



City of
Sweet Home, Oregon
Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2011

CITY OF SWEET HOME, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2011



CRAIG MARTIN, CITY MANAGER

PATRICIA GRAY, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
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CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2011

MAYOR

Term Expires

Craig Fentiman, Mayor
605 3rd Avenue
Sweet Home, Oregon 97386

December 31, 2014

CITY COUNCIL MEMBERS

Jim Gourley, President pro-tem
3441 Juniper Street
Sweet Home, Oregon 97386

December 31, 2012

Ron Rodgers
555 3rd Avenue
Sweet Home, Oregon 97386

December 31, 2012

Scott McKee, Jr.
5400 Hwy 20, Apt. 1
Sweet Home, Oregon 97386

December 31, 2014

Greg Mahler
700 4th Avenue
Sweet Home, Oregon 97386

December 31, 2014

Marybeth Angulo
4513 Long Street
Sweet Home, Oregon 97386

December 31, 2012

Michael Hall
940 14th Avenue
Sweet Home, Oregon 97386

December 31, 2012

CITY ADMINISTRATION

Craig M. Martin, City Manager

Robert Snyder, City Attorney

MAILING ADDRESS

City Hall
1140 Twelfth Avenue
Sweet Home, Oregon 97386
(541) 367-5128



City of Sweet Home
1140 12th Avenue
Sweet Home, OR 97386
541-367-5128
Fax 541-367-5113
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March 7, 2012

To the Mayor, City Council, and Citizens of the City of Sweet Home:

State Law requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. This Annual Financial Report for the City of Sweet Home is hereby submitted to fulfill this requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements were audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

Grove, Mueller & Swank, P.C, have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the Basic Financial Statements in the Financial Section of this report.

Profile of the Government

The City of Sweet Home was founded in 1851 and incorporated on February 10, 1893. Located in the Mid-Willamette Valley at the east-end of Linn County, the City currently occupies approximately 6.5 square miles and serves a population of 9,050. It is the third largest city in Linn County lying at the foot of the Cascade Mountains, next to the pristine Santiam River and close to Foster and Green Peter Reservoirs. Sweet Home offers close proximity to major urban areas for commuters and shoppers: Portland is 100 miles, Salem is 50 miles, Eugene 50 miles and Albany 25 miles.

Sweet Home operates under the provisions of its own Charter and applicable state law. It has a City Manager/Council form of government. The City Council consists of seven members who are elected by the citizens of Sweet Home. Councilors are elected to serve overlapping terms of two and four years. The Mayor is elected by the Council members to serve for a term of two years. A full-time City Manager administers the affairs of the City for the Council, and supervises a staff of five department directors and 63 full-time and part-time employees.

For financial reporting purposes the City is a primary government. This report includes all services and activities for which the elected officials exercise financial control. These services include police and dispatch services, municipal court, administration and finance, community planning and development, parks, library, recreational activities, nuisance abatements, water and wastewater treatment, construction and maintenance of roadways, streets, and infrastructure.

Fire and Ambulance services are provided by the Sweet Home Fire and Ambulance District. The District is not a component of the City of Sweet Home. The City may interact or contract with the District and other governmental entities, but it is not financially accountable for those entities.

Local Economy

Sweet Home is located away from major north-south transportation routes and population centers in the Willamette Valley. Historically, employment in Sweet Home has been dominated by lumber and wood products, which has declined in Sweet Home, but still remains a large employer in the Willamette Valley. The largest employer in Sweet Home has been the school district with manufacturing facilities such as Willamette Industries and White's Electronic following at a distance.

Sweet Home's primary comparative advantage is its small size and location near recreational opportunities. Many residents move to Sweet Home with the desire to live in a rural small town community, yet be able to drive to their jobs in larger cities, like Lebanon, Eugene, Corvallis and even the Portland area. With a Lowe's Warehouse Distribution Center, a new medical college and a future Veteran's Administration hospital being built in nearby Lebanon, Sweet Home continues to service an influx of residents who are able to achieve this. In addition to the current available housing, Sweet Home has a substantial inventory of buildable commercial and industrial land ready to accommodate any future developments.

