(174,522)	(407,992)
OPEB obligation	(20,226)	26,269	(7,576)	(1,533)
Net cash provided by operating activities	\$ 1,431,607	\$ 1,439,794	\$ 650,674	\$ 3,522,075
NON-CASH CAPITAL FINANCING ACTIVITIES				
NON-CASH INFORMATION:				
Increase (decrease) in joint venture	\$ 46,346	\$ -	\$ -	\$ 46,346

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.

Municipal Court Trust Fund

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

DRAFT

CITY OF GLADSTONE, OREGON
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	Municipal Court Trust Fund
ASSETS:	
Cash and investments	\$ 70,616
Accounts receivable	1,241
	<hr/>
Total assets	71,857
	<hr/>
NET POSITION:	
Restricted:	
Individuals and organizations	71,857
	<hr/>
Total net position held in trust	\$ 71,857
	<hr/> <hr/>

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

CITY OF GLADSTONE, OREGON
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
June 30, 2022

	<u>Municipal Court Trust Fund</u>
ADDITIONS:	
City of Gladstone fines and fees	\$ 350,730
Clackamas County fines and fees	14,868
State of Oregon fines and fees	56,534
Bond	(5,235)
Other court fees	<u>140</u>
Total additions	<u>417,037</u>
DEDUCTIONS:	
City of Gladstone fines and fees	291,037
Clackamas County fines and fees	14,315
State of Oregon fines and fees	88,201
Other court fees	<u>140</u>
Total deductions	<u>393,693</u>
Change in net position	<u>23,344</u>
NET POSITION, BEGINNING	<u>48,513</u>
NET POSITION, ENDING	<u><u>\$ 71,857</u></u>

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

1. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (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 is a municipal corporation that 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.

As required by GAAP, these financial statements present the City and its component unit (Gladstone Urban Renewal Agency), an entity for which the City 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 within the City's financial statements. The Gladstone Urban Renewal Agency has a June 30 year-end. Complete financial statements for the Agency may be obtained at the City of Gladstone – City Hall, 18505 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's financial report.

North Clackamas County Water Commission

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. The City reports its participation in the joint venture on the equity method, consistent with GAAP (see Note 6).

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.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

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.

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.

GAAP 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 supplementary information.

The City reports all governmental funds as major 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, American Rescue Plan Act (ARPA) grant funding 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. The ARPA grant funds are budgeted separately, but are reported as part of the General Fund.

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 *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 are used to support the costs of additional police personnel.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

The *Fire and Emergency Services Special Levy Fund* accounts for the receipts and expenditure of taxes received from a five-year local option levy. Proceeds from the levy are used to support the costs of additional fire personnel and equipment purchases.

The City reports each of its three 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*
- *Storm Water 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 custodial 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 fund is an custodial fund. Custodial funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City reports the *Municipal Court Trust Fund* as a fiduciary 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. 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. 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.

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

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operations 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 deferred inflow of resources created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that deferred inflow of resources may 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. Vested compensated absences are recorded as expenditures only to the extent that they are expected 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 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 basic financial statements.

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 principal operating revenues of the City's Water, Sewer and Storm Water Funds are charges to customers for sales and services. The Water, Sewer and Storm Water 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.

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 an original 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. The City holds one 24 month certificate of deposit at OnPoint Community Credit Union, for the benefit of the Gladstone Public Library. The certificate had a balance of \$17,430 as of June 30, 2022, a fixed interest rate of 0.15% and a maturity date of July 26, 2023.

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.

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 of 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 in the General Fund used for those balances not assigned to another category. Deficit balances in other governmental funds are also reported as unassigned.

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.

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

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

receivable balances are not significant, and therefore no provision for uncollectible accounts has been made. No provision for uncollectible accounts has been made for receivables in proprietary funds as management believes balances are collectable.

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 government-wide financial statements and in the proprietary fund 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 capital assets are recorded at their estimated fair market value at the time received.

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2022.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation included in the balances reported 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*

L. Lease Assets

Lease assets are assets which the City leases for a term of more than one year. The value of leases are determined by the net present value of the leases at the City's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

M. 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 GAAP for joint ventures. Under the equity method, the investment in the joint venture is increased or decreased by the City's equity in the increase or decrease in the net position of the joint venture. Profit on operating transactions between the City and the joint venture is eliminated in the calculation of this equity interest. Non-operating transactions increase or decrease the investment in the joint venture.

N. 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, Sewer Fund and Storm Water Fund.

O. 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.

P. Leases Payable

In the government-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category, the deferred amounts relating to pensions and other post-employment benefits. These amounts are deferred and recognized as an outflow of resources in the period when the City's recognizes these expenses/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. Unavailable revenue from property taxes and grant funds are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period an amount becomes available. The City also reports deferred inflows of resources related to pensions and other post-employment benefits. These amounts are deferred and recognized as an inflow of resources in the period when the City's recognizes pension and other post-employment benefits income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

R. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

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

S. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

T. 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 capital-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). The remaining net position is considered unrestricted.

U. Accounting Estimates

The preparation of financial statements in conformity with GAAP 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 estimates.

2. Cash and Investments

At June 30, 2022 investments of the City consist of the following:

	Weighted Average <u>Maturity (Years)</u>	Fair <u>Value</u>
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 27,218,855
Certificate of deposit	1.10	<u>17,430</u>
		\$ <u>27,236,285</u>

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.

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 City does not have a deposit policy addressing custodial credit risk. 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. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2022, the book value of the City's deposits was \$176,244 and the bank balance was \$365,314. None of the City's bank balances were exposed to custodial credit risk as they were fully insured or collateralized under PFCP.

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, 2022, 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. Also included are committed funds generated for business development and tourism promotion by business license and transient lodging tax revenue.

CITY OF GLADSTONE
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3. Accounts Receivable

Accounts receivable represent the uncollected amounts due and payable as of June 30, 2022 from specific sources. At June 30, 2022 the uncollected amounts due were:

Transient lodging fees	\$	40,324
Franchise fees		93,028
Miscellaneous		76,575
Right of way fees		57,828
State shared revenues		208,774
Total Governmental Funds	\$	<u>476,529</u>

4. Interfund Transfers

Transfers between funds during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 804,979	\$ -
Road & Street Fund	368,522	529,433
Police/Communications Fund	-	53,052
Fire/Emergency Services Fund	-	25,843
Urban Renewal Fund	-	245,404
Total Governmental Funds	<u>1,173,501</u>	<u>853,732</u>
Proprietary Funds		
Water Fund	117,663	272,094
Sewer Fund	117,663	287,130
Storm Water Fund	117,663	113,534
Total Proprietary Funds	<u>352,989</u>	<u>672,758</u>
Total All Funds	<u>\$1,526,490</u>	<u>\$ 1,526,490</u>

Transfers for services between funds are utilized to provide support for various city programs in accordance with budgetary authorizations. These transfers cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and provide for other operational resources. For the fiscal year ended June 30, 2022, all City transfers are classified under operating transfers in/out for financial reporting purposes.

