

**CITY OF GLADSTONE, OREGON**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended  
June 30, 2020

with

Independent Auditor's Report



7624 SW MOHAWK STREET • TUALATIN, OR 97062  
PHONE: (503) 723-0300 • [WWW.MERINA.COM](http://WWW.MERINA.COM)

**CITY OF GLADSTONE, OREGON**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
City Officials.....	i
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	4
<b><u>Basic Financial Statements</u></b> .....	11
Government-Wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities .....	13
Fund Financial Statements:.....	15
Governmental Funds:	
Balance Sheet.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Proprietary Funds: .....	21
Statement of Net Position.....	22
Statement of Revenues, Expenses, and Changes in Net Position .....	23
Statement of Cash Flows .....	24
Fiduciary Funds:.....	25
Statement of Fiduciary Net Position .....	26
<u>Notes to the Basic Financial Statements</u> .....	27
<b><u>Required Supplementary Information</u></b> .....	59
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund .....	60
Road and Street Fund .....	61
Police and Communications Special Levy Fund.....	62
Fire and Emergency Services Special Levy Fund.....	63
Urban Renewal Agency Fund .....	64
Schedule of the Proportionate Share of the Net Pension Liability .....	65
Schedule of Contributions – Pension.....	66
Schedule of the Proportionate Share of OPEB – RHIA .....	67
Schedule of Contributions to OPEB – RHIA .....	68
Schedule of Changes in Total OPEB Liability and Related Ratios – Implicit Rate Subsidy ....	69
Schedule of Contributions to OPEB – Implicit Rate Subsidy .....	70
<u>Notes to the Required Supplementary Information</u> .....	71
<b><u>Other Supplementary Information</u></b> .....	72
Agency Fund Schedule of Changes in Assets and Liabilities .....	73
Budgetary Comparison Schedules:	
Schedule of Changes in Assets and Liabilities - Agency Fund.....	74

**CITY OF GLADSTONE, OREGON**  
**TABLE OF CONTENTS**

---

Page

Schedule of Expenditures - Budget and Actual - General Fund .....75

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

    Capital Project Funds:

        Civic Building Capital Fund.....76

    Enterprise Funds:.....77

        Water Fund .....78

        Sewer Fund.....79

        Storm Water Fund.....80

**AUDIT COMMENTS AND DISCLOSURES**

Independent Auditor’s Report on Compliance and on Internal Control Over Financial  
Reporting on an Audit of Financial Statements Performed in Accordance with  
*Oregon State Regulations* .....81

## **INTRODUCTORY SECTION**

**CITY OF GLADSTONE, OREGON**

**CITY OFFICIALS**

**June 30, 2020**

---

City Officials

Tamara Stempel, Mayor  
Gladstone, Oregon 97027

Term Expires  
December 31, 2022

Council Members

Matt Tracy, President  
Gladstone, Oregon 97027

December 31, 2022

Linda Neace  
Gladstone, Oregon 97027

December 31, 2020

Randy Ripley  
Gladstone, Oregon 97027

December 31, 2022

Thomas Mersereau  
Gladstone, Oregon 97027

December 31, 2020

Neal Reisner  
Gladstone, Oregon 97027

December 31, 2020

Tracy Todd  
Gladstone, Oregon 97027

December 31, 2022

City Administrator

Jacque Betz  
Gladstone, Oregon 97027

Finance Director

Cathy Brucker  
Gladstone, Oregon 97027

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Council Members  
City of Gladstone, Oregon

### **Report on the Financial Statements**

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise City of Gladstone's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

City of Gladstone'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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of North Clackamas County Water Commission, a joint venture of the City of Gladstone, which represents 20 percent and 24 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Gladstone, as of June 30, 2020, 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.



## **Change in Accounting Principle**

As discussed in Note 14 to the financial statements, the City of Gladstone adopted new accounting guidance, GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *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, 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.

### *Supplemental and Other Information*

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

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

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

**Reports on Other Legal and Regulatory Requirements**

**Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 21, 2020, on our consideration of the City of Gladstone'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 21, 2020

**June 30, 2020**  
**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, 2020.

**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 \$40,656,239 (net position). Of this amount, \$26,959,294 is the City's net investment in capital assets, \$6,103,202 is restricted for specific purposes, and \$7,593,743 (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 \$2,212,818 from the prior year.

The City's governmental activities reported total net position of \$27,804,399. Of this amount \$977,224 is unrestricted and thus available for spending at the City's discretion.

The City's business-type activities reported total net position of \$12,851,840. Of this amount \$6,616,519 is unrestricted and thus available for spending at the City's discretion.

The City's governmental funds reported combined ending fund balances of \$10,470,916, a decrease of \$9,956,135 compared to the prior year. The decrease is primarily due to construction of the Gladstone Civic Center completed and occupied in April 2020.

**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 six 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, Urban Renewal Agency Fund, and Civic Buildings Capital 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. A budgetary comparison schedule for the General Fund and special revenue funds is presented immediately following the notes to the basic financial statements.

**Other Supplementary Information.** The schedules for the other governmental funds and the proprietary funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$40,656,239 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	
	2020	2019	2020	2019	2020	2019
Cash and investments	\$ 8,671,733	\$ 20,306,509	\$ 3,807,557	\$ 2,958,235	\$ 12,479,290	\$ 23,264,744
Restricted cash and investments	1,314,193	573,912	1,098,815	933,185	2,413,008	1,507,097
Other assets	1,129,135	702,051	3,854,181	3,750,575	4,983,316	4,452,626
Capital assets	28,033,506	16,692,563	6,151,506	6,034,406	34,185,012	22,726,969
Total assets	<u>39,148,567</u>	<u>38,275,035</u>	<u>14,912,059</u>	<u>13,676,401</u>	<u>54,060,626</u>	<u>51,951,436</u>
Deferred outflows	2,909,832	2,093,660	428,205	268,866	3,338,037	2,362,526
Total assets and deferred outflows of resources	<u>\$ 42,058,399</u>	<u>\$ 40,368,695</u>	<u>\$ 15,340,264</u>	<u>\$ 13,945,267</u>	<u>\$ 57,398,663</u>	<u>\$ 54,313,962</u>
Current liabilities	\$ 1,444,874	\$ 1,886,427	\$ 575,018	\$ 496,013	\$ 2,019,892	\$ 2,382,440
Long-term liabilities	12,236,393	11,173,728	1,829,122	1,652,341	14,065,515	12,826,069
Total liabilities	<u>13,681,267</u>	<u>13,060,155</u>	<u>2,404,140</u>	<u>2,148,354</u>	<u>16,085,407</u>	<u>15,208,509</u>
Deferred inflows	572,733	586,690	84,284	75,342	657,017	662,032
Net position						
Net investment in capital assets	21,822,788	9,892,563	5,136,506	4,864,406	26,959,294	14,756,969
Restricted	5,004,387	14,967,213	1,098,815	933,185	6,103,202	15,900,398
Unrestricted	977,224	1,862,074	6,616,519	5,923,980	7,593,743	7,786,054
Total net position	<u>27,804,399</u>	<u>26,721,850</u>	<u>12,851,840</u>	<u>11,721,571</u>	<u>40,656,239</u>	<u>38,443,421</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 42,058,399</u>	<u>\$ 40,368,695</u>	<u>\$ 15,340,264</u>	<u>\$ 13,945,267</u>	<u>\$ 57,398,663</u>	<u>\$ 54,313,962</u>

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 \$7,593,743 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

The following table summarizes revenues and expenses for fiscal years 2020 and 2019:

	Governmental and Proprietary Activities					
	Governmental Activities		Business type Activities		Totals	
	2020	2019	2020	2019	2020	2018
<b>Receipts</b>						
<b>Program Receipts</b>						
Charges for services	\$ 1,133,925	\$ 1,769,341	\$ 5,417,447	\$ 5,069,753	\$ 6,551,372	\$ 6,839,094
Operating grants and contributions	111,495	259,487	-	-	111,495	259,487
Capital grants and contributions	347,289	153,760	-	-	347,289	153,760
<b>General receipts</b>						
Property tax	6,297,833	6,019,048	-	-	6,297,833	6,019,048
Franchise fees and public service tax	2,419,020	2,216,208	-	-	2,419,020	2,216,208
Interest	467,415	626,069	-	-	467,415	626,069
Other	391,818	250,387	34,527	1,485	426,345	251,872
<b>Total receipts</b>	<b>\$ 11,168,795</b>	<b>\$ 11,294,300</b>	<b>\$ 5,451,974</b>	<b>\$ 5,071,238</b>	<b>\$ 16,620,769</b>	<b>\$ 16,365,538</b>
<b>Expenses</b>						
<b>Governmental activities</b>						
General government	\$ 2,022,432	\$ 1,762,112	\$ -	\$ -	\$ 2,022,432	\$ 1,762,112
Public safety	5,775,090	4,847,756	-	-	5,775,090	4,847,756
Highways and streets	984,072	770,032	-	-	984,072	770,032
Culture and recreation	1,331,666	1,556,138	-	-	1,331,666	1,556,138
Urban renewal	133,063	115,497	-	-	133,063	115,497
<b>Business type activities</b>						
Water	-	-	1,493,425	1,108,881	1,493,425	1,108,881
Sewer	-	-	2,329,768	2,264,410	2,329,768	2,264,410
Storm	-	-	340,759	327,840	340,759	327,840
<b>Total expenses</b>	<b>\$ 10,246,323</b>	<b>\$ 9,051,535</b>	<b>\$ 4,163,952</b>	<b>\$ 3,701,131</b>	<b>\$ 14,410,275</b>	<b>\$ 12,752,666</b>
Change in net position before transfers	922,472	2,242,765	1,288,022	1,370,107	2,210,494	3,612,872
Transfers	\$ 160,077	\$ 285,395	\$ (160,077)	\$ (285,395)	\$ -	\$ -
Equity income (loss) in joint venture	-	-	2,324	25,071	-	25,071
Changes in net position	1,082,549	2,528,160	1,130,269	1,109,783	2,210,494	3,637,943
Beginning net position	26,721,850	24,193,690	11,721,571	10,337,321	38,443,421	34,531,011
Restatement	-	-	-	274,467	-	274,467
Beginning net position-restated	26,721,850	24,193,690	11,721,571	10,611,788	38,443,421	34,805,478
Ending net position	<b>\$ 27,804,399</b>	<b>\$ 26,721,850</b>	<b>\$ 12,851,840</b>	<b>\$ 11,721,571</b>	<b>\$ 40,656,239</b>	<b>\$ 38,443,421</b>

