

**CITY OF GLADSTONE, OREGON**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY DATA**

For the Fiscal Year Ended

June 30, 2008

with

Independent Auditor's Report

**MERINA**  
**& COMPANY, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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5499 AMY STREET • WEST LINN, OR 97068

PHONE: (503) 723-0300 • FAX: (503) 723-9946 • [WWW.MERINACPAS.COM](http://WWW.MERINACPAS.COM)



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**INTRODUCTORY SECTION**



**CITY OF GLADSTONE, OREGON**  
**CITY OFFICIALS**  
**June 30, 2008**

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City Officials

Wade Byers, Mayor  
Gladstone, Oregon 97027

Term Expires  
December 31, 2010

Council Members

Tom Pagh, President  
Gladstone, Oregon 97027

December 31, 2008

Hal Busch  
Gladstone, Oregon 97027

December 31, 2010

Ray Jaren  
Gladstone, Oregon 97027

December 31, 2010

Kari Martinez  
Gladstone, Oregon 97027

December 31, 2010

Judith Ervin  
Gladstone, Oregon 97027

December 31, 2008

Carl Gardner  
Gladstone, Oregon 97027

December 31, 2008

City Administrator

Ronald J. Partch  
Gladstone, Oregon 97027

City Recorder

Jonathan Block  
Gladstone, Oregon 97027

Municipal Judge

Phil Ringle, Jr.  
Gladstone, Oregon 97027

**CITY OF GLADSTONE, OREGON**  
**CITY OFFICIALS**  
**June 30, 2008**

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Chief of Police

Frank Grace  
Gladstone, Oregon 97027

Fire Chief

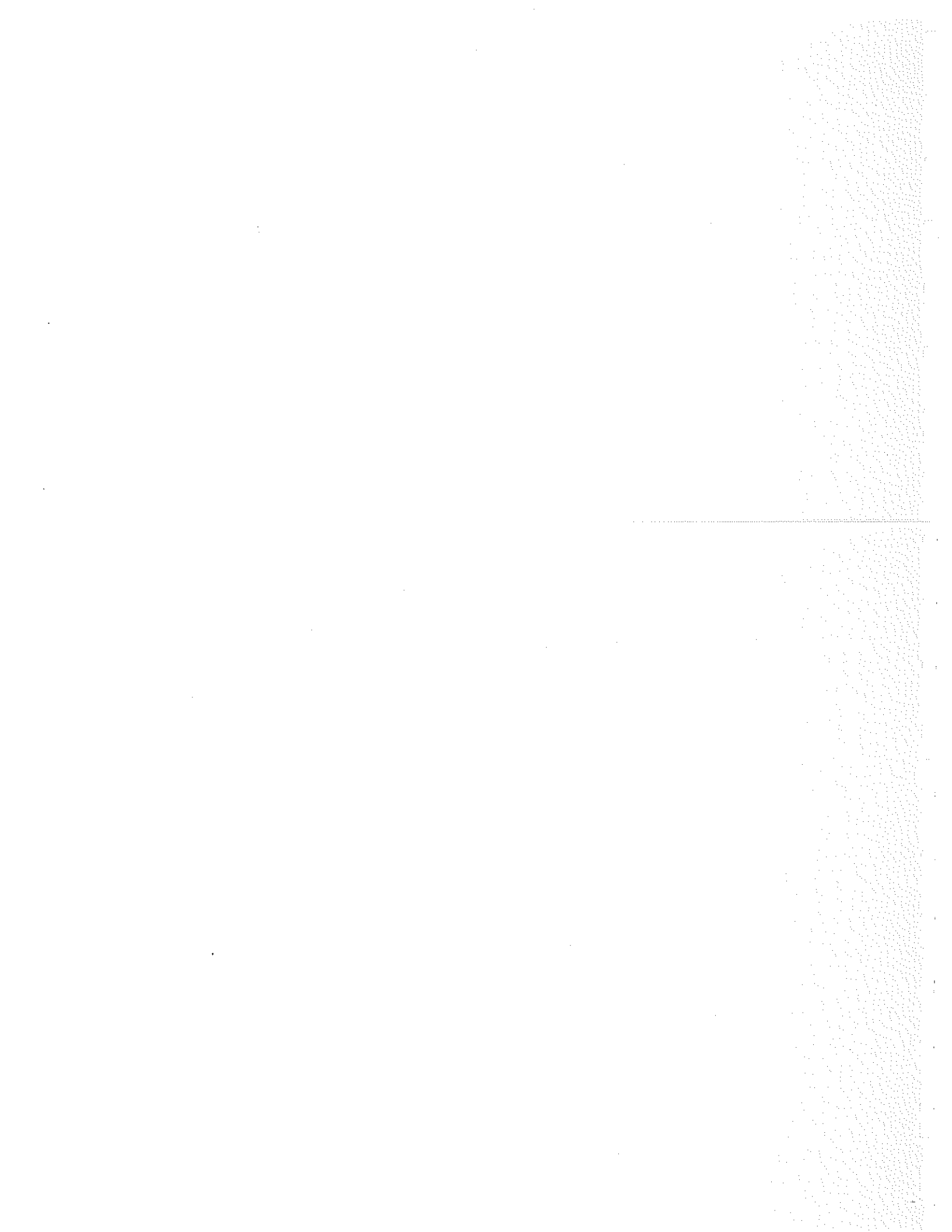
John Figini  
Gladstone, Oregon 97027

City Attorney

John H. Hammond  
Portland, Oregon 97201



**FINANCIAL SECTION**



**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gladstone, Oregon (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Gladstone, Oregon, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Gladstone, Oregon as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladstone, Oregon's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Merina & Company*

Merina & Company, LLP  
West Linn, Oregon  
December 18, 2008

## **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, 2008.

### **Financial Highlights**

The assets of the City of Gladstone exceeded its liabilities at the close of the most recent fiscal year by \$23,467,914 (net assets). Of this amount \$8,161,278 (unrestricted net assets) may be used to meet the government's obligations to creditors and to meet service expectations by its citizens.

The City's total net assets increased by \$1,454,590.

The City's governmental activities reported total net assets of \$14,950,531. Of this amount \$3,642,308 is unrestricted and thus available for spending at the City's discretion.

The City's business-type activities reported total net assets of \$8,517,383. Of this amount \$4,518,970 is unrestricted and thus available for spending at the City's discretion.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Gladstone's basic financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** Government-wide financial statements are designed to provide readers with a broad overview of the City of Gladstone's finances in a manner similar to a private-sector business.

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

A statement of activities in this discussion and analysis presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). Governmental activities of the City of Gladstone include general government, public safety, highways and streets, culture and recreation and urban renewal. Urban renewal is considered a component of the City of Gladstone even though it has separate financial statements and management discussion and analysis. Business type activities consist of water and sewer.

**Fund Financial Statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gladstone, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Gladstone can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Gladstone maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, State Revenue Sharing Fund and Urban Renewal Fund. All of these funds are considered to be major funds. Data from the other three non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the other supplementary information described below.

**Proprietary Funds.** Proprietary funds represent two segments of operations, water and sewer, used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing these services to the general public on a continuing basis be financed primarily through user charges.

**Fiduciary funds.** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds consisting of a Municipal Court Fund and Library Board Trust Fund are custodial in nature and do not involve measurement of results of operations.

**Notes to the Basic Financial Statements.** Notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

**Required Supplementary Information.** Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered part of basic financial statements. A budgetary comparison schedule for major governmental funds is presented immediately following the notes to the basic financial statements.

**Other Supplementary Information.** The statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information.

**Government-wide Financial Analysis**

With this fifth year implementation of GASB 34, the City is presenting comparable columns for fiscal years ending June 30, 2008 and June 30, 2007.

The following table reflects a Summary of Net Assets for these fiscal years.

**TABLE 1**  
**Summary of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash and investments	3,853,277	3,769,061	596,437	536,379	4,449,714	4,305,440
Restricted cash and investments	5,513	14,378	236,516	216,126	242,029	230,504
Other assets	785,889	699,581	3,482,085	3,547,226	4,267,974	4,246,807
Capital assets	10,661,297	9,882,429	6,873,881	6,636,541	17,535,178	16,518,970
<b>Total assets</b>	<b>15,305,976</b>	<b>14,365,449</b>	<b>11,188,919</b>	<b>10,936,272</b>	<b>26,494,895</b>	<b>25,301,721</b>
<b>Total liabilities</b>	<b>355,445</b>	<b>497,907</b>	<b>2,671,536</b>	<b>2,790,490</b>	<b>3,026,981</b>	<b>3,288,397</b>
<b>Net assets</b>						
Invested in capital assets, net of debt	10,661,297	9,882,429	3,761,897	3,503,557	14,423,194	13,385,986
Restricted for other purposes	646,926	560,382	236,516	216,126	883,442	776,508
Unrestricted (deficit)	3,642,308	3,424,731	4,518,970	4,426,099	8,161,278	7,850,830
<b>Total Net Assets</b>	<b>14,950,531</b>	<b>13,867,542</b>	<b>8,517,383</b>	<b>8,145,782</b>	<b>23,467,914</b>	<b>22,013,324</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$ 23,467,914 at the close of the most recent fiscal year.