CITY OF GLADSTONE
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5. Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 6,498,106	\$ -	\$ -	\$ 6,498,106
Construction in progress	124,686	182,175	(29,044)	277,817
Total capital assets, non-depreciable	6,622,792	182,175	(29,044)	6,775,923
Capital assets, depreciable:				
Intangible assets	347,400	-	-	347,400
Buildings, structures and improve	18,623,267	44,947	-	18,668,214
Equipment	1,763,010	91,148	(143,381)	1,710,777
Vehicles	3,480,865	55,149	(514,127)	3,021,887
Infrastructure	4,767,204	84,639	-	4,851,843
Right-to-use leased equipment	-	19,575	-	19,575
Total capital assets, depreciable	28,981,746	295,458	(657,508)	28,619,696
Total assets	35,604,538	477,633	(686,552)	35,395,619
Less accumulated depreciation for:				
Intangible assets	(261,906)	(33,152)	-	(295,058)
Buildings, structures and improve	(2,466,252)	(352,413)	-	(2,818,665)
Equipment	(1,413,668)	(93,236)	-	(1,506,904)
Vehicles	(2,352,464)	(238,961)	-	(2,591,425)
Infrastructure	(1,379,539)	(123,907)	-	(1,503,446)
Right-to-use leased equipment	-	(10,080)	-	(10,080)
Total accumulated depreciation	(7,873,829)	(851,749)	-	(8,725,578)
Net depreciable capital assets	21,107,917	(556,291)	(657,508)	19,894,118
Net capital assets	\$ 27,730,709	\$ (374,116)	\$ (686,552)	\$ 26,670,041

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

Governmental activities:	
General government	\$ 315,441
Public safety	248,443
Roads and highways	168,760
Culture and recreation	119,105
Total depreciation/amortization expense	<u>\$ 851,749</u>

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Business-type activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 640,964	\$ -	\$ -	\$ 640,964
Construction in progress	266,146	215,246	(7,980)	473,412
Total capital assets, non-depreciable	907,110	215,246	(7,980)	1,114,376
Capital assets, depreciable:				
Intangible assets	21,658	-	-	21,658
Buildings	106,113	-	-	106,113
Equipment	205,682	-	-	205,682
Vehicles	719,744	-	-	719,744
Infrastructure	11,400,182	376,305	-	11,776,487
Total capital assets, depreciable	12,453,379	376,305	-	12,829,684
Total	13,360,489	591,551	(7,980)	13,944,060
Less accumulated depreciation for:				
Intangible assets	(9,026)	-	-	(9,026)
Buildings	(98,819)	(210)	-	(99,029)
Equipment	(182,600)	(12,640)	-	(195,240)
Vehicles	(346,969)	(87,700)	-	(434,669)
Infrastructure	(6,560,241)	(219,832)	-	(6,780,073)
Total accumulated depreciation	(7,197,655)	(320,382)	-	(7,518,037)
Net depreciable capital assets	5,255,724	55,923	-	5,311,647
Net capital assets	\$ 6,162,834	\$ 271,169	\$ (7,980)	\$ 6,426,023

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

Business-type activities:

Water	\$151,762
Sewer	145,704
Storm Water	22,916
Total depreciation expense - Business Activities	<u>\$320,382</u>

6. Joint Venture

The City is a member of the North Clackamas County Water Commission, a joint venture in which the City has a ten percent interest and the Sunrise Water Authority and the Oak Lodge Water Services Authority hold forty-eight and forty-two percent interests, respectively. The Board of Commissioners consists of seven members: the Boards of Commissioners for Sunrise Water Authority and Oak Lodge Water Services Authority select three commissioners each, and the Gladstone City Council selects one commissioner.

CITY OF GLADSTONE
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The City's net position in the joint venture as of June 30, 2022 was \$3,126,044, with a net gain of \$46,346. The City had water purchases from the Commission of \$530,319 for the year ended June 30, 2022, which is an increase of \$11,916 over the previous year. The Commission has not completed a true-up for the last three years.

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. Deferred Inflows of Resources

Deferred inflows of resources related to unavailable revenue presented on the Governmental Funds Balance Sheet as of June 30, 2022 consist of the following:

	General Fund	Urban Renewal Fund	Police & Communications Special Levy Fund	Fire & Emergency Services Special Levy Fund	Total
Property Taxes	\$ 147,670	\$ 32,708	\$ 22,502	\$ 10,247	\$ 213,127
Other - Grant Funds	1,338,672	-	-	-	1,338,672
	<u>\$ 1,486,342</u>	<u>\$ 32,708</u>	<u>\$ 22,502</u>	<u>\$ 10,247</u>	<u>\$ 1,551,799</u>

8. Long Term Debt

A. Changes in General Long-Term Liabilities

During the year ended June 30, 2022, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Note payable - FF&C (2022)	\$ -	\$ 5,000,000	\$ 40,318	\$ 4,959,682	\$ 223,912
Note payable - FF&C (2018)	2,679,601	-	167,571	2,512,030	172,598
Note payable - URA (2018)	2,923,634	-	458,092	2,465,542	471,789
Total Notes	<u>5,603,235</u>	<u>5,000,000</u>	<u>665,981</u>	<u>9,937,254</u>	<u>868,299</u>
Compensated absences	347,492	326,371	347,492	326,371	326,371
Total Governmental Activities	<u>\$ 5,950,727</u>	<u>\$ 5,326,371</u>	<u>\$ 1,013,473</u>	<u>\$ 10,263,625</u>	<u>\$ 1,194,670</u>

Accrued Interest

	Previous Int Pmt Date	Amt of Next Int Payment	Date through which accrued	Days to Accrue	Accrued Interest
2022 FF&C Note payable	6/1/2022	\$ 62,988	6/30/2022	29	\$ 10,146
2018 FF&C Note payable	2/1/2022	37,680	6/30/2022	149	31,190
2018 URA Note payable	2/1/2022	36,860	6/30/2022	149	30,510
		<u>\$ 137,528</u>			<u>\$ 71,846</u>

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type Activities					
Bonds	\$ 853,000	\$ -	\$ 165,000	\$ 688,000	\$ 166,000
Compensated absences	44,979	63,096	44,979	63,096	63,096
Total Business-type Activities	<u>\$ 897,979</u>	<u>\$ 63,096</u>	<u>\$ 209,979</u>	<u>\$ 751,096</u>	<u>\$ 229,096</u>

Accrued Interest

	<u>Previous Int Pmt Date</u>	<u>Amt of Next Int Payment</u>	<u>Date through which accrued</u>	<u>Days to Accrue</u>	<u>Accrued Interest</u>
2015 FF&C Obligations	1/1/2022	<u>\$ 6,811</u>	6/30/2022	180	<u>\$ 6,811</u>

B. Direct Borrowings

Governmental Activities

On April 21, 2022, the City directly borrowed \$5,000,000 for reconstruction/remodeling of the Public Works Facility within the Governmental Activities. The Full Faith and Credit Note is secured by the City's full faith and credit taxing power, but shall not entitle the lender to any lien on, or pledge of specific properties or revenue of the City. The borrowing carries an interest rate of 2.54 percent. Interest is payable semi-annually on June 1 and December 1 of each year, and principal is payable annually on June 1 through 2039. Payments will be funded by the General Fund at 10.0 percent, and the balance in equal internal transfers from the Road and Street, Water, Sewer and Storm Sewer Fund at 22.5 percent, respectively.