**Governmental Activities.** Governmental activities increased the City of Gladstone’s net position by \$1,082,549.

**Business-type Activities.** Business-type activities increased the City of Gladstone’s net position by \$1,130,269.

### **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 \$10,470,916.

	General Fund	Road and Street Fund	Police and Communications Special Levy Fund	Fire and Emergency Services Special Levy Fund	Urban Renewal Agency Fund	Civic Buildings Capital Fund	Total Governmental
Beginning Fund Balance	\$ 4,875,992	\$ 2,213,225	\$ 190,856	\$ 495,564	\$ 12,650,648	\$ 766	\$ 20,427,051
Increase (decrease) - current year	293,053	321,686	(57,723)	(250,063)	(10,413,991)	150,903	(9,956,135)
Ending Fund Balance as of June 30, 2020	<u>\$ 5,169,045</u>	<u>\$ 2,534,911</u>	<u>\$ 133,133</u>	<u>\$ 245,501</u>	<u>\$ 2,236,657</u>	<u>\$ 151,669</u>	<u>\$ 10,470,916</u>

- General Fund increased by 6.0 percent over the previous year fund balance. Revenues were down slightly, while increases in expenditures utilized existing fund balance.
- Road and Street Fund increased 14.5 percent over the previous year with usage of reserve funds on planned improvements.
- Both the Special Levy Funds experienced decreases in fund balance due to staff shortages offset by overtime needs and the purchase of a new Pierce Arrow Fire Truck from reserves for apparatus.
- Urban Renewal Fund has exhausted the funding secured and combined with existing cash for completion of the Gladstone Civic Center. Annual tax revenues will be more than sufficient to finance the debt retirement.

**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	\$ 7,639,486	\$ 3,671,757	\$ 410,328	\$ 11,721,571
Increase (decrease) - current year	401,938	309,470	418,861	1,130,269
Ending Fund Balance as of June 30, 2020	<u>\$ 8,041,424</u>	<u>\$ 3,981,227</u>	<u>\$ 829,189</u>	<u>\$ 12,851,840</u>

- All business type funds had modest gains due to rate increases in user fees. Fund balances will continue to benefit from these rate increases if implemented as planned. Storm water realized the largest impact of 102.1 percent from full year effect of last year’s increase to the rate. These funds will assist with decreasing the inflow and infiltration into the sewer system by improving the storm system integrity.

## **Budgetary Highlights**

The City had appropriation transfers, approved through budget transfer resolutions, during the year ended June 30, 2020. The City Council approved on July 9, 2019 adjustments to the General Fund for grant funding received for fire department equipment, and on June 9, 2020 donation funding received for building repair.

## **Capital Assets and Debt Administration**

The following tables compare capital assets and changes in capital assets as of June 30, 2020 and June 30, 2019:

	<b>Capital Assets at Year End (Net of Depreciation)</b>					
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 6,498,106	\$ 6,498,106	\$ 640,964	\$ 640,964	\$ 7,139,070	\$ 7,139,070
Buildings	16,474,584	5,922,479	7,956	8,618	16,482,540	5,931,097
Vehicles & Equipment	935,294	990,141	430,851	493,379	1,366,145	1,483,520
Intangible Assets	118,645	152,371	15,726	15,726	134,371	168,097
Infrastructure	4,006,877	3,129,466	5,056,009	4,875,719	9,062,886	8,005,185
<b>Total</b>	<b><u>\$ 28,033,506</u></b>	<b><u>\$ 16,692,563</u></b>	<b><u>\$ 6,151,506</u></b>	<b><u>\$ 6,034,406</u></b>	<b><u>\$ 34,185,012</u></b>	<b><u>\$ 22,726,969</u></b>

	<b>Changes in Capital Assets</b>					
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 16,692,563	\$ 14,062,046	\$ 6,034,406	\$ 6,295,486	\$ 22,726,969	\$ 20,357,532
Additions	15,051,735	3,222,140	416,145	35,046	15,467,880	3,257,186
Depreciation	131,258	(343,272)	(299,045)	(94,626)	(167,787)	(437,898)
Deletions	(3,842,050)	(248,351)	-	(201,500)	(3,842,050)	(449,851)
<b>Ending Balance</b>	<b><u>\$ 28,033,506</u></b>	<b><u>\$ 16,692,563</u></b>	<b><u>\$ 6,151,506</u></b>	<b><u>\$ 6,034,406</u></b>	<b><u>\$ 34,185,012</u></b>	<b><u>\$ 22,726,969</u></b>

The \$10.6 million net increase in the Governmental Activities buildings is directly attributable to the construction of the new Civic Center that completed in April 2020. Both Governmental and Business Type Activities were increased due to a grant project targeting streets, water, sewer and storm systems within the City.

**Long-term Debt.** At June 30, 2020, the City had business-type bonded debt outstanding of \$1,015,000 compared to \$1,170,000 at June 30, 2019. 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 \$47 million.

At June 30, 2020, the City had a governmental activities debt outstanding of notes payable in the amount of \$6,210,718. This debt was assumed as of July 2018 and combined with additional funds available within the Urban Renewal Agency to construct the new Civic Center. The City Hall/ Police Station complex was completed and occupied in April 2020. 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. The City is undergoing a new logo and branding implementation which was identified in the City's strategic plan.

A significant rate increase was adopted by the City Council, effective January 1, 2020, with the intent of building reserves for work on some badly needed renovations of the water, sewer and storm system within city limits. Another increase of approximately 30.0 percent is planned for January 1, 2021, then will reduce to approximately 4.0 percent each year.

The City has realized the completion of the new Civic Center complex, which was a significant improvement to the downtown core. As of December 1<sup>st</sup>, 2019 the Gladstone Public Library was formally transferred to Clackamas County for full operations. Clackamas County has already begun plan development of a new library building that will be built on the site of the old City Hall. The City will participate financially in the demolition of the old City Hall, lease the site to the County for \$1 per year, and contribute \$200,000 per year to the operating costs of the new library. Within the next few years, the downtown core will be further improved with this significant development and other planned improvements.

The current biennium budget had started off strong, however, starting in early 2020, the rapidly growing COVID 19 pandemic has significantly impacted this budget and will continue well into the following fiscal year. As impacts to the federal, state and local governments becomes known, management has been closely monitoring and adjusting as necessary to mitigate the shortages as much as possible. Hiring freezes, curtailment of some expenditures, and other similar measures were put into effect immediately. In order to assist the utility customers, the City Council approved a one-time 50% reduction on billing in April 2020, along with other incentives to assist both residents and businesses. While the disruption will be temporary, the duration is unknown and an estimate of impacts is difficult to assess at this time. The City continues to constantly monitor the financial situation and actively searches for any funding mechanisms available.

**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 Director, at 18505 Portland Ave., Gladstone, OR 97027; (503) 479-6860; or [finance@ci.gladstone.or.us](mailto:finance@ci.gladstone.or.us).

## **BASIC FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

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

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

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF GLADSTONE, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ 8,642,336	\$ 3,807,557	\$ 12,449,893
Cash with county treasurer	29,397	-	29,397
Accounts receivable	672,759	640,595	1,313,354
Property tax receivable	182,767	-	182,767
Interest receivable	3,802	929	4,731
Prepaid expenses	215,332	172,048	387,380
<b>Total current assets</b>	<b>9,746,393</b>	<b>4,621,129</b>	<b>14,367,522</b>
Noncurrent assets:			
Restricted cash and investments	1,314,193	1,098,815	2,413,008
Assessments receivable	-	2,547	2,547
Net OPEB asset	54,475	8,015	62,490
Investment in joint venture	-	3,030,047	3,030,047
Capital assets:			
Non depreciable	7,191,969	640,964	7,832,933
Depreciable, net	20,841,537	5,510,542	26,352,079
<b>Total noncurrent assets</b>	<b>29,402,174</b>	<b>10,290,930</b>	<b>39,693,104</b>
<b>Total assets</b>	<b>39,148,567</b>	<b>14,912,059</b>	<b>54,060,626</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflow related to pension	2,865,702	421,712	3,287,414
Deferred outflow related to OPEB	44,130	6,493	50,623
<b>Total deferred outflows of resources</b>	<b>2,909,832</b>	<b>428,205</b>	<b>3,338,037</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 42,058,399</b>	<b>\$ 15,340,264</b>	<b>\$ 57,398,663</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 214,285	\$ 311,778	\$ 526,063
Interest payable	77,493	10,105	87,598
Accrued compensated absences	345,193	79,993	425,186
Bonds payable - current maturity	607,483	162,000	769,483
Other current liabilities	200,420	11,142	211,562
<b>Total current liabilities</b>	<b>1,444,874</b>	<b>575,018</b>	<b>2,019,892</b>
Noncurrent liabilities:			
Net pension liability	6,242,076	918,573	7,160,649
OPEB liability	391,082	57,549	448,631
Noncurrent portion of long-term obligations	5,603,235	853,000	6,456,235
<b>Total noncurrent liabilities</b>	<b>12,236,393</b>	<b>1,829,122</b>	<b>14,065,515</b>
<b>Total liabilities</b>	<b>13,681,267</b>	<b>2,404,140</b>	<b>16,085,407</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflow related to pension	556,379	81,876	638,255
Deferred inflow related to OPEB	16,354	2,408	18,762
<b>Total deferred inflows of resources</b>	<b>572,733</b>	<b>84,284</b>	<b>657,017</b>
<b>NET POSITION:</b>			
Net investment in capital assets	21,822,788	5,136,506	26,959,294
Restricted for:			
OPEB benefits	54,475	8,015	62,490
Street operations	2,534,911	-	2,534,911
System development	232,819	1,098,815	1,331,634
Urban Renewal development	2,236,657	-	2,236,657
Unrestricted	922,749	6,608,504	7,531,253
<b>Total net position</b>	<b>27,804,399</b>	<b>12,851,840</b>	<b>40,656,239</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 42,058,399</b>	<b>\$ 15,340,264</b>	<b>\$ 57,398,663</b>