By far the largest portion of the City of Gladstone's net assets reflect its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets do not have financial liquidity easily available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities. The remaining balance of \$8,161,278 is unrestricted net assets 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 2007-2008 and 2006-2007.

**TABLE 2**  
**Governmental and Proprietary Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	546,394	461,055	2,144,625	2,190,696	2,691,019	2,651,751
Operating grants and contributions	142,205	69,192	-	-	142,205	69,192
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	4,233,921	4,060,207	-	-	4,233,921	4,060,207
Franchise fees and public services taxes	1,568,613	1,543,784	-	-	1,568,613	1,543,784
Grants and contributions not restricted	120,445	118,346	-	-	120,445	118,346
Interest	188,715	237,163	-	-	188,715	237,163
Other	101,032	97,081	45,712	41,480	146,744	138,561
<b>Total Revenues</b>	<b>6,901,325</b>	<b>6,586,828</b>	<b>2,190,337</b>	<b>2,232,176</b>	<b>9,091,662</b>	<b>8,819,004</b>
<b>EXPENSES</b>						
Governmental activities:						
General government	818,896	780,941	-	-	818,896	780,941
Public safety	3,291,502	2,924,640	-	-	3,291,502	2,924,640
Highways and streets	394,830	500,755	-	-	394,830	500,755
Culture and recreation	1,061,862	990,053	-	-	1,061,862	990,053
Urban renewal	25,476	57,252	-	-	25,476	57,252
Business type activities:						
Water	-	-	907,768	888,065	907,768	888,065
Sewer	-	-	1,124,020	1,191,859	1,124,020	1,191,859
<b>Total Expenses</b>	<b>5,592,566</b>	<b>5,253,641</b>	<b>2,031,788</b>	<b>2,079,924</b>	<b>7,624,354</b>	<b>7,333,565</b>
Increase in net assets before transfers and internal balances	1,308,759	1,333,187	158,549	152,252	1,467,308	1,485,439
Transfers	(225,770)	(298,702)	225,770	298,702	-	-
Gain (loss) on sale of capital asset	-	(103,942)	-	-	-	(103,942)
Equity income (loss) in joint venture	-	-	(12,718)	(188,266)	(12,718)	(188,266)
Internal balances	-	17,000	-	(17,000)	-	-
<b>Changes in net assets</b>	<b>1,082,989</b>	<b>947,543</b>	<b>371,601</b>	<b>245,688</b>	<b>1,454,590</b>	<b>1,193,231</b>
<b>Beginning net assets</b>	<b>13,867,542</b>	<b>12,919,998</b>	<b>8,145,782</b>	<b>7,900,094</b>	<b>22,013,324</b>	<b>20,820,093</b>
<b>Ending net assets</b>	<b>14,950,531</b>	<b>13,867,542</b>	<b>8,517,383</b>	<b>8,145,782</b>	<b>23,467,914</b>	<b>22,013,324</b>



**Governmental activities.** Governmental activities increased the City of Gladstone's net assets by \$1,082,989.

**Business-type activities.** Business-type activities increased the City of Gladstone's net assets by \$371,601.

**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, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City of Gladstone's governmental funds reported combined ending fund balances of \$4,294,709.

**Proprietary funds.** The City's proprietary funds are the same as the enterprise 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.

**General Fund Budgetary Highlights**

There were no material changes to the budget of the General Fund during the 2007-2008 year.

**Capital Assets and Debt Administration**

The following tables compare capital assets and changes in capital assets as of June 30, 2007 and June 30, 2008.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	5,519,830	5,519,830	640,964	640,964	6,160,794	6,160,794
Buildings	1,469,720	1,257,723	23,012	33,437	1,492,732	1,291,160
Motor vehicles and equipment	1,002,676	1,063,724	(307)	2,932	1,002,369	1,066,656
Investment in joint venture	-	-	3,401,324	3,414,042	3,401,324	3,414,042
Infrastructure	2,669,071	2,041,152	6,210,211	5,959,208	8,879,282	8,000,360
<b>Total</b>	<b>10,661,297</b>	<b>9,882,429</b>	<b>10,275,204</b>	<b>10,050,583</b>	<b>20,936,501</b>	<b>19,933,012</b>

**Table 4**  
**Changes in Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Beginning balance	9,882,429	8,492,711	10,050,583	10,075,825	19,933,012	18,568,536
Additions	1,152,226	1,651,525	488,406	407,750	1,640,632	2,059,275
Depreciation	(367,553)	(260,143)	(251,067)	(244,726)	(618,620)	(504,869)
Deletions	(5,805)	(1,664)	(12,718)	(188,266)	(18,523)	(189,930)
Ending Balance	10,661,297	9,882,429	10,275,204	10,050,583	20,936,501	19,933,012

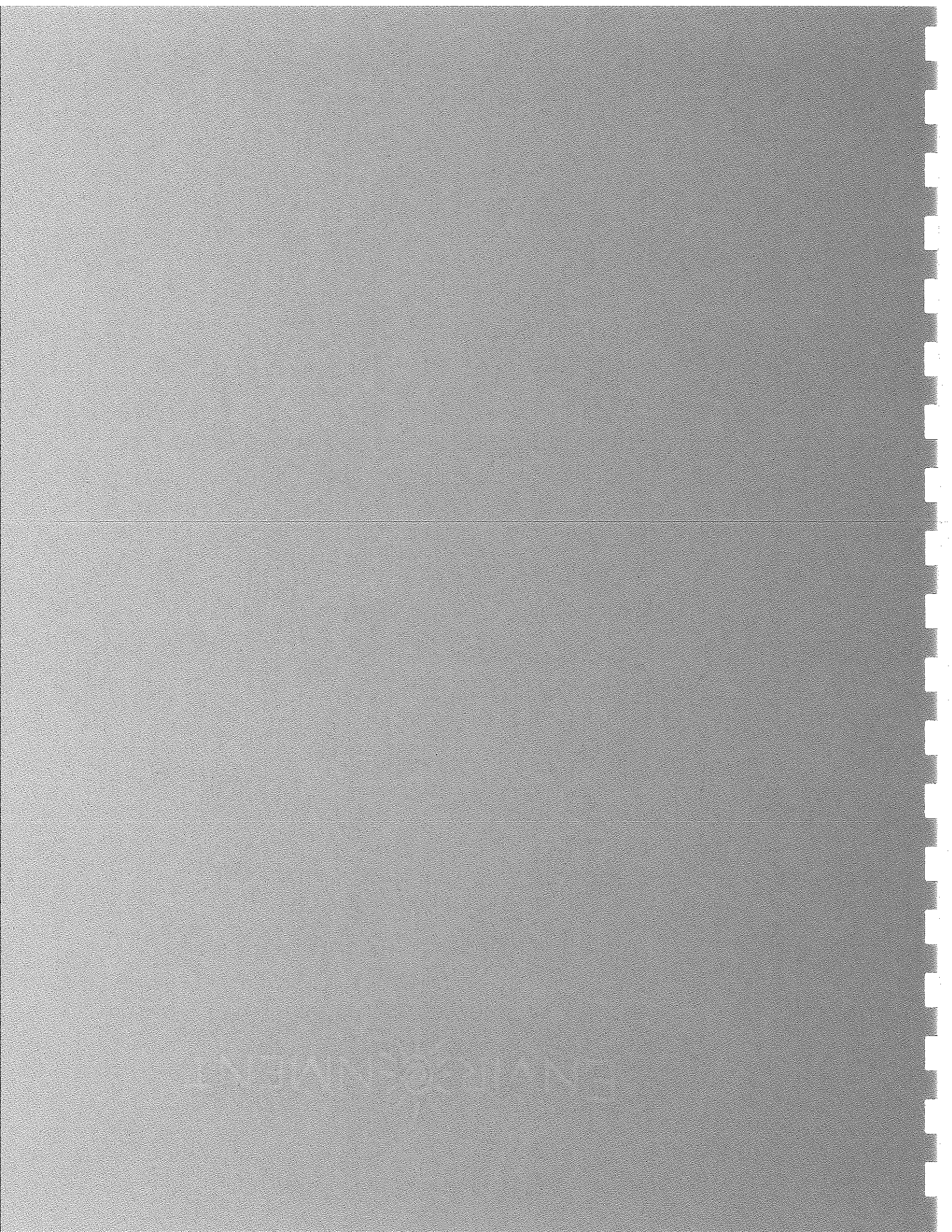
**Long-term debt.** At June 30, 2008, the City had long-term debt outstanding of \$2,676,789 of which \$2,465,000 was for the purchase of equity ownership in a water treatment facility and the remaining balance was for compensated absences. At June 30, 2007, the City's long-term debt outstanding was \$2,791,425 of which \$231,425 was for compensated absences. State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total real market value of all taxable property within its boundary. The current debt limitation for the City of Gladstone is \$29,784,481.

**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. Next year's financial circumstances should decrease due to one-time major capital expenditures associated with Fire Department and, to a lesser extent, the Water Department. The following fiscal year revenues should again exceed expenditures.