The City may prepay all or any portion of the note, with forty-five days' prior written notice, in multiples of \$5,000, without premium, on any payment date on or after June 1, 2028, including accrued interest. Payments will be applied interest first, then principal to reduce the outstanding balance. If less than the full balance is paid, the prepayments will be applied to the principal balance in inverse order of maturities, and an updated payment schedule will be supplied by the lender. The borrowing contains an event of default clause that allows the lender to increase the interest rate by 1.5 percent on the outstanding balance. However, the amounts due from the City shall not be subject to acceleration.

On July 31, 2018, the City directly borrowed, in two separate transactions, a total of \$6,800,000 for construction of a new City Hall and Police Station within the Governmental Activities. Each transaction is described separately below:

- a. \$3,000,000 – General Fund Full Faith & Credit Note Payable – secured by the City's full faith and credit and taxing power, but shall not entitle the lender to any lien on, or pledge of, specific properties or revenue of the City. The borrowing carries an interest rate of 3.00 percent. Interest is payable semi-annually on February 1 and August 1 of each year, and principal is payable annually on August 1 through 2029.
- b. \$3,800,000 – Urban Renewal Agency Note Payable – secured by the Master Borrowing Declaration for the Gladstone Urban Renewal Agency. Funds will be collected annually by the "Divide the Taxes" revenue as will be assessed through the Urban Renewal Agency. The borrowing carries an interest rate of 2.99 percent. Interest is payable semi-

CITY OF GLADSTONE
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annually on February 1 and August 1 of each year, and principal is payable annually on August 1 through 2026.

The City may prepay all or any portion of each note, with prepayment applied first to accrued interest and then to principal. Both of the borrowings contain an event of default clause that allows the lender to increase the interest rate by 5.00%, if not cured within five days, while the event of default continues. However, the amounts due from the City shall not be subject to acceleration.

C. Advanced Refunding

The City issued \$1,614,000 of general obligation bonds at interest rate 1.98%. The proceeds were used to advance refund \$1,570,000 of the Series 2005 bonds. Proceeds of \$1,596,290 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Series 2005 of water bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The refunding was undertaken to reduce its total debt service payments over 10 years by \$1,784,974 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$26,290 with a city contribution of \$19,156 for a net savings of \$7,134.

D. 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-Type Activities

During 2015-2016, the City issued \$1,614,000 in full faith and credit obligations to refund the 2005 bond for the water treatment plant and for capital improvements to the City's water system. The bonds carry interest rate is 1.98%. Interest is payable semiannually on January 1 and July 1 of each year. Bond principal is payable annually through July 2025.

1. Future Principal and Interest

Future maturities of debt principal and interest at June 30, 2022, are as follows:

Fiscal Year	Governmental Activities		Business Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 868,299	\$ 265,414	\$ 166,000	\$ 11,979	\$ 1,034,299	\$ 277,393
2024	907,268	240,154	173,000	8,623	1,080,268	248,777
2025	933,317	213,808	174,000	5,188	1,107,317	218,995
2026	960,118	186,701	175,000	1,733	1,135,118	188,434
2027	984,168	158,863	-	-	984,168	158,863
2028-2032	2,977,148	456,409	-	-	2,977,148	456,409
2033-2037	1,605,983	213,443	-	-	1,605,983	213,443
2038-2039	700,953	26,818	-	-	700,953	26,818
	<u>\$ 9,937,254</u>	<u>\$ 1,761,610</u>	<u>\$ 688,000</u>	<u>\$ 27,522</u>	<u>\$ 10,625,254</u>	<u>\$ 1,789,132</u>

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2. Leases Payable

	Original Amount	Restated Outstanding June 30, 2021	Additions	Decrease	Outstanding June 30, 2022
Governmental Activities					
Postage meter					
Interest at .29%, payment \$484 quarterly, due 2023	\$ 9,599	\$ 3,376	\$ -	\$ 1,927	\$ 1,449
Copier Leases:					
Interest at .29%, payment \$1,372 quarterly, due 2023	27,235	8,214	-	5,471	2,743
Interest at .29%, payment \$401 quarterly, due 2023	7,954	3,590	-	1,596	1,994
Interest at .29%, payment \$282 quarterly, due 2025	5,593	4,481	-	1,115	3,366
	<u>\$ 50,381</u>	<u>\$ 19,661</u>	<u>-</u>	<u>\$ 10,109</u>	<u>\$ 9,552</u>

Future Maturities are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2023	\$ 7,306	\$ 15
2024	1,122	5
2025	1,124	3
	<u>\$ 9,552</u>	<u>\$ 23</u>

9. Pension Plan

A. Plan Description

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

B. Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of

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years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$195,000 in 2020, and will be indexed with inflation in later years. In 2022, the indexed amount is \$210,582.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent.

2. OPSRP/Defined Benefit Pension Program (OPSRP DB)

Pension Benefits

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

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

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

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$195,000 in 2020, and will be indexed with inflation in later years (\$210,582 for 2022).

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

C. Contributions

1. Employer Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Employer contributions for the year ended June 30, 2022 were \$992,558, excluding amounts to fund employer specific

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liabilities. The rates in effect for the fiscal year ended June 30, 2022 were 24.43 percent for Tier One/Tier Two General Service Member, 24.43 percent for Tier One/Tier Two Police and Fire, 18.38 percent for OPSRP Pension Program General Service Members, 22.74 percent for OPSRP Pension Program Police and Fire Members.

2. Employee Contributions

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the member behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$256,839 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$4,715,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 0.0394 percent, which was increased from its proportion of 0.0363 measured as of June 30, 2020.

For the year ended June 30, 2022, the City's recognized pension expense (income) of \$(240,836). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 441,431	\$ -
Changes of assumptions	1,180,511	12,411
Net difference between projected and actual earnings on investments	-	3,491,082
Changes in proportion	931,051	497,233
Differences between employer contributions and proportionate share of contributions	30,242	123,019
Total (prior to post-MD contributions)	<u>2,583,235</u>	<u>4,123,745</u>
Contributions subsequent to the MD	992,558	-
Total	<u>\$ 3,575,793</u>	<u>\$ 4,123,745</u>

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

The \$992,558 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2023	\$ (204,863)
2024	(260,652)
2025	(503,041)
2026	(741,500)
2027	<u>169,546</u>
Total	<u>\$ (1,540,510)</u>

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2021, through June 30, 2023 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>
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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

F. Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Portfolio	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	5.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			<u>100.0%</u>

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Total	100.00%	
Assumed Inflation - Mean		2.40%

G. Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

H. Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

I. Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
City's proportionate share of the net pension liability (asset)	\$ 9,260,735	\$ 4,715,817	\$ 913,369

J. Pension Plan Fiduciary Net Position

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

K. Changes in Plan Provisions During the Measurement Date

A legislative change that occurred during the measurement period affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

L. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2021 measurement period that require disclosure.