Major Initiatives

2011 Strategic Goals and Directions

Keeping in mind the Vision 2013 statement that was adopted by City Council in previous years, the following strategic directions continued to be followed during the 2011 year.

- ❖ Provide sufficient programs, services, and leadership to improve the quality of life and revitalize the community.
- ❖ Seek stable funding for services critical for community quality of life.
- ❖ Implement City strategies to maintain/enhance organizational stability.
- ❖ Balance the needs of the community with responsible stewardship of our natural resources.
- ❖ Provide continued support and leadership for economic development.
- ❖ Provide a responsive, efficient, customer-oriented organization.
- ❖ Make organizational changes to meet the changing community needs.
- ❖ Identify and integrate community values into the City's decision-making processes.

Building Activity

Fiscal year 2010-2011 building permit levels continue to reflect the national downward trend, with declining home starts and commercial projects. During this fiscal year, only 7 new homes were permitted;

3 site built and 4 manufactured. The decline in new housing continues the trend resulting in declining construction value and revenue for the City. Residential construction value during the fiscal year was \$789,018.

The commercial construction value, added by new construction of \$1,129,805, was slightly down from the previous year. Unfortunately, the demolition of the bowling alley decreased the value by \$293,510, resulting in an overall increased commercial value of \$836,295. Values are taken from the permits issued including structural, both new and remodels, plumbing and mechanical permits.

The total number of permits handled during 2010 in the Building Department was 290, down 86 permits from the 376 permits in 2009. Of these permits, 67% were residential permits which accounted for 65% of the added value. This is a significant reduction in the value added by residential development from past years.

Wastewater Inflow & Infiltration (I/I) Reduction Project

During peak wet weather periods, storm water infiltrates sanitary sewer lines and gets transported to the wastewater treatment plant, overwhelming the plant's capacity for treating sewage. A "demonstration" project was originally developed to correct storm water inflow and infiltration problems that are affecting the City's wastewater system in a very specific, localized, small area within the City limits. Water flow in several sections of the system were monitored with the results used to help determine the extent of work necessary to repair the remainder of the system. Future projects call for continued repair, replacement, and/or rehabilitation of "private" sewer service laterals as well as public main-line pipes and manholes within the entire sanitary sewer collection system.

In November 2002, at a cost of \$2 million, the City began the 1st phase of the City's sanitary sewer system "demonstration" project. Construction on this phase was completed in 2003 and in January 2004, the original loan amount of \$2 million was doubled to \$4 million in order to provide funding for the second phase of the "demonstration" project, now known as "Phase 2".

In 2005, City received an additional loan of \$2 million to be used in an effort to obtain better data for the next portion of the project, known as "Phase 3 – Inspection". The results of this portion of the project would be used to base future system wide sanitary sewer collection system repair/rehabilitation work including potential modifications to the wastewater treatment plant, if necessary.

As a result of this and previous efforts, in 2007 additional funding was again requested by the City and subsequently granted by the State thereby increasing the second loan from \$2 million to \$5.886 million for the engineering, design, and competition of the designated "Phase 3 – Construction" project which began in late December 2007 and concluded in 2009. Of the total \$9.886 million of financing available to the City for the first three phases, only \$7.706 has currently been expended on the work to date.

This balance of approximately \$2.18 million, if necessary, is scheduled to be allocated and combined with a third "zero interest" loan of an additional \$5 million secured in 2009 to the next project phase, "Phase 4", scheduled to begin construction March 2011. As of the end of calendar year 2010, the City has secured a total of \$14.886 million for the Inflow and Infiltration (I and I) reduction program Phases 1 – 4 of which \$7.896 million has been allocated leaving a total balance of \$6.99 million available for Phase 4 construction and post construction analysis. Unfortunately however, the anticipated I and I reduction from this "Phase 4" project will not be enough to meet current compliance requirements of existing MAO.