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

**BASIC FINANCIAL STATEMENTS**





## **BASIC FINANCIAL STATEMENTS**

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

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

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



City of  
**Gladstone**

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**CITY OF GLADSTONE, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,155,225	\$ 596,437	\$ 3,751,662
Cash with county treasurer	30,010	-	30,010
Accounts receivable	16,931	350,015	366,946
Property taxes receivable	215,598	-	215,598
Prepays	-	157,771	157,771
Due from other governments	41,634	-	41,634
Miscellaneous	14,742	-	14,742
<b>Total current assets</b>	<b>3,474,140</b>	<b>1,104,223</b>	<b>4,578,363</b>
Noncurrent assets:			
Internal balances	496,984	(496,984)	-
Restricted cash and investments	673,555	236,516	910,071
Assessments receivable	-	10,801	10,801
Bond issue cost	-	56,689	56,689
Interest receivable	-	2,469	2,469
Investment in joint venture	-	3,401,324	3,401,324
Capital assets, net	10,661,297	6,873,881	17,535,178
<b>Total noncurrent assets</b>	<b>11,831,836</b>	<b>10,084,696</b>	<b>21,916,532</b>
<b>Total assets</b>	<b>15,305,976</b>	<b>11,188,919</b>	<b>26,494,895</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	150,923	151,498	302,421
Interest payable	-	47,771	47,771
Accrued compensated absences	204,522	7,267	211,789
Bonds payable - current maturity	-	110,000	110,000
<b>Total current liabilities</b>	<b>355,445</b>	<b>316,536</b>	<b>671,981</b>
Noncurrent liabilities:			
Bonds payable	-	2,355,000	2,355,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>2,355,000</b>	<b>2,355,000</b>
<b>Total liabilities</b>	<b>355,445</b>	<b>2,671,536</b>	<b>3,026,981</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,661,297	3,761,897	14,423,194
Restricted for:			
Other purposes	646,926	236,516	883,442
Unrestricted	3,642,308	4,518,970	8,161,278
<b>Total net assets</b>	<b>14,950,531</b>	<b>8,517,383</b>	<b>23,467,914</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,305,976</b>	<b>\$ 11,188,919</b>	<b>\$ 26,494,895</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, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 818,896	\$ 52,716	\$ -
Public safety	3,291,502	234,161	88,259
Highways and streets	394,830	175,957	-
Urban and renewal	25,476	-	-
Culture and recreation	1,061,862	83,560	53,946
Total governmental activities	<u>5,592,566</u>	<u>546,394</u>	<u>142,205</u>
Business-type activities:			
Water Fund	907,768	925,511	-
Sewer Fund	1,124,020	1,219,114	-
Total business type activities	<u>2,031,788</u>	<u>2,144,625</u>	<u>-</u>
Total government	<u>\$ 7,624,354</u>	<u>\$ 2,691,019</u>	<u>\$ 142,205</u>

General revenues:

Taxes:

Property taxes

Public service taxes

Franchise fees

Grants and contributions not restricted to specific pro

Interest and investment earnings

Equity in income (loss) of joint venture

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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



Net Expense Revenue and Change in Net Asset		
Governmental Activities	Business Type Activities	Total
\$ (766,180)	\$ -	\$ (766,180)
(2,969,082)	-	(2,969,082)
(218,873)	-	(218,873)
(25,476)	-	(25,476)
(924,356)	-	(924,356)
(4,903,967)	-	(4,903,967)
-	17,743	17,743
-	95,094	95,094
-	112,837	112,837
(4,903,967)	112,837	(4,791,130)
4,233,921	-	4,233,921
1,067,382	-	1,067,382
501,231	-	501,231
120,445	-	120,445
188,715	-	188,715
-	(12,718)	(12,718)
101,032	45,712	146,744
(225,770)	225,770	-
5,986,956	258,764	6,245,720
1,082,989	371,601	1,454,590
13,867,542	8,145,782	22,013,324
\$ 14,950,531	\$ 8,517,383	\$ 23,467,914

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



City of  
**Gladstone**

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## **FUND FINANCIAL STATEMENTS**

### **Major Governmental Funds**

#### **General Fund**

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

#### **State Revenue Sharing Fund**

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

#### **Road and Street Fund**

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

#### **Urban Renewal Agency Fund**

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

**CITY OF GLADSTONE, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2008**

	General Fund	State Revenue Sharing Fund	Road and Street Fund
<b>ASSETS</b>			
Cash and investments	\$ 2,168,739	\$ -	\$ 133,105
Restricted cash and investments	281,287	-	392,268
Cash with county treasurer	20,516	-	-
Accounts receivable	-	-	-
Property taxes receivable	148,663	-	-
Due from other funds	89,686	496,984	-
Due from other governments	-	-	41,634
Miscellaneous	14,742	-	-
	<u>2,723,633</u>	<u>496,984</u>	<u>567,007</u>
Total assets	<u>\$ 2,723,633</u>	<u>\$ 496,984</u>	<u>\$ 567,007</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 138,334	\$ -	\$ 10,839
Deferred revenue	137,039	-	-
Due to other funds	-	89,686	-
	<u>275,373</u>	<u>89,686</u>	<u>10,839</u>
Total liabilities	<u>275,373</u>	<u>89,686</u>	<u>10,839</u>
<b>FUND BALANCES:</b>			
Unreserved, reported in:			
General fund	2,448,260	-	-
Special revenue fund	-	407,298	556,168
	<u>2,448,260</u>	<u>407,298</u>	<u>556,168</u>
Total fund balance	<u>2,448,260</u>	<u>407,298</u>	<u>556,168</u>
Total liabilities and fund balance	<u>\$ 2,723,633</u>	<u>\$ 496,984</u>	<u>\$ 567,007</u>

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

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

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

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

Net assets of governmental activities

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

<u>Urban Renewal Agency Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 276,006	\$ 577,375	\$ 3,155,225
-	-	673,555
4,960	4,534	30,010
-	16,931	16,931
35,474	31,461	215,598
-	-	586,670
-	-	41,634
-	-	14,742
<u>\$ 316,440</u>	<u>\$ 630,301</u>	<u>\$ 4,734,365</u>

\$ -	\$ 1,750	\$ 150,923
32,666	29,342	199,047
-	-	89,686
<u>32,666</u>	<u>31,092</u>	<u>439,656</u>

-	-	2,448,260
<u>283,774</u>	<u>599,209</u>	<u>1,846,449</u>
<u>283,774</u>	<u>599,209</u>	4,294,709
<u>\$ 316,440</u>	<u>\$ 630,301</u>	

10,661,297

199,047

(204,522)

\$ 14,950,531

*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, 2008**

	General Fund	State Revenue Sharing Fund	Road and Street Fund
<b>REVENUES:</b>			
Property taxes	\$ 2,864,552	\$ -	\$ -
Public service taxes	442,022	-	529,584
Franchise taxes	501,231	-	-
Grants	142,206	89,874	-
Charges for services	108,397	-	175,957
Licenses and permits	27,879	-	-
Fines and forfeitures	234,161	-	-
Contributions and donations	30,570	-	-
Interest	151,187	5,996	-
Miscellaneous	173,338	-	207,684
<b>Total revenues</b>	<b>4,675,543</b>	<b>95,870</b>	<b>913,225</b>
<b>EXPENDITURES:</b>			
Current:			
General government	798,978	-	-
Public safety	2,471,372	-	-
Highways and streets	-	-	342,714
Urban and renewal	-	-	-
Culture and recreation	927,011	-	-
Capital outlay	341,648	230,618	609,361
<b>Total expenditures</b>	<b>4,539,009</b>	<b>230,618</b>	<b>952,075</b>
Revenues over (under) expenditures	136,534	(134,748)	(38,850)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	89,581	-	-
Transfers out	-	-	(51,423)
<b>Total other financing sources (uses)</b>	<b>89,581</b>	<b>-</b>	<b>(51,423)</b>
Net changes in fund balances	226,115	(134,748)	(90,273)
<b>FUND BALANCES, BEGINNING</b>	<b>2,222,145</b>	<b>542,046</b>	<b>646,441</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 2,448,260</b>	<b>\$ 407,298</b>	<b>\$ 556,168</b>

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

Urban Renewal Agency Fund	Other Governmental	Total Governmental
\$ 695,990	\$ 632,617	\$ 4,193,159
-	95,776	1,067,382
-	-	501,231
-	-	232,080
-	-	284,354
-	-	27,879
-	-	234,161
-	-	30,570
12,901	18,631	188,715
10	220,000	601,032
<u>708,901</u>	<u>967,024</u>	<u>7,360,563</u>
-	-	798,978
-	432,256	2,903,628
-	-	342,714
25,505	-	25,505
-	-	927,011
<u>639,865</u>	<u>305,337</u>	<u>2,126,829</u>
<u>665,370</u>	<u>737,593</u>	<u>7,124,665</u>
43,531	229,431	235,898
-	-	89,581
-	(16,382)	(67,805)
-	(16,382)	21,776
43,531	213,049	257,674
<u>240,243</u>	<u>386,160</u>	<u>4,037,035</u>
<u>\$ 283,774</u>	<u>\$ 599,209</u>	<u>\$ 4,294,709</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, 2008**

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Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ 257,674
The statement of revenues, expenditures, and changes if 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 depreciation exceeded capital outlay in the current period	778,868
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds	40,762
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceed repayments	<u>5,685</u>
Change in net assets of governmental activities	<u>\$ 1,082,989</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.