10. Post Employment Benefits Other than Pensions

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

A. Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	<u>Implicit Rate Subsidy</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB on Financials</u>
Net OPEB Asset	\$ -	\$ 95,807	\$ 95,807
Deferred Outflows of Resources			
Change in Assumptions	8,444	1,885	10,329
Difference in Expected and Actual Experience	21,382	-	21,382
Difference in Earnings	-	-	-
Change in Proportionate Share	-	3,597	3,597
Contributions After MD	23,875	735	24,610
Net OPEB Liability	(497,138)	-	(497,138)
Deferred Inflows of Resources			
Difference in Expected and Actual Experience	-	(2,666)	(2,666)
Difference in Earnings	-	(22,769)	(22,769)
Change in Assumptions	(6,104)	(1,425)	(7,529)
Change in Proportionate Share	-	-	-
OPEB Expense/(Income)*	47,202	(12,599)	34,603

*Included in program expenses on Statement of Activities

B. Implicit Rate Subsidy

1. Plan Description

The City's single-employer defined benefit postemployment healthcare plan is administered by CityCounty Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The City's postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained through their website at: <https://www.cisoregon.org/About/TrustDocs>.

2. Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

As of the valuation date of July 1, 2021, the following employees were covered by the benefit terms:

Active employees	50
Eligible retirees	4
Spouses of ineligible retirees	0
Total participants	<u>54</u>

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's net OPEB liability of \$497,138 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2021.

For the fiscal year ended June 30, 2022, the City recognized OPEB expense from this plan of \$47,202, and the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,382	\$ -
Changes of assumptions	8,444	6,104
Total (prior to post-MD contributions)	<u>29,826</u>	<u>6,104</u>
Contributions subsequent to the MD	23,875	-
Total	<u>\$ 53,701</u>	<u>\$ 6,104</u>

Deferred outflows of resources related to OPEB of \$23,875 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2023	\$ 3,465
2024	3,465
2025	3,465
2026	3,465
2027	3,745
Thereafter	<u>6,117</u>
Total	<u>\$ 23,722</u>

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. Actuarial Assumptions and Other Inputs

The net OPEB liability in the July 1, 2021 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	2.16 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	Health retirees and beneficiaries: Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.
	Healthcare cost trend rate: Medical and vision: 3.75 percent per year increasing to 5.75 percent.
	Dental: 4.00 percent per year

5. Changes in the Net OPEB Liability

	Net OPEB Liability
Balance as of June 30, 2021	\$ 480,640
Changes for the year:	
Service cost	32,709
Interest on total OPEB liability	11,028
Effect of changes to benefit terms	-
Effect of economic demographic gains or losses	-
Effect of assumptions changes or inputs	1,605
Benefit payments	(28,844)
Balance as of June 30, 2022	<u>\$ 497,138</u>

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

6. Sensitivity of the Net OPEB Liability

The following presents the City’s OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

<u>Discount Rate:</u>	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Net OPEB Liability	\$ 530,349	\$ 497,138	\$ 465,743

<u>Healthcare Cost Trend:</u>	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 452,984	\$ 497,138	\$ 548,035

C. PERS Retirement Health Insurance Account

1. Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

2. Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

3. Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021. The City contributed 0.06% of PERS-covered salaries for Tier One/Tier Two members to fund the normal cost portion of RHIA benefits and 0.00% of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. The City's total contribution for the year ended June 30, 2022 was \$735.

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

At June 30, 2022, the City reported an asset of \$95,807 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the net OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2021, the City's proportionate share was 0.0279%, which is an increase from its proportion of 0.0298% as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB income from this plan of \$12,599. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,666
Changes of assumptions	1,885	1,425
Net difference between projected and actual earnings on investments	-	22,769
Changes in proportionate share	3,597	-
Total (prior to post-MD contributions)	<u>5,482</u>	<u>26,860</u>
Contributions subsequent to the MD	735	-
Total	<u>\$ 6,217</u>	<u>\$ 26,860</u>

Deferred outflows of resources related to OPEB of \$735 resulting from the City's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2023.

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>		
2023	\$	(5,352)
2024		(3,638)
2025		(5,198)
2026		(7,190)
2027		-
Total	<u>\$</u>	<u>(21,378)</u>

5. Actuarial Methods and Assumptions

The net OPEB asset in the December 31, 2019 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in Note 9 – Pension Plan Actuarial Assumptions.

6. Long-Term Expected Rate of Return

Are the same as listed above in Note 9 – Pension Plan Long-term Expected Rate of Return.

7. Discount Rate

The discount rate used to measure the net OPEB liability was 6.90% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the RHIA Plan was applied to all periods of projected benefit payments to determine the net OPEB liability.

8. Sensitivity of the City’s proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.90%, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

<u>Discount Rate:</u>	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Net OPEB Asset	\$ (84,727)	\$ (95,807)	\$ (105,272)

9. OPEB Plan Fiduciary Net Position

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

10. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes during the June 30, 2021 measurement period that require disclosure.

11. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2021 measurement period that require disclosure.

11. 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 \$1,859,609 were made to the service districts during fiscal year 2022 under these agreements.

12. 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 2021 to 2022. 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.

13. 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.

14. Accounting Pronouncements

The City implemented GASB *Statement 87, Leases* that increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions for the contract. This GASB effects both the presentation of financial

CITY OF GLADSTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

statements on the current financial resource measurement focus and the economic resources measurement focus.

15. Restatement

In implementing GASB Statement No. 87, the City restated beginning net position in order to recognize the cumulative effect of the statement.

16. Subsequent Event

During the 2021/2022 fiscal year, the City negotiated with Clackamas County Fire District No. 1 to enter into an intergovernmental agreement to provide comprehensive emergency services to the City, including fire protection and emergency medical services. The agreement will be for one year with two, 2-year automatic renewals, unless terminated by either party.

Three full-time employees transferred to the District, along with certain vehicles and equipment. The City retains ownership of the Gladstone Fire Station, but it will be utilized by the District. The agreement became effective on July 1, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