As such, plant improvements will most likely become a requirement in the near future and at additional expense, to become compliant. Staff anticipates that it may take an additional \$20 - \$25 million to

complete the project and continues to research a variety of funding sources from selling general obligation bonds to selling the wastewater system. Staff continues and expects to successfully negotiate a new time line with Oregon Department of Environmental Quality (DEQ) in an effort to spread the work and necessary funding over additional future years.

Financial Information

Financial and Accounting Policies

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the Governmental Accounting Standards Board (GASB), including all effective GASB pronouncements.

It presents fairly the financial position of the various funds of the City at June 30, 2011, and the results of operations of such funds and cash flow of the proprietary fund types for the year ended in conformity and generally accepted accounting principles (GAAP).

During the fiscal year of 2010-2011 the City maintained a total of 28 funds, of which 16 were governmental fund types, and 12 were proprietary fund types. The City also maintained 2 sets of accounting records for capital assets and long-term debt. The modified accrual basis of accounting is used for the governmental fund types (General Fund, special revenue, debt service, and capital projects funds). The accrual basis is used for the government-wide and proprietary financial statements.

Budgetary Policies

The annual budget for the City of Sweet Home is a comprehensive financial plan for the year ahead. The annual budget process integrates and authorizes the needs of the community with the finances available and the ability of city government to provide the needed services. Like all governments in Oregon, the City prepares its annual budget in accordance with provisions of Oregon Local Budget Law (ORS 294), which provides procedures for the preparation, presentation, administration, and appraisals of budgets.

The City establishes the level of budgetary control at the personal service, materials and services, capital outlay, contingency, debt service and transfers in all funds, except in the General Fund, where budgetary controls are established at the department level, capital outlay level and contingency. These levels are adopted in a resolution by City Council during a public hearing held during the final City Council meeting of the fiscal year. The adopted budget is implemented through the City's accounting operations and the provision of City services.

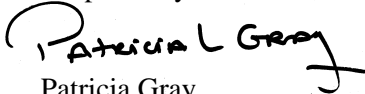
Oregon budget law allows for amendments to the City budget for reasons unforeseen at the time of the adoption of the original budget. Management is allowed to adjust budget numbers within adopted appropriations. Changes in appropriations, transfers outside of funds, appropriation of unexpected revenues and use of contingencies require Council action.

The City of Sweet Home manages its finances according to generally accepted accounting principles. During the year expenditures and revenues are closely monitored to ensure compliance with the adopted budget and state law. An annual audit is performed and filed with the State of Oregon each year by an independent Certified Public Accountant.

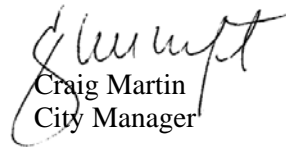
Acknowledgments

The preparation of the Annual Financial Report on a timely basis was made possible by the services of the City's Finance Department staff and the certified public accountants of Grove, Mueller & Swank, P.C. Their contributions to this report are sincerely appreciated.