Fund description

**CITY OF GLADSTONE, OREGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 110,843	\$ 485,594	\$ 596,437
Trade accounts receivable	151,071	198,944	350,015
Prepays	157,771	-	157,771
<b>Total current assets</b>	<b>419,685</b>	<b>684,538</b>	<b>1,104,223</b>
<b>Noncurrent assets:</b>			
Assessments receivable	-	10,801	10,801
Interest receivable	-	2,469	2,469
Restricted cash	99,368	137,148	236,516
Due from other funds	-	150,000	150,000
Bond issue cost	56,689	-	56,689
Investment in joint venture	3,401,324	-	3,401,324
Capital assets, net	4,149,146	2,724,735	6,873,881
<b>Total noncurrent assets</b>	<b>7,706,527</b>	<b>3,025,153</b>	<b>10,731,680</b>
<b>Total assets</b>	<b>\$ 8,126,212</b>	<b>\$ 3,709,691</b>	<b>\$ 11,835,903</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 9,494	\$ 142,004	\$ 151,498
Interest payable	47,771	-	47,771
Accrued compensated absences	1,131	6,136	7,267
Bonds payable - current maturity	110,000	-	110,000
Bonds payable	2,355,000	-	2,355,000
Due to other funds	646,984	-	646,984
<b>Total liabilities</b>	<b>3,170,380</b>	<b>148,140</b>	<b>3,318,520</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	1,037,162	2,724,735	3,761,897
Restricted for:			
Other purposes	99,368	137,148	236,516
Unrestricted	3,819,302	699,668	4,518,970
<b>Total net assets</b>	<b>4,955,832</b>	<b>3,561,551</b>	<b>8,517,383</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,126,212</b>	<b>\$ 3,709,691</b>	<b>\$ 11,835,903</b>

*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 FUND NET ASSETS**  
**For the Fiscal Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES:</b>			
Service charges	\$ 898,684	\$ 1,191,545	\$ 2,090,229
Connection and installation fees	9,470	24,536	34,006
System development charge	17,357	3,033	20,390
Miscellaneous	41,854	3,858	45,712
<b>Total operating revenues</b>	<b>967,365</b>	<b>1,222,972</b>	<b>2,190,337</b>
<b>OPERATING EXPENSES:</b>			
Purchases	231,281	799,764	1,031,045
Salaries and fringe benefits	200,626	164,908	365,534
Contract charges	10,718	-	10,718
Connection turnovers	-	14,638	14,638
Maintenance and repairs	156,098	67,179	223,277
Utilities	15,039	495	15,534
Depreciation and amortization	174,031	77,036	251,067
Supplies	8,935	-	8,935
Miscellaneous	15,525	-	15,525
<b>Total operating expenses</b>	<b>812,253</b>	<b>1,124,020</b>	<b>1,936,273</b>
<b>Operating income (loss)</b>	<b>155,112</b>	<b>98,952</b>	<b>254,064</b>
<b>NON-OPERATING INCOME (EXPENSE):</b>			
Interest expense	(95,515)	-	(95,515)
Equity in income/loss of joint venture	(12,718)	-	(12,718)
<b>Total non-operating income (expenses)</b>	<b>(108,233)</b>	<b>-</b>	<b>(108,233)</b>
<b>Net income (loss) before operating transfers</b>	<b>46,879</b>	<b>98,952</b>	<b>145,831</b>
<b>TRANSFERS:</b>			
Transfers in (out)	247,546	(21,776)	225,770
<b>Change in net assets</b>	<b>294,425</b>	<b>77,176</b>	<b>371,601</b>
<b>NET ASSETS, BEGINNING</b>	<b>4,661,407</b>	<b>3,484,375</b>	<b>8,145,782</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 4,955,832</b>	<b>\$ 3,561,551</b>	<b>\$ 8,517,383</b>

*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, 2008**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 967,143	\$ 1,214,671	\$ 2,181,814
Cash paid to employees and others for salaries and benefits	(210,159)	(169,326)	(379,485)
Cash paid to suppliers and others	(473,580)	(868,252)	(1,341,832)
Net cash provided (used) by operating activities	<u>283,404</u>	<u>177,093</u>	<u>460,497</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Payment from (to) other funds	74,000	-	74,000
Transfers in (out)	<u>247,546</u>	<u>(21,776)</u>	<u>225,770</u>
Net cash provided (used) by non-capital financing activities	<u>321,546</u>	<u>(21,776)</u>	<u>299,770</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets	(485,907)	(2,500)	(488,407)
Interest paid on capital debt	(96,939)	-	(96,939)
Bond costs	3,335	-	3,335
Bond proceeds	<u>(95,000)</u>	<u>(2,718)</u>	<u>(97,718)</u>
Net cash provided (used) by capital and related financing activities	<u>(674,511)</u>	<u>(5,218)</u>	<u>(679,729)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	-	(90)	(90)
Net cash provided (used) by investing activities	<u>-</u>	<u>(90)</u>	<u>(90)</u>
Net increase in cash and cash equivalents	(69,561)	150,009	80,448
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>279,772</u>	<u>472,733</u>	<u>752,505</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 210,211</u>	<u>\$ 622,742</u>	<u>\$ 832,953</u>
<b>COMPRISED AS FOLLOWS:</b>			
Unrestricted	\$ 110,843	\$ 485,594	\$ 596,437
Restricted	<u>99,368</u>	<u>137,148</u>	<u>236,516</u>
Total	<u>\$ 210,211</u>	<u>\$ 622,742</u>	<u>\$ 832,953</u>

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

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income	\$ 155,112	\$ 98,952	\$ 254,064
Adjustments			
Depreciation	174,031	77,036	251,067
Decrease (increase) in:			
Accounts receivable	(222)	(8,301)	(8,523)
Assessments receivable	(13,581)	-	(13,581)
Increase (decrease) in:			
Accounts payable and accrued expenses	(22,403)	13,824	(8,579)
Deferred revenue	(9,533)	(4,418)	(13,951)
Net cash provided (used) by operating activities	<u>\$ 283,404</u>	<u>\$ 177,093</u>	<u>\$ 460,497</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 Fund**

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

##### **Library Board Trust Fund**

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

**CITY OF GLADSTONE, OREGON**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2008**

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	<u>Agency Funds</u>
<b><u>ASSETS:</u></b>	
Cash and investments	\$ 43,740
Total assets	<u>43,740</u>
<b><u>LIABILITIES:</u></b>	
Other current liabilities	\$ 43,740
Total liabilities	43,740
<b><u>NET ASSETS:</u></b>	
Total liabilities and net assets	<u>\$ 43,740</u>

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



City of  
**Gladstone**

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**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2008**

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**1. Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In June 1999, the GASB approved Statement 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments (GASB 34). This Statement provides for significant changes in financial reporting and is scheduled for phased implementation based on the size of the government, starting with fiscal years ending 2002. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, paths, street lights, etc.) The City of Gladstone financial statements for the fiscal year ended June 30, 2008 comply with the requirements of GASB 34.

**A. Description of Reporting Entity**

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

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

**Gladstone Urban Renewal Agency**

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

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

The Gladstone Senior Center Foundation (a non-profit organization) and Gladstone Library Board (an unorganized group supporting the library) have been excluded as not material in relation to the City of Gladstone and accordingly, have not been included in the City of Gladstone financial report. Only those revenues and expenditures directly processed by the City of Gladstone finance department are included in the financial statements.

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

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2008**

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**B. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide statements

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

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

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

**C. Basis of Presentation**

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

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

The City reports the following major governmental funds:

- *General Fund*
- *State Revenue Sharing Fund*
- *Road and Street Fund*
- *Urban Renewal Agency Fund*

**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2008**

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Additionally, the City reports the following non-major governmental funds within the governmental fund type:

- *Special Revenue Funds*

These funds account for revenues derived from specific taxes or other earmarked revenue sources, including state gas tax and state revenue sharing entitlements, which are legally restricted to expenditures for specified purposes.

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

- *Water Fund*
- *Sewer Fund*

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

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

#### **D. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements and the Proprietary Funds Financial Statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement *focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

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

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

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

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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The proprietary financial statements have incorporated all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**E. Cash and Cash Equivalents**

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

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

**F. Investments**

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

**G. Restricted Cash and Investments**

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

**H. 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 revenues and, accordingly, have not been recorded as revenue. Property taxes become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15 and May 15 following the lien date. All property taxes receivable are due from property owners within the City.

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

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

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**I. Capital Assets and Depreciation**

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

Capital assets are defined by the City as assets with an initial, individual cost of \$2,000 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, 2008.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets 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*

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**J. Investments Accounted For By The Equity Method**

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

**K. Compensated Absences**

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

Funds used to liquidate accrued compensated absences included the general fund, road and street fund, police communications special levy fund, fire and emergency services fund, water fund, and sewer fund.