*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, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 1,936,598	\$ 863,847	\$ -
Public safety	5,775,090	270,078	56,095
Highways and streets	984,072	-	-
Urban and renewal	31,171	-	-
Culture and recreation	1,331,666	-	55,400
Interest on long-term debt	187,726	-	-
Total governmental activities	<u>10,246,323</u>	<u>1,133,925</u>	<u>111,495</u>
Business-type activities:			
Water Fund	1,493,425	1,944,494	-
Sewer Fund	2,329,768	2,723,305	-
Storm Water Fund	340,759	749,648	-
Total business type activities	<u>4,163,952</u>	<u>5,417,447</u>	<u>-</u>
Total government	<u>\$ 14,410,275</u>	<u>\$ 6,551,372</u>	<u>\$ 111,495</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 on sale of capital assets

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net Expense Revenue and Change in Net Position			
Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
\$ -	\$ (1,072,751)	\$ -	\$ (1,072,751)
274,451	(5,174,466)	-	(5,174,466)
-	(984,072)	-	(984,072)
72,838	41,667	-	41,667
-	(1,276,266)	-	(1,276,266)
-	(187,726)	-	(187,726)
<u>347,289</u>	<u>(8,653,614)</u>	<u>-</u>	<u>(8,653,614)</u>
-	-	451,069	451,069
-	-	393,537	393,537
-	-	408,889	408,889
<u>-</u>	<u>-</u>	<u>1,253,495</u>	<u>1,253,495</u>
<u>\$ 347,289</u>	<u>(8,653,614)</u>	<u>1,253,495</u>	<u>(7,400,119)</u>
	6,297,833	-	6,297,833
	1,327,852	-	1,327,852
	1,091,168	-	1,091,168
	104,504	-	104,504
	467,415	-	467,415
	-	2,324	2,324
	89,250	34,527	123,777
	198,064	-	198,064
	160,077	(160,077)	-
	<u>9,736,163</u>	<u>(123,226)</u>	<u>9,612,937</u>
	1,082,549	1,130,269	2,212,818
	<u>26,721,850</u>	<u>11,721,571</u>	<u>38,443,421</u>
	<u>\$ 27,804,399</u>	<u>\$ 12,851,840</u>	<u>\$ 40,656,239</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.

**Civic Center Capital Project Fund**

The Civic Center Capital Project Fund accounts for the construction of the City's new police station and city hall administration offices. The primary source of funding are dedicated debt proceeds and Urban Renewal funds.



**THIS PAGE INTENTIONALLY LEFT BLANK**

CITY OF GLADSTONE, OREGON  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2020

	General Fund	Road and Street Fund	Police and Communications Special Levy Fund
<b>ASSETS:</b>			
Cash and investments	\$ 3,855,462	\$ 1,949,490	\$ 141,930
Restricted cash and investments	763,623	550,570	-
Cash with county treasurer	20,577	-	2,904
Accounts receivable	440,804	79,799	-
Property taxes receivable	127,890	-	18,051
Interest Receivable	2,662	-	376
Due from other funds	-	-	-
Due from other governments	152,156	-	-
Prepaid Expenses	215,332	-	-
Total assets	<u>\$ 5,578,506</u>	<u>\$ 2,579,859</u>	<u>\$ 163,261</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 142,223	\$ 44,669	\$ 11,869
Due to other funds	-	-	-
Other current liabilities	147,290	279	1,329
Total liabilities	<u>289,513</u>	<u>44,948</u>	<u>13,198</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenues - property taxes	119,948	-	16,930
Total deferred inflows of resources	<u>119,948</u>	<u>-</u>	<u>16,930</u>
<b>FUND BALANCES:</b>			
Non-Spendable:			
Prepays	215,332	-	-
Restricted:			
Street operations	-	2,534,911	-
Civic Center Capital Project	-	-	-
System development	232,819	-	-
Urban Renewal development	-	-	-
Committed:			
Business Development and Promotion	339,859	-	-
Tourism Promotion and Activities	197,170	-	-
Assigned:			
Police services	-	-	133,133
Fire and emergency services	-	-	-
Library board	17,014	-	-
Unassigned	4,166,851	-	-
Total fund balance	<u>5,169,045</u>	<u>2,534,911</u>	<u>133,133</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 5,578,506</u>	<u>\$ 2,579,859</u>	<u>\$ 163,261</u>

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

Other assets are not available to pay for current-period expenditur  
Deferred outflows of resources-pension  
Net OPEB benefit resource  
Deferred outflow of resources - OPEB

Liabilities and deferred inflows of resources, including accrued lia payable in the current period and, therefore, are not reported in fu  
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

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 Fund	Civic Buildings Capital Fund	Total Governmental
\$ 247,015	\$ 2,238,242	\$ 210,197	\$ 8,642,336
-	-	-	1,314,193
1,325	4,591	-	29,397
-	-	-	520,603
8,230	28,596	-	182,767
171	593	-	3,802
-	-	5,000	5,000
-	-	-	152,156
-	-	-	215,332
<u>\$ 256,741</u>	<u>\$ 2,272,022</u>	<u>\$ 215,197</u>	<u>\$ 11,065,586</u>
\$ 3,066	\$ -	\$ 12,461	\$ 214,288
-	5,000	-	5,000
455	-	51,067	200,420
<u>3,521</u>	<u>5,000</u>	<u>63,528</u>	<u>419,708</u>
<u>7,719</u>	<u>30,365</u>	<u>-</u>	<u>174,962</u>
<u>7,719</u>	<u>30,365</u>	<u>-</u>	<u>174,962</u>
-	-	-	215,332
-	-	-	2,534,911
-	-	151,669	151,669
-	-	-	232,819
-	2,236,657	-	2,236,657
-	-	-	339,859
-	-	-	197,170
-	-	-	133,133
245,501	-	-	245,501
-	-	-	17,014
-	-	-	4,166,851
<u>245,501</u>	<u>2,236,657</u>	<u>151,669</u>	<u>10,470,916</u>
<u>\$ 256,741</u>	<u>\$ 2,272,022</u>	<u>\$ 215,197</u>	

sources and, therefore, 28,033,506

es and, therefore, are deferred in the funds: 2,865,702  
54,475  
44,130

ilities and bonds payable are not due and  
nds: 174,965  
(345,193)  
(77,493)  
(6,242,076)  
(391,082)  
(556,379)  
(16,354)  
(6,210,718)  
\$ 27,804,399

*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, 2020**

	General Fund	Road and Street Fund	Police and Communications Special Levy Fund
<b>REVENUES:</b>			
Property taxes	\$ 4,398,545	\$ -	\$ 620,940
Public service taxes	431,367	896,485	-
Franchise and right of way fees	766,707	324,461	-
Grants	385,946	-	-
Charges for services	70,423	-	-
Licenses and permits	99,382	-	-
Fines and forfeitures	270,078	-	-
Special assessments	611,005	83,037	-
Contributions and donations	77,709	-	-
Interest	256,067	-	5,868
Miscellaneous	48,106	41,144	-
	<u>7,415,335</u>	<u>1,345,127</u>	<u>626,808</u>
<b>EXPENDITURES:</b>			
Current:			
General government	1,701,876	-	-
Public safety	4,063,629	-	672,373
Highways and streets	-	737,546	-
Urban and renewal	-	-	-
Culture and recreation	1,140,519	-	-
Capital outlay	713,514	313,306	-
Debt service:			
Principal	157,709	-	-
Interest	87,556	-	-
	<u>7,864,803</u>	<u>1,050,852</u>	<u>672,373</u>
Total expenditures	7,864,803	1,050,852	672,373
Revenues over (under) expenditures	(449,468)	294,275	(45,565)
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	350,000	-	-
Transfers in	392,521	260,704	-
Transfers out	-	(233,293)	(12,158)
	<u>742,521</u>	<u>27,411</u>	<u>(12,158)</u>
Total other financing sources (uses)	742,521	27,411	(12,158)
Net changes in fund balances	293,053	321,686	(57,723)
<b>FUND BALANCES, BEGINNING</b>	<u>4,875,992</u>	<u>2,213,225</u>	<u>190,856</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,169,045</u>	<u>\$ 2,534,911</u>	<u>\$ 133,133</u>