Respectfully submitted,



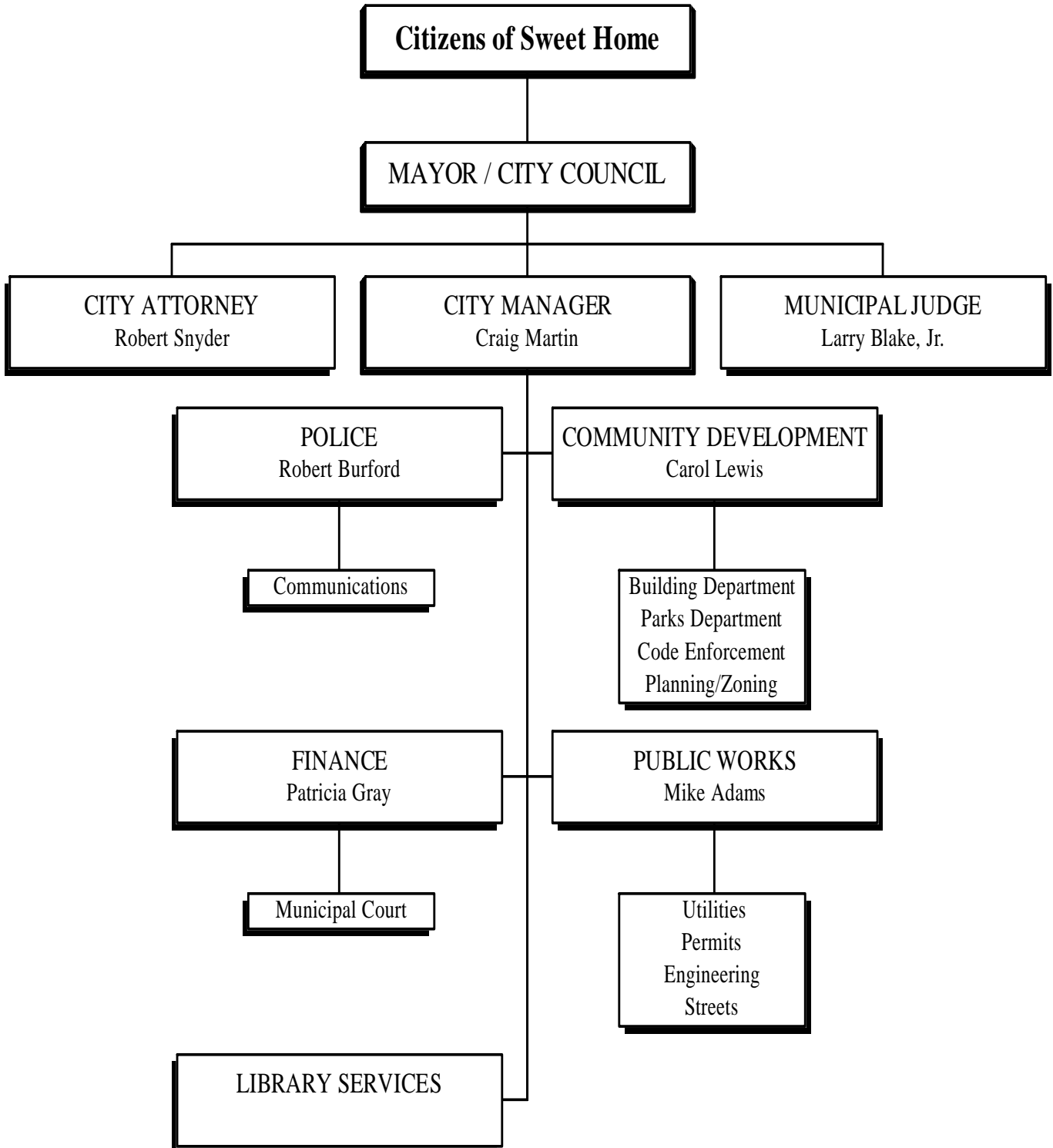
Patricia Gray
Finance Director

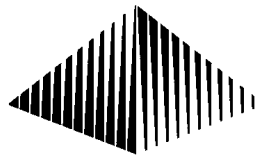


Craig Martin
City Manager

CITY OF SWEET HOME, OREGON

ORGANIZATION CHART





GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

The Honorable Craig Fentiman, Mayor
and Members of the City Council
1140 12th Avenue
City of Sweet Home, Oregon 97386

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Sweet Home, Oregon as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sweet Home, Oregon as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in the notes to the financial statements, during the year ended June 30, 2011, the City adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 10 through 19), the budgetary comparison information (pages 51 through 52) and the schedule of funding progress – Oregon Public Employees Retirement System (page 50) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the MD&A and the schedule of funding progress – Oregon Public Employees Retirement System in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information on pages 51 through 52 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparison and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sweet Home, Oregon's financial statements as a whole. The introductory section and other supplementary information (combining and individual fund financial statements and other financial schedules) are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
March 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

This discussion and analysis presents the highlights of financial activities and financial position for the City of Sweet Home. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