**L. 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 Assets. 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 treated as period costs in the year of issue and are shown as other financial uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources while discounts on debt proceeds received are reported as debt service expenditures.

**M. Deferred Revenue**

Deferred revenues represent uncollected property taxes and other revenues not deemed available to finance operations of the current period.

**N. Net Assets and Fund Equity**

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of

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bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2008, there are no designations of fund balances.

**O. 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.

**P. Accounting Estimates**

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

**2. Cash and Investments**

At June 30, 2008 investments of the City and its component unit consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	0.000	\$ 4,515,736
Certificates of deposit	0.61	11,635
IDS annuity	0.22	1,959
Municipal bond	<u>19.79</u>	<u>24,670</u>
Portfolio weighted average maturity	<u>0.11</u>	<u>\$ 4,554,000</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.



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**B. Credit risk**

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

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. Oregon Revised Statutes requires the depository institution to maintain on deposit with a collateral pool manager, security having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. However, in accordance with State statutes, the State Treasurer allows certain depository banks to be the custodian with respect to their own pledged collateral securities. For these institutions, the State Treasurer is the collateral pool manager. The total bank balance at June 30, 2008 as shown on the bank statements was \$215,719. Of these deposits, \$100,000 was covered by federal depository insurance and the remainder of \$115,719 was covered by \$1,000,000 in collateral certificates held by the pledging financial institutions' trust department or agent, but not in the government's name.

**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, 2008, the City had no investments exposed to custodial credit risk.

**F. Restricted Deposits**

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

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**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.

**4. Interfund Loans Receivable, Payable, and Transfers**

Interfund loans made to the Water Fund relate to water improvement projects. These loans are not expected to be paid in the subsequent year. Loans receivable/payable to other funds include:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	Water Fund	\$ 150,000
State Revenue Sharing Fund	Water Fund	496,984
Total		<u>\$ 646,984</u>

Transfers between funds during the year were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ 89,581	\$ -
Road and Street Fund	-	51,423
Total Major Governmental Funds	<u>89,581</u>	<u>51,423</u>
Nonmajor Governmental Funds:		
Police and Communications Fund	-	11,685
Fire and Emergency Services Special Levy Fund	-	4,697
Total Non-major Governmental Funds	<u>-</u>	<u>16,382</u>
Proprietary Funds:		
Sewer Fund	-	21,776
Total Proprietary Funds	<u>-</u>	<u>21,776</u>
Total All Funds	<u>\$ 89,581</u>	<u>\$ 89,581</u>

The Police and Communications Fund, Fire and Emergency Services Special Levy Fund, Sewer Fund, and the Road and Street Fund transferred \$89,581 to the General Fund to cover general operating and administrative expenses. In addition, assets of \$247,564 were paid by the Urban Renewal Fund and State Revenue Sharing Fund then transferred to the Water Fund.

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**5. Capital Assets**

Capital asset activity for the year ended June 30, 2008 is as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,519,830	\$ -	\$ -	\$ 5,519,830
Total capital assets, not being depreciated	5,519,830	-	-	5,519,830
<i>Capital assets, being depreciated:</i>				
Buildings	2,227,171	281,242	-	2,508,413
Equipment	1,005,969	93,187	-	1,099,156
Vehicles	2,066,143	100,490	(29,501)	2,137,132
Infrastructure	2,115,117	677,307	-	2,792,424
Total capital assets, being depreciated	7,414,400	1,152,226	(29,501)	8,537,125
<i>Less accumulated depreciation for:</i>				
Buildings	(969,448)	(69,245)	-	(1,038,693)
Equipment	(770,642)	(107,175)	-	(877,817)
Vehicles	(1,237,746)	(141,745)	23,696	(1,355,795)
Infrastructure	(73,965)	(49,388)	-	(123,353)
Total accumulated depreciation	(3,051,801)	(367,553)	23,696	(3,395,658)
Total capital assets, being depreciated, net	4,362,599	784,673	(5,805)	5,141,467
Governmental activities capital assets, net	\$ 9,882,429	\$ 784,673	\$ (5,805)	\$ 10,661,297

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<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><i>Capital assets, not being depreciated:</i></b>				
Land	\$ 640,964	\$ -	\$ -	\$ 640,964
Investment in Joint Venture	3,414,042	-	(12,718)	3,401,324
Total capital assets, not being depreciated	<u>4,055,006</u>	<u>-</u>	<u>(12,718)</u>	<u>4,042,288</u>
<b><i>Capital assets, being depreciated:</i></b>				
Buildings	299,113	-	-	299,113
Equipment	64,214	-	-	64,214
Vehicles	115,130	-	(12,313)	102,817
Infrastructure	9,581,255	488,406	-	10,069,661
Total capital assets being depreciated	<u>10,059,712</u>	<u>488,406</u>	<u>(12,313)</u>	<u>10,535,805</u>
<b><i>Less accumulated depreciation for:</i></b>				
Buildings	(265,676)	(10,425)	-	(276,101)
Equipment	(64,050)	(471)	-	(64,521)
Vehicles	(112,362)	(2,768)	12,313	(102,817)
Infrastructure	(3,622,047)	(237,403)	-	(3,859,450)
Total accumulated depreciation	<u>(4,064,135)</u>	<u>(251,067)</u>	<u>12,313</u>	<u>(4,302,889)</u>
Total capital assets being depreciated, net	<u>5,995,577</u>	<u>237,339</u>	<u>-</u>	<u>6,232,916</u>
Business type activities capital assets, net	<u>\$ 10,050,583</u>	<u>\$ 237,339</u>	<u>\$ (12,718)</u>	<u>\$ 10,275,204</u>

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

<b>Governmental activities:</b>	
General government	\$ 14,174
Highways and Streets	52,506
Public safety	259,179
Culture and recreation	41,694
Total depreciation expense - governmental activities	<u>\$ 367,553</u>
<b>Business-type activities:</b>	
Water	\$ 174,031
Sewer	77,036
Total depreciation expense - business-type activities	<u>\$ 251,067</u>

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**6. Joint Venture**

The City is a member of a joint venture known as the North Clackamas County Water Commission, in which the City has a ten percent interest and the Sunrise Water Authority and the Oak Lodge Water District have forty-eight and forty-two percent interests, respectively. The joint venture was created in 1998 by the First Intergovernmental Agreement between the Damascus and Mt. Scott Water Districts (which became the Sunrise Water Authority) and the Oak Lodge Water District to plan, construct, and operate a regional water supply system with water rights from the Clackamas River; to operate, maintain, and facilities for the production of potable water from the headworks on the Clackamas River, and to cooperatively conduct water resource planning and management. The Second Intergovernmental Agreement between Sunrise Water Authority and Oak Lodge Water District in 2004 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 to the agreement access to use of their facilities to the extent that they are not needed for service of the party's own customers. Fees for such usage are determined on a cost basis.

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

The City's share of the net losses of the joint venture for the year ended June 30, 2008 was (\$12,718). The City's net equity in the joint venture as of June 30, 2008 was \$3,401,324. This interest is reported in the Water Fund and in the business-type activities column of the government-wide Statement of Net Assets as investment in joint ventures. Separate financial statements for the North Clackamas County Water Commission can be obtained from the Commission at 14496 SE River Road, Milwaukie, Oregon 97267.

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**7. Deferred Revenue**

Deferred revenue as of June 30, 2008 consists of the following:

	General Fund	Fire & Emergency Services Special Levy Fund	Police & Communications Special Levy Fund	Urban Renewal Fund	Total
Property taxes	\$ 137,039	\$ 9,250	\$ 20,092	\$ 32,666	\$ 199,047

**8. Long Term Debt**

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

During the year ended June 30, 2008, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities</b>					
Compensated absences:	\$ 210,207	\$ 164,961	\$ (170,646)	\$ 204,522	\$ 204,522
Governmental activities long-term liabilities	<u>\$ 210,207</u>	<u>\$ 164,961</u>	<u>\$ (170,646)</u>	<u>\$ 204,522</u>	<u>\$ 204,522</u>
<b>Business-type Activities</b>					
Bonds	\$ 2,560,000	\$ -	\$ (95,000)	\$ 2,465,000	\$ 110,000
Compensated absences:	21,218	-	(13,951)	7,267	7,267
Business-type activities long-term liabilities	<u>\$ 2,581,218</u>	<u>\$ -</u>	<u>\$ (108,951)</u>	<u>\$ 2,472,267</u>	<u>\$ 117,267</u>

**B. Bonds Payable**

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

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Business Activities

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

	\$ 2,465,000
Total bonds payable	\$ 2,465,000

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

Business-type Activities

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.5 %	\$ 110,000	\$ 95,541	\$ 205,541
2010	3.75 %	100,000	91,691	191,691
2011	3.75 %	105,000	88,191	193,191
2012	3.75 %	100,000	84,254	184,254
2013	3.75 %	115,000	80,504	195,504
2014-2018	3.7 – 4.0 %	630,000	334,495	964,495
2019-2023	4.0 – 4.125 %	765,000	203,950	968,950
2024-2028	4.0 %	540,000	43,600	583,600
Total		\$ 2,465,000	\$ 1,022,226	\$ 3,487,226

**9. Pension Plan**

**A. Plan Description**

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

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

**B. Funding Policy**

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program; this is paid by the City. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF rate for the year ended June 30, 2007 was 7.20% and the annual pension cost was \$342,237. The OPSRP rates in effect for the year ended June 30, 2008 was 5.82% for general employees and 9.09% for police and fire employees. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**C. Annual Pension Cost**

Contribution information for the years ended June 30, 2008, 2007 and 2006 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 394,146	100%	-
6/30/07	371,315	100%	-
6/30/08	342,237	100%	-

**10. 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 \$799,764 were made to the service districts during fiscal year 2008 under these agreements.