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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
 - Road and Street Fund
 - Police and Communications Special Levy Fund
 - Fire and Emergency Services Special Levy Fund
 - Urban Renewal Agency Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Retirement Plan Contributions
- Schedule of the Proportionate Share of the Net OPEB Asset
- Schedule of OPEB Plan Contributions - Net OPEB Asset
- Schedule of changes in total OPEB Liability and Related Ratios
- Schedule of OPEB Plan Contributions - Implicit Rate Subsidy
- 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, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2021-22	Final Budget
REVENUES:				
Property taxes	\$ 9,390,726	\$ 9,390,726	\$ 4,621,694	\$ (4,769,032)
Public service taxes	784,303	784,303	423,871	(360,432)
Franchise and right of way fees	1,553,000	1,553,000	831,846	(721,154)
Grants	2,672,800	223,485	272,971	49,486
Charges for services	134,500	134,500	95,353	(39,147)
Licenses and permits	649,500	649,500	205,612	(443,888)
Fines and forfeitures	705,000	705,000	334,116	(370,884)
Special assessments	250,000	250,000	161,568	(88,432)
Contributions and donations	29,000	29,000	23,651	(5,349)
Interest	195,000	195,000	116,622	(78,378)
Miscellaneous	80,000	81,813	6,555	(75,258)
Total revenues	16,443,829	13,996,327	7,093,859	(6,902,468)
EXPENDITURES:				
General government	7,327,228	4,877,913	2,061,728	2,816,185
Public safety	10,199,194	10,199,194	4,907,764	5,291,430
Cultural and recreation	2,132,343	2,415,077	965,811	1,449,266
Capital outlay	1,845,764	6,754,332	266,343	6,487,989
Debt service:				
Principal	340,168	604,398	207,889	396,509
Interest	150,646	290,732	91,944	198,788
Contingency	1,028,731	745,997	-	745,997
Total expenditures	23,024,074	25,887,643	8,501,479	17,386,164
Revenues over (under) expenditures	(6,580,245)	(11,891,316)	(1,407,620)	10,483,696
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	30,000	30,000	21,902	(8,098)
Debt proceeds	-	5,000,000	5,000,000	-
Debt issuance costs	-	(51,000)	(50,077)	923
Transfers in	1,700,245	2,062,316	804,979	(1,257,337)
Total other financing sources (uses)	1,730,245	7,041,316	5,776,804	(1,264,512)
Net changes in fund balances	(4,850,000)	(4,850,000)	4,369,184	9,219,184
FUND BALANCES, BEGINNING	4,850,000	4,850,000	4,991,163	141,163
FUND BALANCES, ENDING	\$ -	\$ -	\$ 9,360,347	\$ 9,360,347

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, 2022

	Budget for the		Actual	Variance with
	2021-2023 Biennium			
	Original	Final	FY 2021-22	
REVENUES:				
Public service taxes	\$ 2,187,551	\$ 2,187,551	\$ 1,290,284	\$ (897,267)
Franchise and right of way fees	576,500	576,500	219,795	(356,705)
Special assessments	20,000	20,000	-	(20,000)
Miscellaneous	60,000	60,000	25,220	(34,780)
Total revenues	2,844,051	2,844,051	1,535,299	(1,308,752)
EXPENDITURES:				
Personnel service	1,029,397	1,029,397	418,757	610,640
Materials and service	1,084,500	1,084,500	403,148	681,352
Capital outlay	2,844,680	2,753,709	213,789	2,539,920
Contingency	400,000	400,000	-	400,000
Total expenditures	5,358,577	5,267,606	1,035,694	4,231,912
Revenues over (under) expenditures	(2,514,526)	(2,423,555)	499,605	2,923,160
OTHER FINANCING SOURCES (USES):				
Transfers in	817,025	817,025	368,522	(448,503)
Transfers out	(1,202,499)	(1,293,470)	(529,433)	764,037
Total other financing sources (uses)	(385,474)	(476,445)	(160,911)	315,534
Net changes in fund balances	(2,900,000)	(2,900,000)	338,694	3,238,694
FUND BALANCES, BEGINNING	2,900,000	2,900,000	3,296,732	396,732
FUND BALANCES, ENDING	\$ -	\$ -	\$ 3,635,426	\$ 3,635,426

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, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2021-22	Final Budget
REVENUES:				
Property taxes	\$ 1,432,016	\$ 1,432,016	\$ 704,123	\$ (727,893)
Interest	2,000	2,000	1,740	(260)
Total revenues	1,434,016	1,434,016	705,863	(728,153)
EXPENDITURES:				
Personnel service	1,197,926	1,197,926	627,227	570,699
Materials and service	178,450	178,450	137,834	40,616
Contingency	63,798	63,798	-	63,798
Total expenditures	1,440,174	1,440,174	765,061	675,113
Revenues over (under) expenditures	(6,158)	(6,158)	(59,198)	(53,040)
OTHER FINANCING SOURCES (USES):				
Transfers out	(133,842)	(133,842)	(53,052)	80,790
Total other financing sources (uses)	(133,842)	(133,842)	(53,052)	80,790
Net changes in fund balances	(140,000)	(140,000)	(112,250)	27,750
FUND BALANCES, BEGINNING	140,000	140,000	122,893	(17,107)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 10,643	\$ 10,643

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, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2021-22	
REVENUES:				
Property taxes	\$ 653,536	\$ 653,536	\$ 320,724	\$ (332,812)
Interest	5,000	5,000	2,419	(2,581)
Total revenues	658,536	658,536	323,143	(335,393)
EXPENDITURES:				
Personnel service	413,562	413,562	142,540	271,022
Materials and service	72,000	72,000	14,774	57,226
Capital outlay	307,000	307,000	5,377	301,623
Contingency	49,363	49,363	-	49,363
Total expenditures	841,925	841,925	162,691	679,234
Revenues over (under) expenditures	(183,389)	(183,389)	160,452	343,841
OTHER FINANCING SOURCES (USES):				
Transfers out	(71,611)	(71,611)	(25,843)	45,768
Total other financing sources (uses)	(71,611)	(71,611)	(25,843)	45,768
Net changes in fund balances	(255,000)	(255,000)	134,609	389,609
FUND BALANCES, BEGINNING	255,000	255,000	255,445	445
FUND BALANCES, ENDING	\$ -	\$ -	\$ 390,054	\$ 390,054

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, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2021-22	Final Budget
REVENUES:				
Property taxes	\$ 2,104,839	\$ 2,104,839	\$ 1,010,047	\$ (1,094,792)
Grants	26,000	26,000	-	(26,000)
Interest	-	-	16,090	16,090
Total revenues	2,130,839	2,130,839	1,026,137	(1,104,702)
EXPENDITURES:				
Materials and service	199,000	199,000	9,483	189,517
Debt service:				
Principal	929,881	929,881	458,092	471,789
Interest	147,235	147,235	80,454	66,781
Contingency	2,603,909	2,603,909	-	2,603,909
Total expenditures	3,880,025	3,880,025	548,029	3,331,996
Revenues over (under) expenditures	(1,749,186)	(1,749,186)	478,108	2,227,294
OTHER FINANCING SOURCES (USES):				
Transfers out	(490,814)	(490,814)	(245,404)	245,410
Total other financing sources (uses)	(490,814)	(490,814)	(245,404)	245,410
Net changes in fund balances	(2,240,000)	(2,240,000)	232,704	2,472,704
FUND BALANCES, BEGINNING	2,240,000	2,240,000	2,590,275	350,275
FUND BALANCES, ENDING	\$ -	\$ -	\$ 2,822,979	\$ 2,822,979

CITY OF GLADSTONE, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.03940855%	\$ 4,715,817	\$ 4,380,604	107.65%	87.6%
2020	0.03627490%	7,916,431	4,249,906	186.27%	75.8%
2019	0.04139676%	7,160,648	4,132,382	173.28%	80.2%
2018	0.03299445%	4,998,225	3,992,008	125.21%	82.1%
2017	0.02986788%	4,026,202	3,530,528	114.04%	83.1%
2016	0.31341150%	4,705,034	3,028,865	155.34%	80.5%
2015	0.02869354%	1,647,429	3,142,527	52.42%	91.9%
2014	0.02677427%	(606,896)	3,152,443	-19.25%	103.6%
2013	0.02869354%	673,613	2,233,312	30.16%	92.0%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Changes in Benefit Terms:

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2021, annual salary in excess of \$197,730 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

A legislative change that occurred after the December 31, 2019 actuarial valuation date affected the plan provisions reflected for June 2021 financial reporting liability calculations. Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age. For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 111 was reflected in the June 30, 2021 Total Pension Liability. The increase in the Total Pension Liability resulting from Senate Bill 111, measured as of June 30, 2021, is shown in Exhibit A as the "Effect of plan changes" during the measurement period. While Senate Bill 111 also made changes to certain aspects of the System's funding and administration, the change in the death benefit provision is the only change that affects the measured Total Pension Liability. As a result, the death benefit provision is the only difference between June 30, 2020 and June 30, 2021 in the plan provisions basis used to determine the Total Pension Liability as of those two respective Measurement Dates.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, and the inflation rate was lowered from 2.5 to 2.4 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

CITY OF GLADSTONE, OREGON
SCHEDULE OF CONTRIBUTIONS - PENSION
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2022	\$ 992,558	\$ 992,558	\$ -	\$ 4,761,545	20.85%
2021	844,458	844,458	-	4,380,604	19.28%
2020	780,267	780,267	-	4,249,906	18.36%
2019	524,556	524,556	-	4,132,382	12.69%
2018	542,067	542,067	-	3,992,008	13.58%
2017	354,011	354,011	-	3,530,528	10.03%
2016	305,104	305,104	-	3,028,865	10.07%
2015	733,439	733,439	-	3,142,527	23.34%
2014	764,158	764,158	-	3,152,443	24.24%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Actuarial valuation	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Effective	Entry Age Normal				Projected Unit Credit
Actuarial cost method	Level percentage of payroll				
Amortization method	Market Value				
Asset valuation method	20 years				
Remaining amortization periods					N/A
Actuarial assumptions:					
Inflation rate	2.40 percent	2.50 percent		2.75 percent	
Projected salary increases	3.40 percent		3.50 percent		
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent	8.00 percent

CITY OF GLADSTONE, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF OPEB - RHIA
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) Covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.02789945%	\$ (95,807)	\$ 4,380,604	-2.19%	183.9%
2020	0.02979869%	(60,718)	4,249,906	-1.43%	150.1%
2019	0.03233891%	(62,490)	4,132,382	-1.51%	144.4%
2018	0.03390207%	(37,844)	3,992,008	-0.95%	124.0%
2017	0.03037003%	(12,675)	3,530,528	-0.36%	108.9%
2016	0.02767864%	7,516	3,028,865	0.25%	94.15%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2021 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.20 to 6.90 percent and the inflation rate from 2.5 to 2.4 percent. In addition, the healthy healthcare participation and cost trend rates, and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

CITY OF GLADSTONE, OREGON
SCHEDULE OF CONTRIBUTIONS TO OPEB - RHIA
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Contributions as a percent of covered payroll
2022	\$ 735	\$ 735	\$ -	\$ 4,761,545	0.02%
2021	746	746	-	4,380,604	0.02%
2020	2,128	2,128	-	4,249,906	0.05%
2019	16,028	16,028	-	4,132,382	0.35%
2018	16,415	16,415	-	3,992,008	0.34%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Actuarial valuation:	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	December 31, 2011
Effective:	Entry Age Normal				Projected Unit Credit
Actuarial cost method:	Level percentage of payroll, closed				
Amortization method:	10 years				
Amortization period:	Market value				
Asset valuation method:	10 years		20 years		N/A
Remaining amortization periods:	Actuarial assumptions				
Inflation rate	2.40 percent	2.50 percent		2.75 percent	
Projected salary increases	3.40 percent	3.50 percent		3.75 percent	
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance				

CITY OF GLADSTONE, OREGON
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS - IMPLICIT RATE SUBSIDY
For the Last Ten Fiscal Years¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Interest	\$ 32,709	\$ 28,330	\$ 25,425	\$ 37,095	\$ 37,095
Interest	11,028	16,034	16,899	20,130	18,962
Differences between economic/demographic gains or losses	-	27,862	-	-	-
Changes of assumptions	1,605	(2,207)	10,725	-	-
Benefit payment	(28,844)	(38,010)	(206,544)	(23,363)	(22,017)
Net change in total OPEB liability	<u>16,498</u>	<u>32,009</u>	<u>(153,495)</u>	<u>33,862</u>	<u>34,040</u>
Total OPEB liability - beginning	<u>480,640</u>	<u>448,631</u>	<u>602,126</u>	<u>568,264</u>	<u>534,224</u>
Total OPEB liability - ending	<u>\$ 497,138</u>	<u>\$ 480,640</u>	<u>\$ 448,631</u>	<u>\$ 602,126</u>	<u>\$ 568,264</u>
Covered-employee payroll	\$ 4,761,545	\$ 4,380,604	\$ 4,249,906	\$ 4,132,382	\$ 3,992,008
Total OPEB liability as a percentage of covered-employee payroll	10.44%	10.97%	10.56%	14.57%	14.24%

The amounts presented for each fiscal year were actuarial determined at July 1 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF GLADSTONE, OREGON
SCHEDULE OF CONTRIBUTIONS TO OPEB - IMPLICIT RATE SUBSIDY
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Contributions as a percent of covered payroll
2022	\$ 23,875	\$ 23,875	\$ -	\$ 4,761,545	0.50%
2021	8,259	8,259	-	4,380,604	0.19%
2020	38,710	38,710	-	4,249,906	0.66%
2019	23,363	23,363	-	4,132,382	1.71%
2018	22,017	22,017	-	3,992,008	3.44%
2017	23,634	23,634	-	3,530,528	0.67%

The amounts presented for each fiscal year were actuarial determined at July 1 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	July 1, 2020	July 1, 2018	July 1, 2016
Effective:	June 30, 2020 and 2021	June 30, 2018 and 2019	June 30, 2016 and 2017
Actuarial cost method:	Entry Age Normal		
Amortization method:	Level percentage of payroll, closed		
Amortization period:	5.8 years	6.8 years	7.7 years
Asset valuation method:	Market value		
Remaining amortization periods:	20 years		
Actuarial assumptions:			
Inflation rate	2.50 percent		
Projected salary increases	3.50 percent		

CITY OF GLADSTONE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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 division operations, operating 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, with some exceptions. 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, approved through supplemental or budget transfer resolutions, during the year ended June 30, 2022.

The City Council approved on February 8, 2022 adjustments to the General Fund for the American Rescue Plan Funding received and subsequent budget effects, along with a transfer from General Fund Contingency to fund the Community Services Manager position within the Senior Center department. Then, on May 10, 2022, the City Council approved a budget adjustment to the General Fund to acknowledge the voter approved financing and appropriation of funds for the Public Works Facility reconstruction. Appropriations lapse as of year-end.

No expenditures exceeded appropriation levels in the year ended June 30, 2022.