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

Fire and Emergency Services Special Levy Fund	Urban Renewal Agency Fund	Civic Buildings Capital Fund	Total Governmental
\$ 283,161	\$ 983,240	\$ -	\$ 6,285,886
-	-	-	1,327,852
-	-	-	1,091,168
-	72,838	-	458,784
-	-	-	70,423
-	-	-	99,382
-	-	-	270,078
-	-	-	694,042
-	-	-	77,709
9,704	195,776	-	467,415
-	-	-	89,250
<u>292,865</u>	<u>1,251,854</u>	<u>-</u>	<u>10,931,989</u>
-	-	-	1,701,876
196,001	-	-	4,932,003
-	-	-	737,546
-	31,171	-	31,171
-	-	-	1,140,519
344,495	-	10,699,980	12,071,295
-	431,573	-	589,282
-	106,953	-	194,509
<u>540,496</u>	<u>569,697</u>	<u>10,699,980</u>	<u>21,398,201</u>
(247,631)	682,157	(10,699,980)	(10,466,212)
-	-	-	350,000
-	-	10,850,883	11,504,108
<u>(2,432)</u>	<u>(11,096,148)</u>	<u>-</u>	<u>(11,344,031)</u>
<u>(2,432)</u>	<u>(11,096,148)</u>	<u>10,850,883</u>	<u>510,077</u>
(250,063)	(10,413,991)	150,903	(9,956,135)
<u>495,564</u>	<u>12,650,648</u>	<u>766</u>	<u>20,427,051</u>
<u>\$ 245,501</u>	<u>\$ 2,236,657</u>	<u>\$ 151,669</u>	<u>\$ 10,470,916</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, 2020**

---

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

Net change in fund balances - total governmental funds	\$ (9,956,135)
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.	11,340,943
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	11,947
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	(91,188)
Accrued interest payable	6,783
Net OPEB obligations	186,458
Net pension liability	(1,005,541)
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>589,282</u>
Change in net position of governmental activities	<u><u>\$ 1,082,549</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.

**CITY OF GLADSTONE, OREGON  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2020**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Total
<b>ASSETS:</b>				
Current assets:				
Cash and investments	\$ 2,106,803	\$ 1,123,063	\$ 577,691	\$ 3,807,557
Trade accounts receivable	236,419	326,299	77,877	640,595
Prepays	172,048	-	-	172,048
Interest receivable	-	929	-	929
Total current assets	2,515,270	1,450,291	655,568	4,621,129
Noncurrent assets:				
Assessments receivable	-	2,547	-	2,547
Restricted cash	609,610	393,964	95,241	1,098,815
Net OPEB asset	3,654	2,871	1,490	8,015
Investment in joint venture	3,030,047	-	-	3,030,047
Capital assets:				
Non-depreciable	129,414	511,550	-	640,964
Depreciable	3,201,526	2,092,421	216,595	5,510,542
Total noncurrent assets	6,974,251	3,003,353	313,326	10,290,930
Total assets	9,489,521	4,453,644	968,894	14,912,059
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	192,230	151,045	78,437	421,712
Other post employment benefits	2,960	2,326	1,207	6,493
Total deferred outflows of resources	195,190	153,371	79,644	428,205
Total assets & deferred outflows of resources	\$ 9,684,711	\$ 4,607,015	\$ 1,048,538	\$ 15,340,264
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 79,443	\$ 212,461	\$ 19,874	\$ 311,778
Interest payable	10,105	-	-	10,105
Accrued payroll payable	-	-	787	787
Accrued compensated absences	45,015	33,521	1,457	79,993
Bonds payable - current maturity	162,000	-	-	162,000
Other	10,355	-	-	10,355
Total current liabilities	306,918	245,982	22,118	575,018
Noncurrent liabilities:				
OPEB liability	26,234	20,613	10,702	57,549
Bonds payable	853,000	-	-	853,000
Net pension liability	418,715	329,006	170,852	918,573
Total noncurrent liabilities	1,297,949	349,619	181,554	1,829,122
Total liabilities	1,604,867	595,601	203,672	2,404,140
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	37,322	29,325	15,229	81,876
Other post employment benefits	1,098	862	448	2,408
Total deferred inflows of resources	38,420	30,187	15,677	84,284
<b>NET POSITION:</b>				
Net investment in capital assets	2,315,940	2,603,971	216,595	5,136,506
Restricted for:				
OPEB benefits	3,654	2,871	1,490	8,015
System development	609,610	393,964	95,241	1,098,815
Unrestricted	5,112,220	980,421	515,863	6,608,504
Total net position	8,041,424	3,981,227	829,189	12,851,840
Total liabilities, deferred inflows & net position	\$ 9,684,711	\$ 4,607,015	\$ 1,048,538	\$ 15,340,264

*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, 2020**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Total
<b>OPERATING REVENUES:</b>				
Service charges	\$ 1,871,349	\$ 2,648,334	\$ 694,398	\$ 5,214,081
Connection and installation fees	8,485	38	-	8,523
System development charge	64,660	74,933	55,250	194,843
Miscellaneous	10,289	13,949	10,289	34,527
Total operating revenues	1,954,783	2,737,254	759,937	5,451,974
<b>OPERATING EXPENSES:</b>				
Purchases	496,011	1,740,041	-	2,236,052
Salaries and fringe benefits	526,515	351,847	227,392	1,105,754
Contract charges	92,079	28,593	34,440	155,112
Maintenance and repairs	162,798	40,418	32,289	235,505
Utilities	21,467	1,853	1,203	24,523
Depreciation	145,684	136,552	16,809	299,045
Supplies	28,717	30,464	28,626	87,807
Total operating expenses	1,473,271	2,329,768	340,759	4,143,798
Operating income (loss)	481,512	407,486	419,178	1,308,176
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest expense	(20,154)	-	-	(20,154)
Gain (loss) in joint venture	2,324	-	-	2,324
Total non-operating revenues (expenses)	(17,830)	-	-	(17,830)
Income before transfers	463,682	407,486	419,178	1,290,346
<b>TRANSFERS:</b>				
Transfers in (out)	(61,744)	(98,016)	(317)	(160,077)
Change in net position	401,938	309,470	418,861	1,130,269
<b>NET POSITION, BEGINNING</b>	7,639,486	3,671,757	410,328	11,721,571
<b>NET POSITION, ENDING</b>	\$ 8,041,424	\$ 3,981,227	\$ 829,189	\$ 12,851,840

*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, 2020**

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Storm Water Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,948,964	\$ 2,661,885	\$ 749,015	\$ 5,359,864
Cash paid to employees for salaries and benefits	(389,767)	(293,560)	(205,353)	(888,680)
Cash paid to suppliers and others	(794,523)	(1,821,262)	(87,796)	(2,703,581)
Net cash provided by operating activities	<u>764,674</u>	<u>547,063</u>	<u>455,866</u>	<u>1,767,603</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers in (out)	(61,744)	(98,016)	(317)	(160,077)
Net cash provided (used) by non-capital financing activities	<u>(61,542)</u>	<u>(98,016)</u>	<u>(317)</u>	<u>(159,875)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(152,075)	(157,763)	(106,306)	(416,144)
Principal paid on capital debt	(155,000)	-	-	(155,000)
Interest paid on capital debt	(21,632)	-	-	(21,632)
Net cash used by capital and related financing activities	<u>(328,707)</u>	<u>(157,763)</u>	<u>(106,306)</u>	<u>(592,776)</u>
Net increase in cash and cash equivalents	374,425	291,284	349,243	1,014,952
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,341,988</u>	<u>1,225,743</u>	<u>323,689</u>	<u>3,891,420</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 2,716,413</u>	<u>\$ 1,517,027</u>	<u>\$ 672,932</u>	<u>\$ 4,906,372</u>
<b>COMPRISED AS FOLLOWS:</b>				
Unrestricted	\$ 2,106,803	\$ 1,123,063	\$ 577,691	\$ 3,807,557
Restricted	609,610	393,964	95,241	1,098,815
Total cash and cash equivalents	<u>\$ 2,716,413</u>	<u>\$ 1,517,027</u>	<u>\$ 672,932</u>	<u>\$ 4,906,372</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (loss)	\$ 481,512	\$ 407,486	\$ 419,178	\$ 1,308,176
Adjustments:				
Depreciation	145,684	136,552	16,809	299,045
Decrease (increase) in:				
Accounts receivable	(5,817)	(75,369)	(10,922)	(92,108)
Prepays	(5,465)	-	-	(5,465)
Deferred outflows related to pension	(80,260)	(57,954)	(21,125)	(159,339)
Increase (decrease) in:				
Accounts payable and accrued expenses	12,013	20,107	8,762	40,882
Accrued compensated absences	40,099	(9,300)	1,600	32,399
Deferred inflows related to pension	6,214	3,449	(721)	8,942
Pension liability	175,566	127,140	47,050	349,756
OPEB obligation	(4,871)	(5,048)	(4,765)	(14,684)
Net cash provided by operating activities	<u>\$ 764,675</u>	<u>\$ 547,063</u>	<u>\$ 455,866</u>	<u>\$ 1,767,604</u>
<b>NON-CASH CAPITAL FINANCING ACTIVITIES</b>				
<b>NON-CASH INFORMATION:</b>				
Increase (decrease) in joint venture	<u>\$ 2,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,324</u>

*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.

**Agency Funds**

**Municipal Court Trust Fund**

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

**CITY OF GLADSTONE, OREGON**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2020**

---

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and investments	\$ 38,406
Accounts receivable	<u>118</u>
Total assets	<u><u>\$ 38,524</u></u>
<b>LIABILITIES:</b>	
Other current liabilities	<u>\$ 38,524</u>
<b>NET POSITION:</b>	
Unassigned	<u>-</u>
Total liabilities and net position	<u><u>\$ 38,524</u></u>

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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**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, 525 Portland Avenue, Gladstone, Oregon 97027.