**CITY OF GLADSTONE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2008**

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**11. 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 2007 to 2008. Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years.

**12. 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.



City of  
**Gladstone**

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**REQUIRED SUPPLEMENTARY INFORMATION**





## REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules
  - General Fund
  - State Revenue Sharing Fund
  - Road and Street Fund
  - Urban Renewal Agency Fund



City of  
**Gladstone**

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**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, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 2,749,211	\$ 2,749,211	\$ 2,864,552	\$ 115,341
Public service taxes	457,253	457,253	442,022	(15,231)
Franchise taxes	467,360	467,360	501,231	33,871
Grants	1,010,822	1,010,822	142,206	(868,616)
Charges for services	85,500	85,500	108,397	22,897
Licenses and permits	29,100	29,100	27,879	(1,221)
Fines and forfeitures	240,000	240,000	234,161	(5,839)
Contributions and donations	36,000	36,000	30,570	(5,430)
Interest	120,000	120,000	151,187	31,187
Miscellaneous	226,800	226,800	173,338	(53,462)
Total revenues	<u>5,422,046</u>	<u>5,422,046</u>	<u>4,675,543</u>	<u>(746,503)</u>
<b>EXPENDITURES:</b>				
General government	839,864	839,864	798,978	40,886
Public safety	2,812,432	2,812,432	2,471,372	341,060
Cultural and recreation	968,117	1,033,117	927,011	106,106
Capital outlay	1,768,978	1,703,978	341,648	1,362,330
Contingency	919,945	919,945	-	919,945
Total expenditures	<u>7,309,336</u>	<u>7,309,336</u>	<u>4,539,009</u>	<u>2,770,327</u>
Transfers in	<u>89,581</u>	<u>154,581</u>	<u>89,581</u>	<u>(65,000)</u>
Total other financing sources (uses)	<u>89,581</u>	<u>154,581</u>	<u>89,581</u>	<u>(65,000)</u>
Net changes in fund balances	(1,797,709)	(1,732,709)	226,115	1,958,824
<b>FUND BALANCE, BEGINNING</b>	<u>1,797,709</u>	<u>1,797,709</u>	<u>2,222,145</u>	<u>424,436</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 2,448,260</u>	<u>\$ 2,383,260</u>

**CITY OF GLADSTONE, OREGON**  
**STATE REVENUE SHARING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants	\$ 65,000	\$ 65,000	\$ 89,874	\$ 24,874
Interest	15,000	15,000	5,996	(9,004)
Total revenues	80,000	80,000	95,870	15,870
<b>EXPENDITURES:</b>				
Capital outlay	863,302	863,302	230,618	632,684
Total expenditures	863,302	863,302	230,618	632,684
Revenues over (under) expenditures	(783,302)	(783,302)	(134,748)	648,554
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund loan proceeds (payments)	(200,000)	(200,000)	(74,000)	126,000
Total other financing sources (uses)	(200,000)	(200,000)	(74,000)	126,000
Net changes in fund balances	(983,302)	(983,302)	(208,748)	774,554
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	423,302	423,302	119,062	(304,240)
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u>\$ (560,000)</u>	<u>\$ (560,000)</u>	<u>(89,686)</u>	<u>\$ 470,314</u>
Interfund loan and interest receivable			496,984	
<b>FUND BALANCES, ENDING</b>			<u>\$ 407,298</u>	



**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, 2008**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Public service taxes	\$ 560,439	\$ 560,439	\$ 529,584	\$ (30,855)
Charges for services	10,000	10,000	175,957	165,957
Miscellaneous	1,000	1,000	207,684	206,684
Total revenues	<u>571,439</u>	<u>571,439</u>	<u>913,225</u>	<u>341,786</u>
<b>EXPENDITURES:</b>				
Personal service	145,188	145,188	133,766	11,422
Materials and service	170,500	230,500	208,948	21,552
Capital outlay	798,309	738,309	609,361	128,948
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>1,123,997</u>	<u>1,123,997</u>	<u>952,075</u>	<u>171,922</u>
Revenues over (under) expenditures	(552,558)	(552,558)	(38,850)	513,708
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(51,423)</u>	<u>(51,423)</u>	<u>(51,423)</u>	-
Total other financing sources (uses)	<u>(51,423)</u>	<u>(51,423)</u>	<u>(51,423)</u>	-
Net changes in fund balances	(603,981)	(603,981)	(90,273)	513,708
<b>FUND BALANCES, BEGINNING</b>	<u>603,981</u>	<u>603,981</u>	<u>646,441</u>	<u>42,460</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,168</u>	<u>\$ 556,168</u>

**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, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 619,363	\$ 619,363	\$ 695,990	\$ 76,627
Interest	18,000	18,000	12,901	(5,099)
Miscellaneous	500	500	10	(490)
Loan Proceeds	1,000,000	1,000,000	-	(1,000,000)
Total revenues	<u>1,637,863</u>	<u>1,637,863</u>	<u>708,901</u>	<u>(928,962)</u>
<b>EXPENDITURES:</b>				
Materials and service	104,000	104,000	25,505	78,495
Capital outlay	1,882,430	1,882,430	639,865	1,242,565
Contingency	5,000	5,000	-	5,000
Total expenditures	<u>1,991,430</u>	<u>1,991,430</u>	<u>665,370</u>	<u>1,326,060</u>
Revenues over (under) expenditures	<u>(353,567)</u>	<u>(353,567)</u>	<u>43,531</u>	<u>397,098</u>
Net changes in fund balances	<u>(353,567)</u>	<u>(353,567)</u>	<u>43,531</u>	<u>397,098</u>
<b>FUND BALANCES, BEGINNING</b>	<u>353,567</u>	<u>353,567</u>	<u>240,243</u>	<u>(113,324)</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,774</u>	<u>\$ 283,774</u>

**CITY OF GLADSTONE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2008**

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**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 personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. The City had appropriation transfers during the year-ended June 30, 2008. Appropriations lapse as of year-end.



City of  
**Gladstone**

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**OTHER SUPPLEMENTARY INFORMATION**





## OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

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

## COMBINING STATEMENTS

Nonmajor Governmental Funds

### **Special Revenue Funds**

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

### **911 Excise Tax Resource Fund**

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

### **Police and Communications Special Levy Fund**

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

### **Fire and Emergency Services Special Levy Fund**

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

### **Agency Funds**

**Municipal Court Fund**

**Library Board Trust Fund**



City of  
**Gladstone**

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**CITY OF GLADSTONE, OREGON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2008**

	911 Excise Tax Resource Fund	Police and Communications Special Levy Fund	Fire and Emergency Services Special Levy Fund	Total
<b>ASSETS</b>				
Cash and investments	\$ 92,077	\$ 317,622	\$ 167,676	\$ 577,375
Cash with county treasurer	-	3,083	1,451	4,534
Accounts receivable	16,931	-	-	16,931
Property taxes receivable	-	21,389	10,072	31,461
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 109,008</u>	<u>\$ 342,094</u>	<u>\$ 179,199</u>	<u>\$ 630,301</u>
 <b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ 1,750	\$ 1,750
Deferred revenue	-	20,092	9,250	29,342
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>20,092</u>	<u>11,000</u>	<u>31,092</u>
 <b>FUND BALANCES:</b>				
Unreserved, reported in:				
Special revenue fund	109,008	322,002	168,199	599,209
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund equity	<u>109,008</u>	<u>322,002</u>	<u>168,199</u>	<u>599,209</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund equity	<u>\$ 109,008</u>	<u>\$ 342,094</u>	<u>\$ 179,199</u>	<u>\$ 630,301</u>

**CITY OF GLADSTONE, OREGON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2008**

	911 Excise Tax Resource Fund	Police and Communications Special Levy Fund	Fire and Emergency Services Special Levy Fund	Total
<b>REVENUES:</b>				
Property taxes	\$ -	\$ 430,036	\$ 202,581	\$ 632,617
Public service taxes	95,776	-	-	95,776
Interest	2,867	12,234	3,530	18,631
Miscellaneous	-	-	220,000	220,000
<b>Total revenues</b>	<b>98,643</b>	<b>442,270</b>	<b>426,111</b>	<b>967,024</b>
<b>EXPENDITURES:</b>				
Public safety	30,891	310,748	90,617	432,256
Capital outlay	-	12,446	292,891	305,337
<b>Total expenditures</b>	<b>30,891</b>	<b>323,194</b>	<b>383,508</b>	<b>737,593</b>
Revenues over (under) expenditures	67,752	119,076	42,603	229,431
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(11,685)	(4,697)	(16,382)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(11,685)</b>	<b>(4,697)</b>	<b>(16,382)</b>
Net changes in fund balances	67,752	107,391	37,906	213,049
<b>FUND BALANCES, BEGINNING</b>	<b>41,256</b>	<b>214,611</b>	<b>130,293</b>	<b>386,160</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 109,008</b>	<b>\$ 322,002</b>	<b>\$ 168,199</b>	<b>\$ 599,209</b>