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OTHER SUPPLEMENTARY INFORMATION

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OTHER SUPPLEMENTARY INFORMATION

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

These financial schedules include the following:

- Combining Balance Sheet - General Fund
- Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) and Change in Fund Balance - General Fund

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CITY OF GLADSTONE, OREGON
COMBINING BALANCE SHEET - GENERAL FUND
June 30, 2022

	General Fund - Budgetary Basis	American Rescue Plan Reserve Fund - Budgetary Basis	Total General Fund Budgetary Basis
ASSETS:			
Cash and investments	\$ 8,517,965	\$ 1,338,672	\$ 9,856,637
Restricted cash and investments	994,311	-	994,311
Cash with county treasurer	10,885	-	10,885
Accounts receivable	133,352	-	133,352
Property taxes receivable	150,886	-	150,886
Interest Receivable	1,469	-	1,469
Due from other government:	163,870	-	163,870
Prepaid Expenses	57,893	-	57,893
	<u>57,893</u>	<u>-</u>	<u>57,893</u>
Total assets	<u>\$ 10,030,631</u>	<u>\$ 1,338,672</u>	<u>\$ 11,369,303</u>
LIABILITIES:			
Accounts payable	\$ 411,082	\$ -	\$ 411,082
Other current liabilities	111,532	-	111,532
	<u>111,532</u>	<u>-</u>	<u>111,532</u>
Total liabilities	<u>522,614</u>	<u>-</u>	<u>522,614</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues - property taxes	147,670	-	147,670
Unavailable revenues - other	-	1,338,672	1,338,672
	<u>-</u>	<u>1,338,672</u>	<u>1,338,672</u>
Total deferred inflows of resources	<u>147,670</u>	<u>1,338,672</u>	<u>1,486,342</u>
FUND BALANCES:			
Non-Spendable:			
Prepays	57,893	-	57,893
Restricted:			
System development	282,657	-	282,657
Committed:			
Business Development and Promotion	406,492	-	406,492
Tourism Promotion and Activities	284,266	-	284,266
Assigned:			
Capital projects	20,896	-	20,896
Library board	17,430	-	17,430
Unassigned	8,290,713	-	8,290,713
	<u>8,290,713</u>	<u>-</u>	<u>8,290,713</u>
Total fund balance	<u>9,360,347</u>	<u>-</u>	<u>9,360,347</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 10,030,631</u>	<u>\$ 1,338,672</u>	<u>11,369,303</u>

CITY OF GLADSTONE, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	General Fund - Budgetary Basis	American Rescue Plan Reserve Fund - Budgetary Basis	Total General Fund - Budgetary Basis
REVENUES:			
Property taxes	\$ 4,621,694	\$ -	\$ 4,621,694
Public service taxes	423,871	-	423,871
Franchise and right of way fees	831,846	-	831,846
Grants	272,971	30,000	302,971
Charges for services	95,353	-	95,353
Licenses and permits	205,612	-	205,612
Fines and forfeitures	334,116	-	334,116
Special assessments	161,568	-	161,568
Contributions and donations	23,651	-	23,651
Interest	116,622	-	116,622
Miscellaneous	6,555	-	6,555
	<u>7,093,859</u>	<u>30,000</u>	<u>7,123,859</u>
Total revenues			
EXPENDITURES:			
Current:			
General government	2,061,728	30,000	2,091,728
Public safety	4,907,764	-	4,907,764
Culture and recreation	965,811	-	965,811
Capital outlay	266,343	-	266,343
Debt service:			
Principal	207,889	-	207,889
Interest	91,944	-	91,944
	<u>8,501,479</u>	<u>30,000</u>	<u>8,531,479</u>
Total expenditures			
Revenues over (under) expenditures	(1,407,620)	-	(1,407,620)
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	21,902	-	21,902
Debt proceeds	5,000,000	-	5,000,000
Debt issuance costs	(50,077)	-	(50,077)
Transfers in	804,979	-	804,979
	<u>5,776,804</u>	<u>-</u>	<u>5,776,804</u>
Total other financing sources (uses)			
Net changes in fund balances	4,369,184	-	4,369,184
FUND BALANCES, BEGINNING	<u>4,991,163</u>	<u>-</u>	<u>4,991,163</u>
FUND BALANCES, ENDING	<u>\$ 9,360,347</u>	<u>\$ -</u>	<u>\$ 9,360,347</u>

BUDGETARY COMPARISON SCHEDULES

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

These Budgetary Comparison schedules include the following:

- General Fund Schedule of Expenditures
- American Rescue Plan Reserve Fund

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CITY OF GLADSTONE, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2021-22	
General Administration:				
Personnel services	\$ 1,855,261	\$ 1,686,754	\$ 655,062	\$ 1,031,692
Materials and services	4,165,445	1,884,637	849,418	1,035,219
Subtotal	6,020,706	3,571,391	1,504,480	2,066,911
Information Technology:				
Personnel services	330,494	330,494	165,635	164,859
Materials and services	329,801	329,801	146,319	183,482
Capital outlay	96,635	96,635	4,377	92,258
Subtotal	756,930	756,930	316,331	440,599
Facilities:				
Personnel services	190,227	190,227	56,837	133,390
Materials and services	456,000	456,000	188,457	267,543
Capital outlay	340,000	5,289,000	96,049	5,192,951
Subtotal	986,227	5,935,227	341,343	5,593,884
Municipal Court:				
Personnel services	482,695	482,695	236,549	246,146
Materials and services	268,740	268,740	113,306	155,434
Subtotal	751,435	751,435	349,855	401,580
Police:				
Personnel services	5,194,527	5,194,527	2,592,188	2,602,339
Materials and services	837,378	837,378	272,926	564,452
Capital outlay	172,500	172,500	61,861	110,639
Subtotal	6,204,405	6,204,405	2,926,975	3,277,430
Fire:				
Personnel services	2,609,204	2,609,204	1,106,912	1,502,292
Materials and services	806,650	806,650	585,883	220,767
Capital outlay	350,000	350,000	48,906	301,094
Subtotal	3,765,854	3,765,854	1,741,701	2,024,153
Parks:				
Personnel services	794,767	794,767	267,947	526,820
Materials and services	381,900	381,900	185,913	195,987
Capital outlay	886,629	846,197	55,150	791,047
Subtotal	2,063,296	2,022,864	509,010	1,513,854
Recreation:				
Personnel services	66,000	66,000	645	65,355
Materials and services	10,200	10,200	2,598	7,602
Subtotal	76,200	76,200	3,243	72,957
Senior Center:				
Personnel services	363,036	645,770	279,146	366,624
Materials and services	98,260	98,260	23,224	75,036
Subtotal	461,296	744,030	302,370	441,660
Library:				
Materials and services	418,180	418,180	206,338	211,842
Subtotal	418,180	418,180	206,338	211,842
Total expenditures	\$ 21,504,529	\$ 24,246,516	\$ 8,201,646	\$ 16,044,870

**CITY OF GLADSTONE, OREGON
 AMERICAN RESCUE PLAN RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2022**

	Budget for the 2021-2023 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2021-22	Final Budget
REVENUES:				
Grants	\$ -	\$ 2,737,344	\$ 30,000	\$ 2,707,344
Total revenues	-	2,737,344	30,000	2,707,344
EXPENDITURES:				
Materials and service	-	1,527,344	30,000	1,497,344
Total expenditures	-	1,527,344	30,000	1,497,344
Revenues over (under) expenditures	-	1,210,000	-	1,210,000
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,210,000)	-	1,210,000
Total other financing sources (uses)	-	(1,210,000)	-	1,210,000
Net changes in fund balances	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