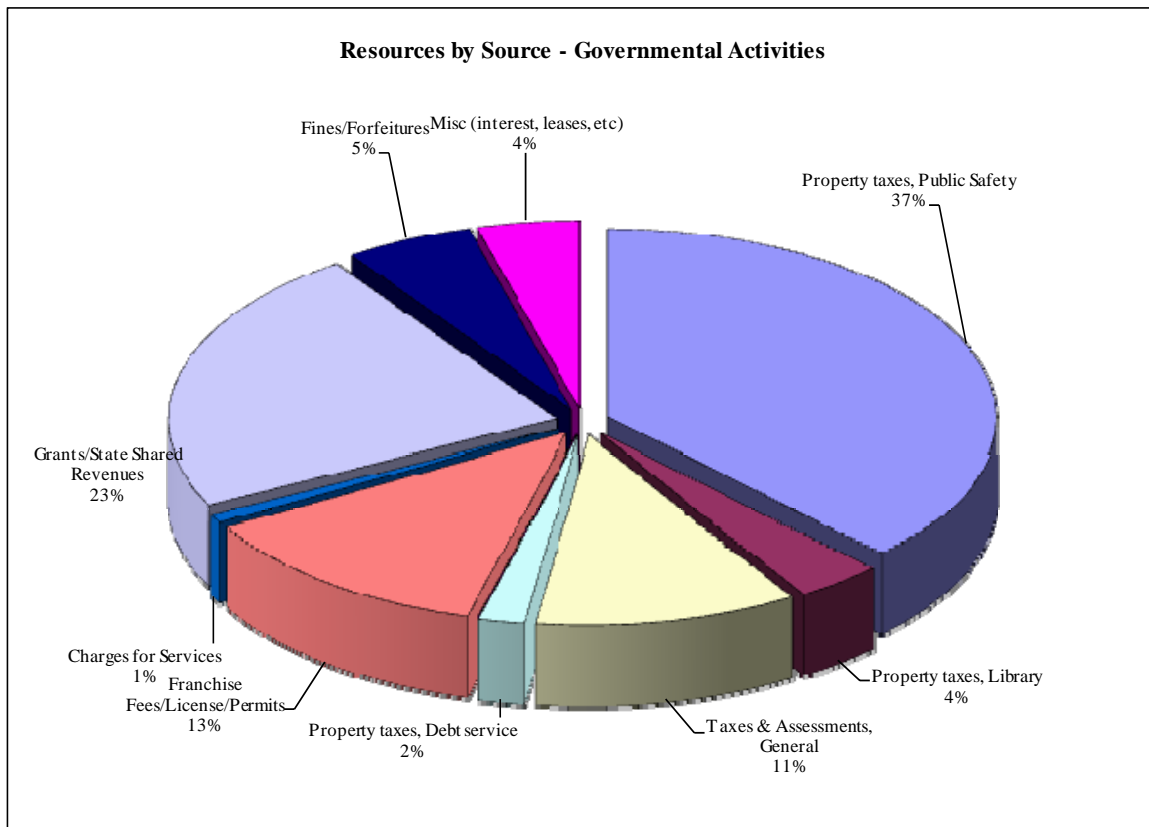
Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Transmittal Letter (pages 2 thru 6) and the City's financial statements (beginning on page 21).

FINANCIAL HIGHLIGHTS

The City' net assets decreased by \$1,360 thousand (or 3%) due to increases in program expenses and reductions in revenues over all funds in the City.

Governmental activities revenues decreased by \$375 thousand (or 7%) as the result of reductions in fee services, property taxes and the City receiving less grants during the year.

The revenues charted in the following pie chart includes all program and general revenues for governmental activities such as property taxes, franchise fees, charges for services, licenses, permits, fines, interest and intergovernmental charges.