**CITY OF GLADSTONE, OREGON**  
**AGENCY FUNDS**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2008**

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<b>Municipal Court Fund</b>				
Assets				
Cash	\$ 5,173	\$ -	\$ 395	\$ 4,778
Liabilities				
Other current liabilities	\$ 5,173	\$ -	\$ 395	\$ 4,778
<b>Library Board Trust Fund</b>				
Assets				
Cash	\$ 37,825	\$ 1,137	\$ -	\$ 38,962
Liabilities				
Other current liabilities	\$ 37,825	\$ 1,137	\$ -	\$ 38,962
<b>Totals - All Agency Funds</b>				
Assets				
Cash	\$ 42,998	\$ 1,137	\$ 395	\$ 43,740
Liabilities				
Other current liabilities	\$ 42,998	\$ 1,137	\$ 395	\$ 43,740



City of  
**Gladstone**

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## 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
- Special Revenue Funds - Nonmajor Governmental Funds
  - 911 Excise Tax Resource Fund
  - Police and Communications Special Levy Fund
  - Fire and Emergency Services Special Levy Fund

**CITY OF GLADSTONE, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General Administration:				
Personal services	\$ 437,734	\$ 437,734	\$ 419,545	\$ 18,189
Materials and services	402,130	402,130	379,433	22,697
Capital outlay	60,000	60,000	-	60,000
Subtotal	<u>899,864</u>	<u>899,864</u>	<u>798,978</u>	<u>100,886</u>
Municipal Court:				
Personal services	138,135	138,135	133,642	4,493
Materials and services	90,500	90,500	92,080	(1,580)
Subtotal	<u>228,635</u>	<u>228,635</u>	<u>225,722</u>	<u>2,913</u>
Police:				
Personal services	1,689,422	1,689,422	1,427,990	261,432
Materials and services	342,898	342,898	320,774	22,124
Capital outlay	47,500	47,500	22,779	24,721
Subtotal	<u>2,079,820</u>	<u>2,079,820</u>	<u>1,771,543</u>	<u>308,277</u>
Fire:				
Personal services	326,278	326,278	312,085	14,193
Materials and services	225,199	225,199	184,801	40,398
Capital outlay	600,422	600,422	137,789	462,633
Subtotal	<u>1,151,899</u>	<u>1,151,899</u>	<u>634,675</u>	<u>517,224</u>
Parks:				
Personal services	127,211	127,211	117,627	9,584
Materials and services	59,900	109,900	104,407	5,493
Capital outlay	624,000	574,000	86,647	487,353
Subtotal	<u>811,111</u>	<u>811,111</u>	<u>308,681</u>	<u>502,430</u>
Recreation:				
Personal services	25,609	25,609	15,981	9,628
Materials and services	29,374	29,374	23,590	5,784
Subtotal	<u>54,983</u>	<u>54,983</u>	<u>39,571</u>	<u>15,412</u>

**CITY OF GLADSTONE, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Senior Center:				
Personal services	182,113	182,113	150,337	31,776
Materials and services	36,300	51,300	49,336	1,964
Capital outlay	263,056	248,056	1,785	246,271
Subtotal	481,469	481,469	201,458	280,011
Library:				
Personal services	436,110	436,110	404,307	31,803
Materials and services	71,500	71,500	61,426	10,074
Capital outlay	174,000	174,000	92,648	81,352
Subtotal	681,610	681,610	558,381	123,229
Total expenditures	<u>\$ 6,389,391</u>	<u>\$ 6,389,391</u>	<u>\$ 4,539,009</u>	<u>\$ 1,850,382</u>

**CITY OF GLADSTONE, OREGON**  
**911 EXCISE TAX RESOURCE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Public service taxes	\$ 54,823	\$ 54,823	\$ 95,776	\$ 40,953
Interest	1,800	1,800	2,867	1,067
Total revenues	56,623	56,623	98,643	42,020
<b>EXPENDITURES:</b>				
Materials and service	53,000	53,000	30,891	22,109
Contingency	33,024	33,024	-	33,024
Total expenditures	86,024	86,024	30,891	55,133
Revenues over (under) expenditures	(29,401)	(29,401)	67,752	97,153
Net changes in fund balances	(29,401)	(29,401)	67,752	97,153
<b>FUND BALANCES, BEGINNING</b>	29,401	29,401	41,256	11,855
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 109,008	\$ 109,008



**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, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 388,508	\$ 388,508	\$ 430,036	\$ 41,528
Contributions and donations	2,000	2,000	-	(2,000)
Interest	7,000	7,000	12,234	5,234
Total revenues	<u>397,508</u>	<u>397,508</u>	<u>442,270</u>	<u>44,762</u>
<b>EXPENDITURES:</b>				
Personal service	352,625	352,625	308,937	43,688
Materials and service	7,000	7,000	1,811	5,189
Capital outlay	170,535	170,535	12,446	158,089
Total expenditures	<u>530,160</u>	<u>530,160</u>	<u>323,194</u>	<u>206,966</u>
Revenues over (under) expenditures	(132,652)	(132,652)	119,076	251,728
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(11,685)</u>	<u>(11,685)</u>	<u>(11,685)</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,685)</u>	<u>(11,685)</u>	<u>(11,685)</u>	<u>-</u>
Net changes in fund balances	(144,337)	(144,337)	107,391	251,728
<b>FUND BALANCE, BEGINNING</b>	<u>144,337</u>	<u>144,337</u>	<u>214,611</u>	<u>70,274</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,002</u>	<u>\$ 322,002</u>



## **BUDGETARY COMPARISON SCHEDULES**

### **Enterprise Funds**

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

Enterprise Budgetary Comparison schedules include the following:

- Water Fund
- Sewer Fund

**CITY OF GLADSTONE, OREGON**  
**WATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Service charges	\$ 870,000	\$ 870,000	\$ 898,684	\$ 28,684
Connection and installation fees	7,000	7,000	9,470	2,470
System development charge	25,000	25,000	17,357	(7,643)
Miscellaneous	10,000	10,000	41,854	31,854
<b>Total revenues</b>	<b>912,000</b>	<b>912,000</b>	<b>967,365</b>	<b>55,365</b>
<b>EXPENDITURES:</b>				
Personal service	227,697	227,697	200,626	27,071
Materials and service	389,853	464,853	415,403	49,450
Capital outlay	394,983	319,983	257,218	62,765
Debt service:				
Principal	95,000	95,000	95,000	-
Interest	96,967	96,967	96,939	28
Contingency	10,000	10,000	-	10,000
<b>Total expenditures</b>	<b>1,214,500</b>	<b>1,214,500</b>	<b>1,065,186</b>	<b>149,314</b>
Revenues over (under) expenditures	(302,500)	(302,500)	(97,821)	204,679
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund loan proceeds (payments)	200,000	200,000	74,000	(126,000)
<b>Total other financing sources (uses)</b>	<b>200,000</b>	<b>200,000</b>	<b>74,000</b>	<b>(126,000)</b>
Net changes in fund balances	(102,500)	(102,500)	(23,821)	78,679
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	<b>102,500</b>	<b>102,500</b>	<b>347,021</b>	<b>244,521</b>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 323,200</b>	<b>\$ 323,200</b>
			<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above			\$ 967,365	\$ 1,065,186
Expenditures capitalized			-	(238,360)
Debt service principal payments			-	(95,000)
Depreciation and amortization expense			-	174,031
Accrued interest payable			-	(1,424)
Capital assets transferred from another fund			247,546	-
Bond costs			-	3,335
Equity in net income/loss of joint venture			(12,718)	-
<b>Total revenues and expenses - generally accepted accounting principles</b>			<b>\$ 1,202,193</b>	<b>907,768</b>
<b>Change in net assets</b>				<b>\$ 294,425</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, 2008**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Service charge	\$ 1,189,592	\$ 1,189,592	\$ 1,191,545	\$ 1,953
Connection and installation fees	30,000	30,000	24,536	(5,464)
System development charge	3,000	3,000	3,033	33
Miscellaneous	3,000	3,000	3,858	858
Total revenues	<u>1,225,592</u>	<u>1,225,592</u>	<u>1,222,972</u>	<u>(2,620)</u>
<b>EXPENDITURES:</b>				
Personal service	193,600	193,600	164,908	28,692
Materials and service	1,048,318	1,083,318	877,264	206,054
Capital outlay	269,221	234,221	7,312	226,909
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>1,521,139</u>	<u>1,521,139</u>	<u>1,049,484</u>	<u>471,655</u>
Revenues over (under) expenditures	(295,547)	(295,547)	173,488	469,035
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(21,776)</u>	<u>(21,776)</u>	<u>(21,776)</u>	<u>-</u>
Total other financing sources (uses)	<u>(21,776)</u>	<u>(21,776)</u>	<u>(21,776)</u>	<u>-</u>
Net changes in fund balances	(317,323)	(317,323)	151,712	469,035
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	<u>317,323</u>	<u>317,323</u>	<u>310,880</u>	<u>(6,443)</u>
<b>FUND BALANCE, ENDING BUDGETARY BASIS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,592</u>	<u>\$ 462,592</u>
			<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above			\$ 1,222,972	\$ 1,049,484
Operating transfers in/out			-	21,776
Expenditures capitalized			-	(2,500)
Depreciation and amortization expense			-	77,036
Total revenues and expenses - generally accepted accounting principles			<u>\$ 1,222,972</u>	<u>1,145,796</u>
Change in net assets				<u>\$ 77,176</u>