Based on the criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, the Gladstone Seniors Foundation, a nonprofit 501(c)(3), and Gladstone Public Library Foundation, a nonprofit 501(c)(3), are considered discretely presented component units. These discretely presented component units are not considered material in relation to the City of Gladstone and accordingly, have not been included in the City'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, 2020**

---

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, 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 *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, 2020**

---

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 *Civic Buildings Capital Fund* accounts for resources accumulated and expended for land and other capital costs associated with acquisition and construction of City buildings.

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 agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary fund is an agency fund. Agency 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.

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

A deferred inflow of resources arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to 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 principle 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



**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

Library. The certificate had a balance of \$17,014 as of June 30, 2020, a fixed interest rate of 2.13% and a maturity date of July 26, 2021.

**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.”

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Management believes that any uncollectible accounts included in the governmental fund receivable balances are not significant, and therefore no provision for uncollectible accounts has been made. 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, 2020.

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. 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.

**M. Compensated Absences**

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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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.

**N. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

**O. 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 position 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 position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that 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.

**P. 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 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.

**Q. 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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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.

**R. 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.

**S. 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, 2020 investments of the City consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$ 14,632,070
Certificate of deposit	1.10	17,014
Municipal bond	7.80	39,265
		<u>\$ 14,688,349</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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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, 2020, the book value of the City's deposits was \$174,552 and the bank balance was \$308,333. 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, 2020, 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.

**3. Assessment Liens Receivable**

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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**4. Interfund Transfers**

Transfers between funds during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 392,521	\$ -
Road & Street Fund	260,704	233,293
Police/Communications Fund	-	12,158
Fire/Emergency Services Fund	-	2,432
Urban Renewal Fund	-	11,096,148
Civic Buildings	10,850,883	-
Total Governmental Funds	<u>11,504,108</u>	<u>11,344,031</u>
<b>Proprietary Funds</b>		
Water Fund	64,775	126,519
Sewer Fund	64,775	162,791
Storm Water Fund	64,775	65,092
Total Proprietary Funds	<u>194,325</u>	<u>354,402</u>
Total All Funds	<u>\$11,698,433</u>	<u>\$ 11,698,433</u>

Transfers for services between funds are utilized to provide support for various city programs in accordance with budgetary authorizations. These transfers are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For the fiscal year ended June 30, 2020, all City transfers are classified under operating transfers in/out for financial reporting purposes.

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2020 is as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital assets, non-depreciable:</b>				
Land	\$ 6,498,106	\$ -	\$ -	\$ 6,498,106
Construction in progress	2,976,249	693,863	(2,976,249)	693,863
Total capital assets, non-depreciable	<u>9,474,355</u>	<u>693,863</u>	<u>(2,976,249)</u>	<u>7,191,969</u>
<b>Capital assets, depreciable:</b>				
Intangible assets	347,400	-	-	347,400
Buildings, structures and improve	4,920,307	13,676,211	(14,189)	18,582,329
Equipment	1,373,244	230,069	-	1,603,313
Vehicles	3,553,813	158,991	(851,612)	2,861,192
Infrastructure	4,283,268	292,601	-	4,575,869
Total capital assets, depreciable	<u>14,478,032</u>	<u>14,357,872</u>	<u>(865,801)</u>	<u>27,970,103</u>
Total assets	23,952,387	15,051,735	(3,842,050)	35,162,072

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Less accumulated depreciation for:</b>				
Intangible assets	(195,029)	(33,726)	-	(228,755)
Buildings, structures and improve	(1,974,077)	(133,668)	-	(2,107,745)
Equipment	(1,274,356)	(72,099)	-	(1,346,455)
Vehicles	(2,662,560)	(234,061)	713,865	(2,182,756)
Infrastructure	(1,153,802)	(109,053)	-	(1,262,855)
Total accumulated depreciation	<u>(7,259,824)</u>	<u>(582,607)</u>	<u>713,865</u>	<u>(7,128,566)</u>
Net depreciable capital assets	<u>7,218,208</u>	<u>13,775,265</u>	<u>(151,936)</u>	<u>20,841,537</u>
<b>Net capital assets</b>	<u>\$ 16,692,563</u>	<u>\$ 14,469,128</u>	<u>\$ (3,128,185)</u>	<u>\$ 28,033,506</u>

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

<b>Governmental activities:</b>	
General government	\$ 78,303
Public safety	231,970
Roads and highways	168,974
Culture and recreation	103,360
Total depreciation expense	<u>\$ 582,607</u>

<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Capital assets, non-depreciable:</b>				
Land	\$ 640,964	\$ -	\$ -	\$ 640,964
Total capital assets, non-depreciable	<u>640,964</u>	<u>-</u>	<u>-</u>	<u>640,964</u>
<b>Capital assets, depreciable:</b>				
Intangible assets	21,658	-	-	21,658
Buildings	106,113	-	-	106,113
Equipment	205,682	-	-	205,682
Vehicles	628,615	29,453	-	658,068
Infrastructure	11,013,490	386,692	-	11,400,182
Total capital assets, depreciable	<u>11,975,558</u>	<u>416,145</u>	<u>-</u>	<u>12,391,703</u>
Total	12,616,522	416,145	-	13,032,667

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Less accumulated depreciation for:</b>				
Intangible assets	(5,932)	-	-	(5,932)
Buildings	(97,495)	(662)	-	(98,157)
Equipment	(158,483)	(13,605)	-	(172,088)
Vehicles	(182,435)	(78,376)	-	(260,811)
Infrastructure	(6,137,771)	(206,402)	-	(6,344,173)
Total accumulated depreciation	(6,582,116)	(299,045)	-	(6,881,161)
Net depreciable capital assets	5,393,442	117,100	-	5,510,542
<b>Net capital assets</b>	<b>\$ 6,034,406</b>	<b>\$ 117,100</b>	<b>\$ -</b>	<b>\$ 6,151,506</b>

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

<b>Business-type activities:</b>	
Water	\$ 145,684
Sewer	136,552
Storm Water	16,809
Total depreciation expense - Business Activities	<u>\$ 299,045</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 District hold forty-eight and forty-two percent interests, respectively. The joint venture was created in 1998 by the First Intergovernmental Agreement between the Damascus and Mt. Scott Water Districts (which became the Sunrise Water Authority) and the Oak Lodge Water Services District to plan, construct, and operate a regional water supply system with water rights from the Clackamas River; to operate and maintain facilities for the production of potable water from the headworks on the Clackamas River, and to cooperatively conduct water resource planning and management. The Second Intergovernmental Agreement between Sunrise Water Authority and Oak Lodge Water Services District in 2004 provided for the expansion of the water treatment works operated by the Commission to handle the full capacity of the intake at the headworks on the Clackamas River.

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



**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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

In fiscal year ended June 30, 2019 the Commission restated depreciation on three assets that decreased the City’s investment by \$7,605. Due to the immaterial nature of this last restatement, it was combined with the current year gain of \$9,929 for a net gain as of June 30, 2020 of \$2,324. The City’s net position in the joint venture as of June 30, 2020 was \$3,030,047. The City had water purchases from the Commission of \$480,472 for the year ended June 30, 2020. The Commission determined not to complete a true-up within the year, so purchases show significantly higher than the previous fiscal year by \$165,201.

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, 2020 consist of the following:

	General Fund	Urban Renewal Fund	Police & Communications Special Levy Fund	Fire & Emergency Services Special Levy Fund	Total
Property Taxes	\$ 119,948	\$ 30,365	\$ 16,930	\$ 7,719	\$ 174,962

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

**8. Long Term Debt**

**A. Changes in General Long-Term Liabilities**

During the year ended June 30, 2020, long-term liability activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Note payable - FF&C	\$ 3,000,000	\$ -	\$ 157,709	\$ 2,842,291	\$ 162,690
Note payable - URA	3,800,000	-	431,573	3,368,427	444,793
Total Notes	6,800,000	-	589,282	6,210,718	607,483
Compensated absences	254,004	345,193	254,004	345,193	345,193
Total Governmental Activities	\$ 7,054,004	\$ 345,193	\$ 843,286	\$ 6,555,911	\$ 952,676

**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>
2018 FF&C Note payable	2/1/2020	\$ 42,634	6/30/2020	150	35,528
2018 URA Note payable	2/1/2020	50,358	6/30/2020	150	41,965
		\$ 92,992			\$ 77,493

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-type Activities</b>					
Bonds	\$ 1,170,000	\$ -	\$ 155,000	\$ 1,015,000	\$ 162,000
Compensated absences	45,137	79,993	45,137	79,993	79,993
Total Business-type Activities	\$ 1,215,137	\$ 79,993	\$ 200,137	\$ 1,094,993	\$ 241,993

**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	1/1/2020	\$ 10,049	6/30/2020	181	\$ 10,105

**B. Direct Borrowings**

**Governmental Activities**

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%. 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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

by the “Divide the Taxes” revenue as will be assessed through the Urban Renewal Agency. The borrowing carries an interest rate of 2.99%. Interest is payable semi-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.

Annual debt service requirements to maturity for direct borrowings are as follows:

Fiscal Year	Series 2018 Full Faith & Credit Note Payable- General Fund		Series 2018 Note Payable Urban Renewal Agency		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 162,690	\$ 82,828	\$ 444,793	\$ 94,066	\$ 607,483	\$ 176,894
2022	167,571	77,875	458,092	80,568	625,663	158,443
2023	172,598	72,772	471,789	66,666	644,387	139,438
2024	177,775	67,516	485,896	52,349	663,671	119,865
2025	183,109	62,103	500,424	37,603	683,533	99,706
2026-2030	1,978,548	160,455	1,007,433	29,775	2,985,981	190,230
	<u>\$ 2,842,291</u>	<u>\$ 523,549</u>	<u>\$ 3,368,427</u>	<u>\$ 361,027</u>	<u>\$ 6,210,718</u>	<u>\$ 884,576</u>

**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.

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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.