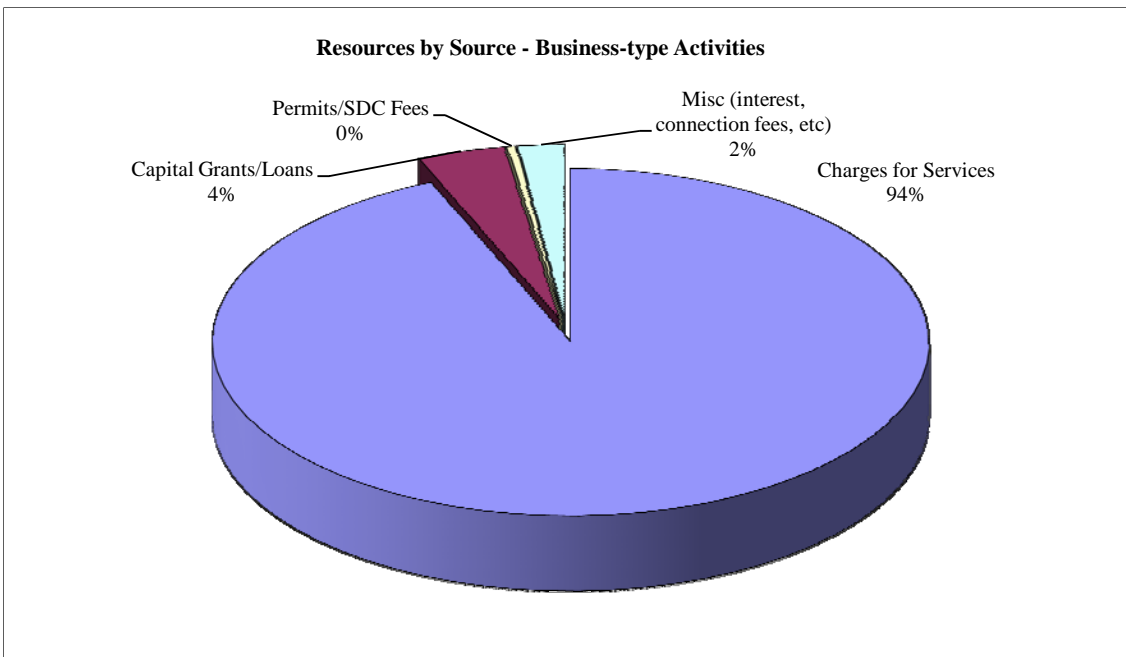


While charges for services in the Business-type activities revenues increased \$67 thousand (or 2%) due to increases in water and wastewater payments, the overall revenues decreased \$67 thousand due to an decrease in capital grants and contributions.

The Water Fund represents 48 percent of all utility revenues for the City. These revenues went towards operation of the new water treatment plant located off 47th Avenue.

The Wastewater Fund represents 49 percent of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Rd.

The new Storm Water Fund represents 2 percent of all utility revenues for the City. These revenues are dedicated to storm drainage projects throughout the City.