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**OTHER FINANCIAL SCHEDULES**



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**Gladstone**

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**CITY OF GLADSTONE, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**For the Fiscal Year Ended June 30, 2008**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2007</u>	<u>2007-2008 Levy</u>	<u>Adjustments/ Discount</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 4,330,663	\$ (110,910)	\$ (4,070,714)	\$ 149,039
2006-2007	113,210	-	(1,260)	(73,822)	38,128
2005-2006	31,651	-	(2,207)	(13,436)	16,008
2004-2005	14,663	-	(309)	(8,756)	5,598
2003-2004	5,682	-	(216)	(3,506)	1,960
2002-2003	2,400	-	(105)	(480)	1,815
2001-2002	1,529	-	(38)	(367)	1,124
2000-2001	859	-	(18)	(108)	733
Prior years	1,322	-	(16)	(113)	1,193
<b>Totals</b>	<b>\$ 171,316</b>	<b>\$ 4,330,663</b>	<b>\$ (115,079)</b>	<b>\$ (4,171,302)</b>	<b>\$ 215,598</b>

Taxes receivable classified by fund:

General Fund	\$ 148,663
Police Fund	21,389
Fire Fund	10,072
Urban Renewal Agency Debt Service Fund	35,474
	<u>\$ 215,598</u>

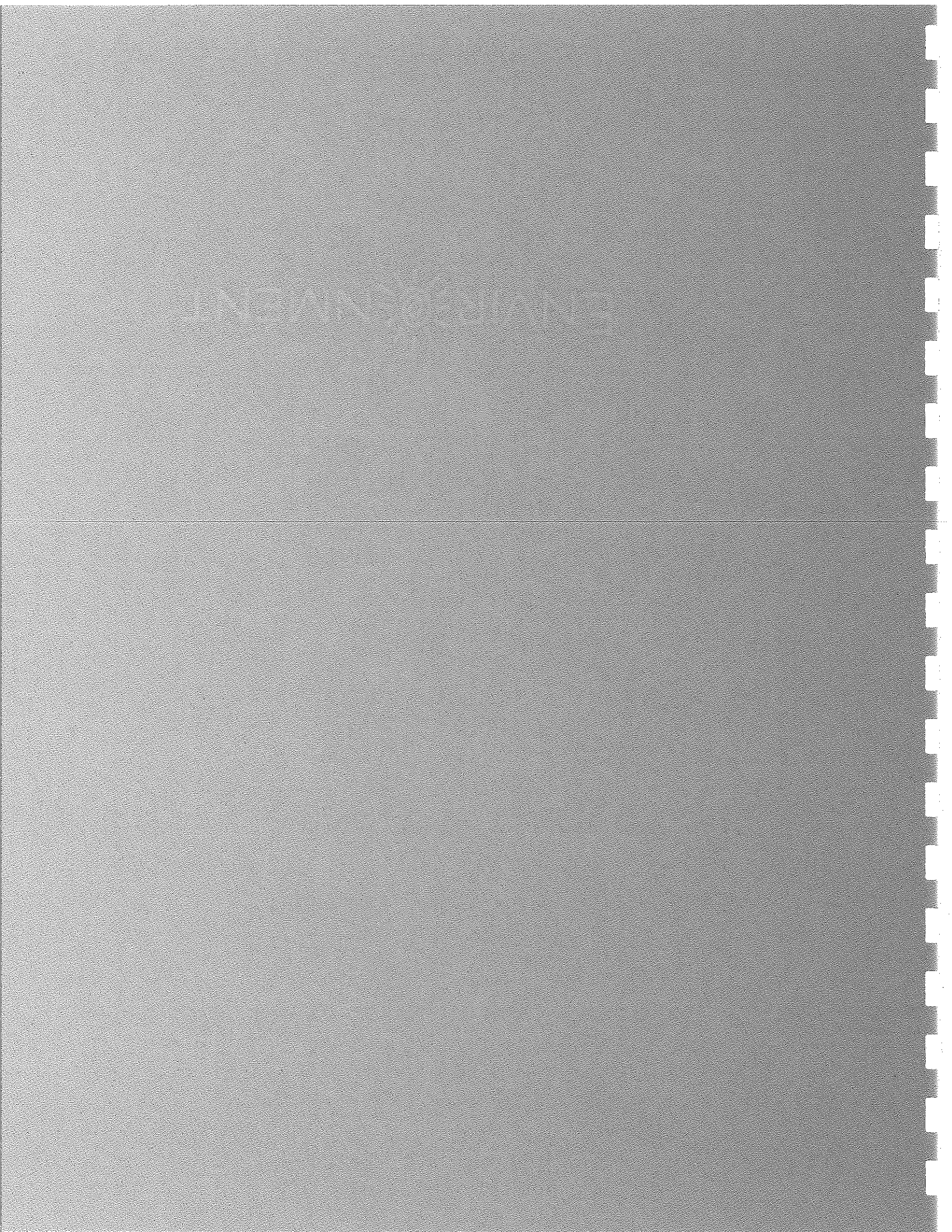


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**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**





**CITY OF GLADSTONE, OREGON**  
**AUDIT COMMENTS & DISCLOSURES REQUIRED BY STATE REGULATIONS**  
**June 30, 2008**

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Introduction

Oregon Administrative Rules 162-10-000 through 162-10-320 incorporates the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the basic financial statements of the City of Gladstone, Oregon for the year ended June 30, 2008 and have issued our report thereon dated December 18, 2008.

The management of the City of Gladstone, Oregon is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control structure, errors or irregularities may never the less occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

In planning and performing our audit, we considered the City of Gladstone, Oregon's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladstone, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gladstone, Oregon's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Gladstone, Oregon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Gladstone, Oregon's financial statements that is more than inconsequential will not be prevented or detected by the City of Gladstone, Oregon's internal control.

**CITY OF GLADSTONE, OREGON**  
**AUDIT COMMENTS & DISCLOSURES REQUIRED BY STATE REGULATIONS**  
**June 30, 2008**

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Gladstone, Oregon's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses and have communicated them to management in a separate letter.

This report is intended solely for the information and use of the management, the Mayor, City Council, and the State of Oregon, Secretary of State Audits Division.

Other Comments and Disclosures

We have audited the basic financial statements for the City of Gladstone, Oregon as of and for the year ended June 30, 2008, and our report thereon is included on Page 1 of this report. Our audit was made in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit:

Accounting Records

We found the accounting records of the City to be adequate for audit purposes.

Collateral

Based on our testing, the City appears to be in compliance with ORS Chapter 295 regarding securing deposits during the fiscal year ended June 30, 2008.

Indebtedness

During our audit, nothing came to our attention that caused us to believe the City was not in compliance with legal debt limitation and the provision of bond indentures and other agreements.

Budgets

We reviewed budgets adopted by the City for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the city appear to be in compliance with Oregon Local Budget Law, with the following exceptions: The budget document presented only the proposed budget amounts instead of the proposed, approved, and adopted amounts. Prior year actual amounts on the budget were based on unaudited numbers rather than audited numbers.

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering City-owned property in force at June 30, 2008 are adequate.



**CITY OF GLADSTONE, OREGON**  
**AUDIT COMMENTS & DISCLOSURES REQUIRED BY STATE REGULATIONS**  
**June 30, 2008**

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Programs Funded from Outside Sources

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. The City appeared to have appropriate procedures for making expenditures on behalf of, and reporting for, such programs.

Highway Funds

The City was in compliance with legal requirements pertaining to the use of Highway Funds.

Investments

The City investments for the year ended June 30, 2008 were tested and appear to be in compliance with Oregon Revised Statutes with regard to legal restrictions pertaining to the investment of public funds.

Public Contracts and Purchasing

We reviewed and tested the City's procedures for awarding public contracts. The City appears to be in compliance with the cost accounting guidelines developed by the State of Oregon Executive Department with regard to the City's construction projects and ORS Chapter 279 in the awarding of public contracts and the construction of public improvements.

Independently Elected Officials

The Independently Elected Officials of the City do not receive and disburse funds. Accordingly a Schedule of Accountability for Independently Elected Officials is not included.

*Merina & Company*

Merina & Company, LLP  
West Linn, Oregon  
December 18, 2008



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**Gladstone**

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