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
- Storm Water Fund

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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, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2021-22	Final Budget
REVENUES:				
Service charges	\$ 5,200,000	\$ 5,200,000	\$ 2,587,612	\$ (2,612,388)
Connection and installation fees	10,000	10,000	548	(9,452)
System development charges	50,000	50,000	-	(50,000)
Total revenues	5,260,000	5,260,000	2,588,160	(2,671,840)
EXPENDITURES:				
Personnel service	1,115,039	1,115,039	313,846	801,193
Materials and service	2,014,000	2,014,000	809,989	1,204,011
Capital outlay	4,940,006	4,849,035	78,228	4,770,807
Debt service:				
Principal	331,000	331,000	165,000	166,000
Interest	27,235	27,235	13,622	13,613
Contingency	400,000	400,000	-	400,000
Total expenditures	8,827,280	8,736,309	1,380,685	7,355,624
Revenues over (under) expenditures	(3,567,280)	(3,476,309)	1,207,475	4,683,784
OTHER FINANCING SOURCES (USES):				
Transfers in	278,405	278,405	117,663	(160,742)
Transfers out	(579,125)	(670,096)	(272,094)	398,002
Total other financing sources (uses)	(300,720)	(391,691)	(154,431)	237,260
Net changes in fund balances	(3,868,000)	(3,868,000)	1,053,044	4,921,044
FUND BALANCE, BEGINNING- BUDGETARY BASIS	3,868,000	3,868,000	4,019,873	151,873
FUND BALANCES, ENDING - BUDGETARY BASIS	\$ -	\$ -	\$ 5,072,917	\$ 5,072,917
			Revenues	Expenditures/ Expenses
Total revenue and expenditures above			\$ 2,588,160	\$ 1,380,685
Operating transfers in/out			117,663	272,094
Expenditures capitalized			-	(78,228)
Compensated absences			-	2,480
Debt service principal payments			-	(165,000)
Depreciation expense			-	151,762
Net pension activity			-	(265,118)
Net OPEB asset			-	2,602
Net OPEB obligation			-	(19,936)
Equity in net income/loss of joint venture			46,346	-
Total revenues and expenses - generally accepted accounting principles			\$ 2,752,169	1,281,341
Change in net position				\$ 1,470,828

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, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2021-22	Final Budget
REVENUES:				
Service charge	\$ 7,835,000	\$ 7,835,000	\$ 3,857,313	\$ (3,977,687)
Connection and installation fees	10,000	10,000	-	(10,000)
System development charge	20,000	20,000	6,093	(13,907)
Miscellaneous	4,000	4,000	2,385	(1,615)
Total revenues	7,869,000	7,869,000	3,865,791	(4,003,209)
EXPENDITURES:				
Personnel service	822,122	822,122	375,324	446,798
Materials and service	4,205,029	4,205,029	1,985,444	2,219,585
Capital outlay	4,411,696	5,530,725	318,405	5,212,320
Contingency	400,000	400,000	-	400,000
Total expenditures	9,838,847	10,957,876	2,679,173	8,278,703
Revenues over (under) expenditures	(1,969,847)	(3,088,876)	1,186,618	4,275,494
OTHER FINANCING SOURCES (USES):				
Transfers in	278,405	1,488,405	117,663	(1,370,742)
Transfers out	(628,558)	(719,529)	(287,130)	432,399
Total other financing sources (uses)	(350,153)	768,876	(169,467)	(938,343)
Net changes in fund balances	(2,320,000)	(2,320,000)	1,017,151	3,337,151
FUND BALANCE, BEGINNING- BUDGETARY BASIS	2,320,000	2,320,000	2,460,024	140,024
FUND BALANCES, ENDING - BUDGETARY BASIS	\$ -	\$ -	\$ 3,477,175	\$ 3,477,175
			<u>Revenues</u>	<u>Expenditures/ Expenses</u>
Total revenue and expenditures above			\$ 3,865,791	\$ 2,679,173
Operating transfers in/out			117,663	287,130
Expenditures capitalized			-	(318,405)
Compensated absences			-	16,593
Depreciation expense			-	145,704
Net pension activity			-	344,674
Net OPEB asset			-	(11,564)
Net OPEB obligation			-	37,316
Total revenues and expenses - generally accepted accounting principles			\$ 3,983,454	3,180,621
Change in net position				\$ 802,833

CITY OF GLADSTONE, OREGON
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022

	Budget for the 2021-2023 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2021-22	
REVENUES:				
Service charge	\$ 1,898,000	\$ 1,898,000	\$ 924,970	\$ (973,030)
System development charge	11,000	11,000	-	(11,000)
Total revenues	1,909,000	1,909,000	924,970	(984,030)
EXPENDITURES:				
Personnel service	567,711	567,711	246,373	321,338
Materials and service	206,000	206,000	130,328	75,672
Capital outlay	2,009,471	1,918,500	186,938	1,731,562
Contingency	200,000	200,000	-	200,000
Total expenditures	2,983,182	2,892,211	563,639	2,328,572
Revenues over (under) expenditures	(1,074,182)	(983,211)	361,331	1,344,542
OTHER FINANCING SOURCES (USES):				
Transfers in	278,405	278,405	117,663	(160,742)
Transfers out	(244,223)	(335,194)	(113,534)	221,660
Total other financing sources (uses)	34,182	(56,789)	4,129	60,918
Net changes in fund balances	(1,040,000)	(1,040,000)	365,460	1,405,460
FUND BALANCE, BEGINNING- BUDGETARY BASIS	1,040,000	1,040,000	1,220,604	180,604
FUND BALANCES, ENDING - BUDGETARY BASIS	\$ -	\$ -	\$ 1,586,064	\$ 1,586,064
			Revenues	Expenditures/ Expenses
Total revenue and expenditures above			\$ 924,970	\$ 563,639
Operating transfers in/out			117,663	113,534
Expenditures capitalized			-	(186,938)
Compensated absences			-	(956)
Depreciation expense			-	22,916
Net pension liability			-	(99,289)
Net OPEB Asset			-	676
Net OPEB liability			-	(6,963)
Total revenues and expenses - generally accepted accounting principles			\$ 1,042,633	406,619
Change in net position				\$ 636,014

AUDIT COMMENTS AND DISCLOSURES

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

The Honorable Mayor, City Council, and Audit Committee
City of Gladstone, Oregon

We have audited the basic financial statements of City of Gladstone, Oregon, as of and for the year ended June 30, 2022 and have issued our report thereon dated December 28, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Our report includes a reference to other auditors who audited the financial statements of the North Clackamas County Water Commission, a joint venture of the Gladstone Urban Renewal Agency, as described in our report on the City of Gladstone, Oregon's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Compliance

As part of obtaining reasonable assurance about whether 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 grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements. 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 consider 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 or the attention of the other auditors that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant

agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Gladstone, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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



For Merina+Co
Tualatin, Oregon
December 28, 2022