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

Fiscal Year	Series 2015 Full Faith & Credit Obligation	
	Principal	Interest
2021	\$ 162,000	\$ 18,493
2022	165,000	15,256
2023	166,000	11,979
2024	173,000	8,623
2025	174,000	5,188
2026	175,000	1,732
	<u>\$ 1,015,000</u>	<u>\$ 61,271</u>

**9. Pension Plan**

**A. Plan Description**

1. 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 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.

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.

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, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. Employer contributions for the year ended June 30, 2020 were \$780,267, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2020 were 25.38 percent for Tier One/Tier Two General Service Member, 25.38 percent for Tier One/Tier Two Police and Fire, 15.92 percent

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

for OPSRP Pension Program General Service Members, 20.55 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 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 \$226,448 for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$7,160,649 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2019, the City's proportion was 0.0414 percent, which was increased from its proportion of 0.0330 measured as of June 30, 2018.

For the year ended June 30, 2020, the City's recognized pension expense (income) of \$1,208,371. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 394,889	\$ -
Changes of assumptions	971,424	-
Net difference between projected and actual earnings on investments	-	202,997
Changes in proportion	1,067,071	269,990
Differences between employer contributions and proportionate share of contributions	73,762	165,268
Total (prior to post-MD contributions)	<u>2,507,146</u>	<u>638,255</u>
Contributions subsequent to the MD	<u>780,268</u>	<u>-</u>
Total	<u>\$ 3,287,414</u>	<u>\$ 638,255</u>

The \$780,268 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, 2021. Deferred outflows of resources and deferred inflows of



**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 811,595
2022	196,364
2023	425,523
2024	368,412
2025	<u>66,997</u>
Total	<u>\$ 1,868,891</u>

**2. Actuarial Assumptions**

The employer contribution rates effective July 1, 2019, through June 30, 2021 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 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.
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

**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 July 2017 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.

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

<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	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	<u>100.00%</u>	

Assumed Inflation - Mean 2.50%

**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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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.

**H. Discount Rate**

The discount rate used to measure the total pension liability was 7.20 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 11,467,143	\$ 7,160,649	\$ 3,556,705

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**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**

There were no changes during the June 30, 2019 measurement period that require disclosure.

**L. Changes in Plan Provisions Subsequent to Measurement Date**

On June 11, 2019, Senate Bill 1049 was enacted by the People of the State of Oregon. The elements of the bill include a variety of policy and program changes which will affect the City's pension plan. Most prominent are a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The City cannot predict whether the petitioners will be successful in whole or in part nor what the impact of a successful challenge may be. Further, the City cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

**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.

**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:

	<b>Implicit Rate Subsidy</b>	<b>PERS RHIA Plan</b>	<b>Total OPEB on Financials</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net OPEB Asset	-	62,490	62,490
Deferred Outflows of Resources			
Change in Assumptions	9,492	-	9,492
Change in Proportionate Share	-	993	993
Contributions After MD	38,010	2,128	40,138
Total OPEB Liability	(448,631)	-	(448,631)
Deferred Inflows of Resources			
Difference in Expected and Actual Experience	-	(8,241)	(8,241)
Difference in Earnings	-	(3,857)	(3,857)
Change in Assumptions	(6,286)	(67)	(6,353)
Change in Proportionate Share	-	(311)	(311)
OPEB Expense/(Income)*	(194,710)	(7,761)	(202,471)

\*Included in program expenses on Statement of Activities

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**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. As of the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Active employees	53
Eligible retirees	5
Spouses of ineligible retirees	<u>0</u>
Total participants	<u>58</u>

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

The City’s total OPEB liability of \$448,631 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

For the fiscal year ended June 30, 2020, the City recognized OPEB expense from this plan of \$194,710, 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	\$ -	\$ -
Changes of assumptions	9,492	6,286
Total (prior to post-MD contributions)	<u>9,492</u>	<u>6,286</u>
Contributions subsequent to the MD	38,010	-
Total	<u>\$ 47,502</u>	<u>\$ 6,286</u>

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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>	
2021	\$ 295
2022	295
2023	295
2024	295
2025	295
Thereafter	<u>1,731</u>
Total	\$ <u>3,206</u>

**4. Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2018 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	3.50 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	<b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data scale.  <b>Healthcare cost trend rate:</b> Medical and vision: 7.00 percent per year decreasing to 4.75 percent.  Dental: 4.50 percent per year

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**5. Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance as of June 30, 2019	\$ 602,126
Changes for the year:	
Service cost	25,425
Interest on Total OPEB Liability	16,899
Effect of assumptions changes or inputs	10,725
Effect of economic demographic gains or losses	-
Benefit payments	<u>(206,544)</u>
Balance as of June 30, 2020	<u>\$ 448,631</u>

**6. Sensitivity of the Total 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 (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:

	<u>1% Decrease (2.50%)</u>	<u>Rate (3.50%)</u>	<u>(4.50%)</u>
Total OPEB Liability	\$ 479,107	\$ 448,631	\$ 420,331

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 413,350	\$ 448,631	\$ 489,022

**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>.



**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**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.

**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, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2020 contributions was \$16,045.

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

At June 30, 2020, the City reported an asset of \$62,490 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2019, the City's proportionate share was 0.0339%, which is an increase from its proportion of 0.0323% as of June 30, 2018.

For the year ended June 30, 2020, the City recognized OPEB income from this plan of \$7,761. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,241
Changes of assumptions	-	65
Net difference between projected and actual earnings on investments	-	3,857
Changes in proportionate share	993	311
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>993</u>	<u>12,474</u>
Contributions subsequent to the MD	<u>2,128</u>	<u>-</u>
Total	<u>\$ 3,121</u>	<u>\$ 12,474</u>

Deferred outflows of resources related to OPEB of \$2,128 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, 2021. 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>	
2021	\$ (5,948)
2022	(5,258)
2023	(675)
2024	400
2025	-
Total	<u>\$ (11,481)</u>

**5. Actuarial Methods and Assumptions**

The total OPEB asset in the December 31, 2017 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 total OPEB liability was 7.20% 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 total OPEB liability.

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

**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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

Discount Rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total OPEB Liability	\$ (48,446)	\$ (62,490)	\$ (74,457)

**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, 2019 measurement period that require disclosure.

**11. Changes in Plan Provisions Subsequent to Measurement Date**

There were no changes subsequent to the June 30, 2019 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 \$1,740,042 were made to the service districts during fiscal year 2020 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 2019 to 2020. Workers compensation

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

---

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 Governmental Accounting Standards Board (GASB) has issued *Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance* to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The effective dates of certain provisions and pronouncements have been postponed for either a twelve or eighteen month period, depending upon the statement or implementation guide.

**15. Subsequent Events**

As stated above and in the Management Discussion and Analysis, the COVID-19 pandemic was declared by the World Health Organization in March 2020. The operational and financial impacts are far reaching and will not be fully assessed until sometime in 2021, when the anticipated vaccines are widely distributed. All cities have been affected, and Gladstone has endeavored to monitor, plan and address issues on a proactive basis. As of release of this report, the current state of emergency declaration regarding COVID-19 extends through March 31, 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules
  - General Fund
  - 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, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2019-20	
<b>REVENUES:</b>				
Property taxes	\$ 8,909,105	\$ 8,909,105	\$ 4,398,545	\$ (4,510,560)
Public service taxes	883,458	883,458	431,367	(452,091)
Franchise and right of way fees	1,750,000	1,750,000	766,707	(983,293)
Grants	142,950	334,570	385,946	51,376
Charges for services	187,500	187,500	70,423	(117,077)
Licenses and permits	194,000	194,000	99,382	(94,618)
Fines and forfeitures	775,000	775,000	270,078	(504,922)
Special assessments	1,048,142	1,048,142	611,005	(437,137)
Contributions and donations	55,000	100,000	77,709	(22,291)
Interest	250,000	250,000	256,067	6,067
Miscellaneous	120,000	120,000	48,106	(71,894)
Total revenues	14,315,155	14,551,775	7,415,335	(7,136,440)
<b>EXPENDITURES:</b>				
General government	4,149,343	4,149,343	1,701,876	2,447,467
Public safety	9,012,582	9,012,582	4,063,629	4,948,953
Cultural and recreation	2,774,843	2,774,843	1,140,519	1,634,324
Capital outlay	1,262,172	1,498,792	713,514	785,278
Debt service:				
Principal	320,399	320,399	157,709	162,690
Interest	170,462	170,462	87,556	82,906
Contingency	1,144,729	1,144,729	-	1,144,729
Total expenditures	18,834,530	19,071,150	7,864,803	11,206,347
Revenues over (under) expenditures	(4,519,375)	(4,519,375)	(449,468)	4,069,907
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	-	350,000	350,000
Transfers in	789,375	789,375	392,521	(396,854)
Total other financing sources (uses)	789,375	789,375	742,521	(46,854)
Net changes in fund balances	(3,730,000)	(3,730,000)	293,053	4,023,053
<b>FUND BALANCES, BEGINNING</b>	<b>3,730,000</b>	<b>3,730,000</b>	<b>4,875,992</b>	<b>1,145,992</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,169,045</b>	<b>\$ 5,169,045</b>