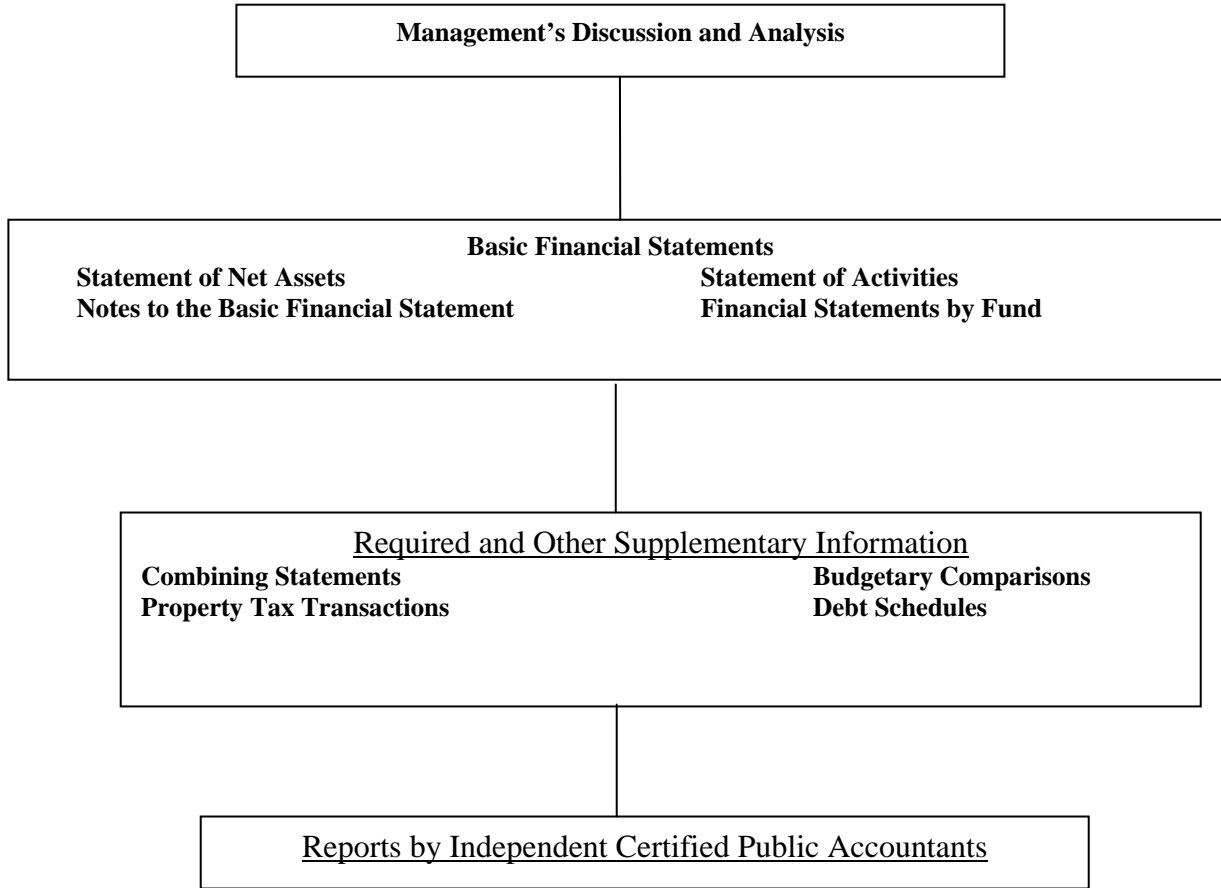


Overall City program costs increased by \$1,418 thousand.

REPORT LAYOUT

The City’s annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

Components of the Comprehensive Annual Finance Report



- **Management’s Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the City.
- **Basic Financial Statements.** Includes Statement of Net Assets, Statement of Activities, fund financial statements and the notes to the financial statements. The Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City.
- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund Financial Statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." Budgetary comparison statements are presented for the General and Public Safety Serial Levy Funds as required supplementary information. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenues, expenses and changes in fund net assets, and cash flows.
- The Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- **Other Supplementary Information.** Readers desiring additional information on non-major funds can find it in the Combining Statements of Non-major Funds and/or the Supplementary Information-Budgetary Comparison sections of this report. Components within this section include:
 - Combining Statements. Major funds are included within the Basic Financial Statements, whereas non-major funds are presented here. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
 - Budgetary Comparisons. Budgetary information for all funds, except those previously presented as required supplementary information.
 - Other Financial Schedules complete the Financial Section of the report.
- **Reports by independent certified public accountants.** Supplemental communication on City compliance and internal controls as required by Oregon statutes.
- **Reports required by Government Auditing Standards and OMB Circular A-133.** As a recipient of federal funding of more than \$500,000, the City is required to undergo a Single Audit of its major federally funded programs.

CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects a statement of Net Assets of governmental and business-type funds compared to the prior year. Detail of this summary is presented on page 20.