**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, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2019-20	Final Budget
<b>REVENUES:</b>				
Public service taxes	\$ 1,837,123	\$ 1,837,123	\$ 896,485	\$ (940,638)
Franchise and right of way fees	892,000	892,000	324,461	(567,539)
Special assessments	20,000	20,000	83,037	63,037
Miscellaneous	60,000	60,000	41,144	(18,856)
Total revenues	2,809,123	2,809,123	1,345,127	(1,463,996)
<b>EXPENDITURES:</b>				
Personnel service	800,585	800,585	369,025	431,560
Materials and service	990,560	990,560	368,521	622,039
Capital outlay	2,270,194	2,270,194	313,306	1,956,888
Contingency	400,000	400,000	-	400,000
Total expenditures	4,461,339	4,461,339	1,050,852	3,410,487
Revenues over (under) expenditures	(1,652,216)	(1,652,216)	294,275	1,946,491
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	492,831	492,831	260,704	(232,127)
Transfers out	(590,615)	(590,615)	(233,293)	357,322
Total other financing sources (uses)	(97,784)	(97,784)	27,411	125,195
Net changes in fund balances	(1,750,000)	(1,750,000)	321,686	2,071,686
<b>FUND BALANCES, BEGINNING</b>	1,750,000	1,750,000	2,213,225	463,225
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 2,534,911	\$ 2,534,911



**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, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2019-20	Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 1,359,323	\$ 1,359,323	\$ 620,940	\$ (738,383)
Interest	7,800	7,800	5,868	(1,932)
Total revenues	1,367,123	1,367,123	626,808	(740,315)
<b>EXPENDITURES:</b>				
Personnel service	1,153,291	1,153,291	527,250	626,041
Materials and service	341,200	341,200	145,123	196,077
Contingency	13,316	13,316	-	13,316
Total expenditures	1,507,807	1,507,807	672,373	835,434
Revenues over (under) expenditures	(140,684)	(140,684)	(45,565)	95,119
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(24,316)	(24,316)	(12,158)	12,158
Total other financing sources (uses)	(24,316)	(24,316)	(12,158)	12,158
Net changes in fund balances	(165,000)	(165,000)	(57,723)	107,277
<b>FUND BALANCES, BEGINNING</b>	165,000	165,000	190,856	25,856
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 133,133	\$ 133,133

**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, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2019-20	
<b>REVENUES:</b>				
Property taxes	\$ 615,722	\$ 615,722	\$ 283,161	\$ (332,561)
Interest	12,000	12,000	9,704	(2,296)
Total revenues	627,722	627,722	292,865	(334,857)
<b>EXPENDITURES:</b>				
Personnel service	351,003	351,003	181,803	169,200
Materials and service	90,000	90,000	14,198	75,802
Capital outlay	532,000	532,000	344,495	187,505
Contingency	100,856	100,856	-	100,856
Total expenditures	1,073,859	1,073,859	540,496	533,363
Revenues over (under) expenditures	(446,137)	(446,137)	(247,631)	198,506
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(4,863)	(4,863)	(2,432)	2,431
Total other financing sources (uses)	(4,863)	(4,863)	(2,432)	2,431
Net changes in fund balances	(451,000)	(451,000)	(250,063)	200,937
<b>FUND BALANCES, BEGINNING</b>	451,000	451,000	495,564	44,564
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 245,501	\$ 245,501

**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, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	Ist Year FY 2019-20	
<b>REVENUES:</b>				
Property taxes	\$ 1,890,000	\$ 1,890,000	\$ 983,240	\$ (906,760)
Grants	-	-	72,838	72,838
Interest	20,000	20,000	195,776	175,776
Total revenues	1,910,000	1,910,000	1,251,854	(658,146)
<b>EXPENDITURES:</b>				
Materials and service	49,000	49,000	31,171	17,829
Debt service:				-
Principal	876,366	876,366	431,573	444,793
Interest	201,234	201,234	106,953	94,281
Contingency	2,282,539	2,282,539	-	2,282,539
Total expenditures	3,409,139	3,409,139	569,697	2,839,442
Revenues over (under) expenditures	(1,499,139)	(1,499,139)	682,157	2,181,296
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(13,256,861)	(13,256,861)	(11,096,148)	2,160,713
Total other financing sources (uses)	(13,256,861)	(13,256,861)	(11,096,148)	2,160,713
Net changes in fund balances	(14,756,000)	(14,756,000)	(10,413,991)	4,342,009
<b>FUND BALANCES, BEGINNING</b>	14,756,000	14,756,000	12,650,648	(2,105,352)
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 2,236,657	\$ 2,236,657

**CITY OF GLADSTONE, OREGON**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**For the Last Ten Fiscal Years<sup>1</sup>**

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
2019	0.04139676%	\$ 7,160,648	\$ 4,132,382	173.28%	80.20%
2018	0.03299445%	4,998,225	3,992,008	125.21%	82.10%
2017	0.02986788%	4,026,202	3,530,528	114.04%	83.10%
2016	0.31341150%	4,705,034	3,028,865	155.34%	80.53%
2015	0.02869354%	1,647,429	3,142,527	52.42%	91.90%
2014	0.02677427%	(606,896)	3,152,443	-19.25%	103.60%
2013	0.02869354%	673,613	2,233,312	30.16%	91.97%

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

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

**NOTES TO SCHEDULE**

**Changes in 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 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.

**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. 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 Years<sup>1</sup>**

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
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.

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

**NOTES TO SCHEDULE**

**Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions**

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	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 Years<sup>1</sup>**

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
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%

**NOTES TO SCHEDULE**

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

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

**Changes of Assumptions:**

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes 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 Years<sup>1</sup>**

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
2020	\$ 2,128	\$ 2,128	\$ -	\$ 4,249,906	0.05%
2019	16,028	16,028	-	4,132,382	0.39%
2018	16,415	16,415	-	3,992,008	0.41%

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

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

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	10 years	10 years
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance	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 Years<sup>1</sup>**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service Interest	\$ 25,425	\$ 37,095	\$ 37,095
Interest	16,899	20,130	18,962
Changes of benefit terms	-	-	-
Differences between economic/demographic gains or losses	-	-	-
Changes of assumptions	10,725	-	-
Benefit payment	(206,544)	(23,363)	(22,017)
<b>Net change in total OPEB liability</b>	<u>(153,495)</u>	<u>33,862</u>	<u>34,040</u>
<b>Total OPEB liability - beginning</b>	<u>602,126</u>	<u>568,264</u>	<u>534,224</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 448,631</u></u>	<u><u>\$ 602,126</u></u>	<u><u>\$ 568,264</u></u>
Covered-employee payroll	\$ 4,249,906	\$ 4,132,382	\$ 3,992,008
Total OPEB liability as a percentage of covered-employee payroll	10.56%	14.57%	14.24%

**NOTES TO SCHEDULE**

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

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



**CITY OF GLADSTONE, OREGON**  
**SCHEDULE OF CONTRIBUTIONS TO OPEB - IMPLICIT RATE SUBSIDY**  
**For the Last Ten Fiscal Years<sup>1</sup>**

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
2020	\$ 38,710	\$ 38,710	\$ -	\$ 4,249,906	0.91%
2019	23,363	23,363	-	4,132,382	0.57%
2018	22,017	22,017	-	3,992,008	0.55%
2017	23,634	23,634	-	3,530,528	0.67%

**NOTES TO SCHEDULE**

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

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

**Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions**

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

**CITY OF GLADSTONE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

---

**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 budget transfer resolutions, during the year ended June 30, 2020. The City Council approved on July 9, 2019 adjustments to the General Fund for grant funding received for fire department equipment, and on June 9, 2020 donation funding received for building repair. Appropriations lapse as of year-end.

No expenditures exceeded appropriation levels in the year ended June 30, 2020.

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **OTHER SUPPLEMENTARY INFORMATION**

## **OTHER SUPPLEMENTARY INFORMATION**

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

Such statements and schedules include:

### **Agency Funds**

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

### **Municipal Court Trust Fund**

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

**CITY OF GLADSTONE, OREGON**  
**AGENCY FUND**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2020**

---

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Municipal Court Trust Fund</b>				
Assets				
Cash	\$ 34,264	\$ 363,678	\$ 359,536	\$ 38,406
Accounts receivable	805	57,925	58,612	118
	<u>\$ 35,069</u>	<u>\$ 421,603</u>	<u>\$ 418,148</u>	<u>\$ 38,524</u>
Liabilities				
Other current liabilities	<u>\$ 35,069</u>	<u>\$ 358,490</u>	<u>\$ 355,035</u>	<u>\$ 38,524</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 included the following:

- General Fund Schedule of Expenditures
- Civic Center Capital Fund

**CITY OF GLADSTONE, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2019-20	
General Administration:				
Personnel services	\$ 1,699,684	\$ 1,699,684	\$ 610,796	\$ 1,088,888
Materials and services	1,574,460	1,574,460	703,386	871,074
Subtotal	3,274,144	3,274,144	1,314,182	1,959,962
Information Technology:				
Personnel services	278,009	278,009	121,277	156,732
Materials and services	112,504	112,504	70,970	41,534
Capital outlay	27,500	27,500	1,921	25,579
Subtotal	418,013	418,013	194,168	223,845
Facilities:				
Personnel services	123,986	123,986	61,709	62,277
Materials and services	360,700	360,700	133,738	226,962
Capital outlay	297,000	342,000	110,923	231,077
Subtotal	781,686	826,686	306,370	520,316
Municipal Court:				
Personnel services	434,926	434,926	210,414	224,512
Materials and services	276,100	276,100	113,562	162,538
Subtotal	711,026	711,026	323,976	387,050
Police:				
Personnel services	4,612,408	4,612,408	2,089,261	2,523,147
Materials and services	682,748	682,748	265,694	417,054
Capital outlay	225,000	225,000	109,823	115,177
Subtotal	5,520,156	5,520,156	2,464,778	3,055,378
Fire:				
Personnel services	2,214,070	2,214,070	1,066,104	1,147,966
Materials and services	792,330	792,330	318,594	473,736
Capital outlay	511,061	702,681	450,925	251,756
Subtotal	3,517,461	3,709,081	1,835,623	1,873,458
Parks:				
Personnel services	656,978	656,978	311,183	345,795
Materials and services	406,860	406,860	133,252	273,608
Capital outlay	188,611	188,611	39,922	148,689
Subtotal	1,252,449	1,252,449	484,357	768,092
Recreation:				
Personnel services	66,000	66,000	18,707	47,293
Materials and services	10,200	10,200	1,934	8,266
Subtotal	76,200	76,200	20,641	55,559
Senior Center:				
Personnel services	562,487	562,487	262,049	300,438
Materials and services	95,768	95,768	38,419	57,349
Capital outlay	13,000	13,000	-	13,000
Subtotal	671,255	671,255	300,468	370,787
Library:				
Personnel services	555,000	555,000	192,752	362,248
Materials and services	421,550	421,550	182,223	239,327
Subtotal	976,550	976,550	374,975	601,575
Total expenditures	\$ 17,198,940	\$ 17,435,560	\$ 7,619,538	\$ 9,816,022



**CITY OF GLADSTONE, OREGON  
CIVIC BUILDING CAPITAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2020**

	Budget for the 2019-2020 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2019-20	Final Budget
<b>EXPENDITURES:</b>				
Capital outlay	\$ 12,766,000	\$ 12,766,000	\$ 10,699,980	\$ 2,066,020
Total expenditures	12,766,000	12,766,000	10,699,980	2,066,020
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	12,766,000	12,766,000	10,850,883	(1,915,117)
Total other financing sources (uses)	12,766,000	12,766,000	10,850,883	(1,915,117)
Net changes in fund balances	-	-	150,903	150,903
<b>FUND BALANCES, BEGINNING</b>	-	-	766	766
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 151,669	\$ 151,669

**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

**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, 2020**

	Budget for the 2018-2019 Biennium		Actual	Variance with
	Original	Final	1st Year FY 2019-20	Final Budget
<b>REVENUES:</b>				
Service charges	\$ 3,419,750	\$ 3,419,750	\$ 1,871,349	\$ (1,548,401)
Connection and installation fees	10,000	10,000	8,485	(1,515)
System development charges	10,000	10,000	64,660	54,660
Miscellaneous	20,000	20,000	10,289	(9,711)
<b>Total revenues</b>	<b>3,459,750</b>	<b>3,459,750</b>	<b>1,954,783</b>	<b>(1,504,967)</b>
<b>EXPENDITURES:</b>				
Personnel service	859,873	859,873	389,768	470,105
Materials and service	2,006,160	2,006,160	797,923	1,208,237
Capital outlay	1,777,762	1,777,762	155,224	1,622,538
Debt service:				
Principal	317,000	317,000	155,000	162,000
Interest	40,124	40,124	20,154	19,970
Contingency	400,000	400,000	-	400,000
<b>Total expenditures</b>	<b>5,400,919</b>	<b>5,400,919</b>	<b>1,518,069</b>	<b>3,882,850</b>
Revenues over (under) expenditures	(1,941,169)	(1,941,169)	436,714	2,377,883
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	169,560	169,560	64,775	(104,785)
Transfers out	(237,391)	(237,391)	(126,519)	110,872
<b>Total other financing sources (uses)</b>	<b>(67,831)</b>	<b>(67,831)</b>	<b>(61,744)</b>	<b>6,087</b>
Net changes in fund balances	(2,009,000)	(2,009,000)	374,970	2,383,970
<b>FUND BALANCE, BEGINNING- BUDGETARY BASIS</b>	<b>2,009,000</b>	<b>2,009,000</b>	<b>2,728,517</b>	<b>719,517</b>
<b>FUND BALANCES, ENDING - BUDGETARY BASIS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,103,487</b>	<b>\$ 3,103,487</b>

	Revenues	Expenditures/ Expenses
Total revenue and expenditures above	\$ 1,954,783	\$ 1,518,069
Operating transfers in/out	64,775	126,519
Expenditures capitalized	-	(152,075)
Compensated absences	-	40,098
Debt service principal payments	-	(155,000)
Depreciation expense	-	145,684
Net pension activity	-	103,120
Net OPEB asset	-	(1,812)
Net OPEB obligation	-	(4,659)
Equity in net income/loss of joint venture	2,324	-
<b>Total revenues and expenses - generally accepted accounting principles</b>	<b>\$ 2,021,882</b>	<b>1,619,944</b>
<b>Change in net position</b>		<b>\$ 401,938</b>

**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, 2020**

	Budget for the		Actual	Variance with Final Budget
	2018-2019 Biennium		1st Year	
	Original	Final	FY 2019-20	
<b>REVENUES:</b>				
Service charge	\$ 4,823,331	\$ 4,823,331	\$ 2,648,334	\$ (2,174,997)
Connection and installation fees	10,000	10,000	38	(9,962)
System development charge	15,000	15,000	74,933	59,933
Miscellaneous	2,000	2,000	13,949	11,949
<b>Total revenues</b>	<b>4,850,331</b>	<b>4,850,331</b>	<b>2,737,254</b>	<b>(2,113,077)</b>
<b>EXPENDITURES:</b>				
Personnel service	676,057	676,057	290,963	385,094
Materials and service	3,993,373	3,993,373	1,838,220	2,155,153
Capital outlay	949,046	949,046	160,913	788,133
Contingency	35,000	35,000	-	35,000
<b>Total expenditures</b>	<b>5,653,476</b>	<b>5,653,476</b>	<b>2,290,096</b>	<b>3,363,380</b>
Revenues over (under) expenditures	(803,145)	(803,145)	447,158	1,250,303
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	169,560	169,560	64,775	(104,785)
Transfers out	(302,415)	(302,415)	(162,791)	139,624
<b>Total other financing sources (uses)</b>	<b>(132,855)</b>	<b>(132,855)</b>	<b>(98,016)</b>	<b>34,839</b>
Net changes in fund balances	(936,000)	(936,000)	349,142	1,285,142
<b>FUND BALANCE, BEGINNING- BUDGETARY BASIS</b>	<b>936,000</b>	<b>936,000</b>	<b>1,202,166</b>	<b>266,166</b>
<b>FUND BALANCES, ENDING - BUDGETARY BASIS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,551,308</b>	<b>\$ 1,551,308</b>
			<b>Revenues</b>	<b>Expenditures/ Expenses</b>
Total revenue and expenditures above			\$ 2,737,254	\$ 2,290,096
Operating transfers in/out			64,775	162,791
Expenditures capitalized			-	(157,764)
Compensated absences			-	(6,700)
Depreciation expense			-	136,552
Net pension activity			-	73,878
Net OPEB asset			-	(1,343)
Net OPEB obligation			-	(4,951)
<b>Total revenues and expenses - generally accepted accounting principles</b>			<b>\$ 2,802,029</b>	<b>2,492,559</b>
<b>Change in net position</b>				<b>\$ 309,470</b>

**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, 2020**

	Budget for the 2018-2019 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2019-20	
<b>REVENUES:</b>				
Service charge	\$ 1,593,530	\$ 1,593,530	\$ 694,398	\$ (899,132)
System development charge	10,000	10,000	55,250	45,250
Miscellaneous	-	-	10,289	10,289
Total revenues	1,603,530	1,603,530	759,937	(843,593)
<b>EXPENDITURES:</b>				
Personnel service	562,789	562,789	205,495	357,294
Materials and service	238,960	238,960	93,408	145,552
Capital outlay	995,917	995,917	109,456	886,461
Contingency	100,000	100,000	-	100,000
Total expenditures	1,897,666	1,897,666	408,359	1,489,307
Revenues over (under) expenditures	(294,136)	(294,136)	351,578	645,714
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	169,560	169,560	64,775	(104,785)
Transfers out	(140,424)	(140,424)	(65,092)	75,332
Total other financing sources (uses)	29,136	29,136	(317)	(29,453)
Net changes in fund balances	(265,000)	(265,000)	351,261	616,261
<b>FUND BALANCE, BEGINNING- BUDGETARY BASIS</b>	265,000	265,000	378,889	113,889
<b>FUND BALANCES, ENDING - BUDGETARY BASIS</b>	\$ -	\$ -	\$ 730,150	\$ 730,150
			Revenues	Expenditures/ Expenses
Total revenue and expenditures above			\$ 759,937	\$ 408,359
Operating transfers in/out			64,775	65,092
Expenditures capitalized			-	(106,306)
Compensated absences			-	1,457
Depreciation expense			-	16,809
Net pension liability			-	25,829
Net OPEB Asset			-	(552)
Net OPEB liability			-	(4,837)
Total revenues and expenses - generally accepted accounting principles			\$ 824,712	405,851
Change in net position				\$ 418,861

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **AUDIT COMMENTS AND DISCLOSURES**

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

The Honorable Mayor and City Council  
City of Gladstone, Oregon

We have audited the basic financial statements of the City of Gladstone, as of and for the year ended June 30, 2020 and have issued our report thereon dated December 21, 2020. 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 North Clackamas County Water Commission, a joint venture of the City of Gladstone as described in our report on the City of Gladstone'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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- 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.

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



## **OAR 162-10-0230 Internal Control**

In planning and performing our audit of the financial statements, we considered City of Gladstone'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's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gladstone'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 21, 2020