Table 1
Statement of Net Assets
June 30, 2011 and 2010
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 6,029	\$ 7,005	\$ 4,450	\$ 5,131	\$ 10,479	\$ 12,136
Other assets	865	865	1,750	705	2,615	1,570
Capital assets	14,685	8,836	30,149	26,606	44,834	35,442
Total assets	21,579	16,706	36,349	32,442	57,928	49,148
Other liabilities	108	115	759	291	867	406
Long-term debt	106	650	19,419	18,137	19,525	18,787
Total liabilities	214	765	20,178	18,428	20,392	19,193
Net assets						
Investment in capital assets, net of debt	14,686	8,291	10,763	8,506	25,449	16,797
Restricted	1,435	4,270	706	689	2,141	4,959
Unrestricted	5,244	3,380	4,702	4,819	9,946	8,199
Total net assets	\$ 21,365	\$ 15,941	\$ 16,171	\$ 14,014	\$ 37,536	\$ 29,955

STATEMENT OF ACTIVITIES:

The following table reflects a change in activities for governmental and proprietary funds compared to the prior year. Detail of this summary is presented on page 21.

Table 2
Statements of Activities
For the years ending June 30, 2011 and 2010
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues						
Charges for services	\$ 614	\$ 775	\$ 3,660	\$ 3,593	\$ 4,274	\$ 4,368
Grants and contributions	706	822	15	265	721	1,087
Taxes and assessments	2,615	2,712	-	-	2,615	2,712
Other	905	906	187	71	1,092	977
Total revenues	4,840	5,215	3,862	3,929	8,702	9,144
Expenses						
Programs	6,072	5,570	3,990	3,074	10,062	8,644
Transfers	289	269	(289)	(269)	-	-
Change in net assets	(943)	(86)	(417)	586	(1,360)	500
Beginning net assets	15,941	16,027	14,014	13,428	29,955	29,455
Prior period adjustment	6,367	-	2,574	-	8,941	-
Ending net assets	\$ 21,365	\$ 15,941	\$ 16,171	\$ 14,014	\$ 37,536	\$ 29,955

FUND FINANCIAL ANALYSIS: GOVERNMENTAL FUNDS

The focus of the City’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’s financing requirements. In particular, fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$1,715,042 at year end. The fund balance decreased by \$279,533 during the current fiscal year. As a measure of the fund’s liquidity, it may be useful to compare total fund balances to total fund expenditures. Fund balance represents 95% of total General Fund expenditures.

Public Safety Serial Levy Fund. The Public Safety Serial Levy Fund is used to account for the serial property tax levy approved by voters every four years to finance police and dispatch services. The fund balance was \$849,041 at year end. The fund balance decreased by \$804,977 during the current fiscal year.

FUND FINANCIAL ANALYSIS: PROPRIETARY FUNDS

Water Fund. The water fund is used to account for the operation of the City’s water department. The fund balance was \$687,795 at year end. The fund balance increased by \$90,279 during the current fiscal year.

Wastewater. The wastewater fund is used to account for the operation of the City’s sewer utility. The fund balance was \$911,024 at year end. The fund balance decreased by \$272,683 during the current fiscal year.

Wastewater Depreciation. The wastewater depreciation fund is used to account for monies set aside for wastewater related capital projects. The fund balance was \$1,777,753 at year end. The fund balance increased by \$117,685 during the current fiscal year.

FUND BALANCES

The following table reflects a summary of ending fund balances for governmental funds compared to the prior year. Detail of this summary is presented on page 24.

**Table 3
Governmental Funds - Fund Balances
As of June 30, 2011 and 2010
(in thousands)**

Major Funds	Fiscal Year June 30, 2011		Fiscal Year June 30, 2010		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General	\$ 1,715	28%	\$ 1,995	28%	\$ (280)	-14%
Public Safety Serial Levy	849	14%	1,654	24%	(805)	-49%
Other Governmental Funds	3,519	58%	3,407	48%	112	3%
Total fund balances	\$ 6,083	100%	\$ 7,056	100%	\$ (973)	-14%

The following table reflects a summary of ending fund balances for business-types activities on a budget basis compared to the prior year. Detail of this summary begins on page 75.

**Table 4
Proprietary Funds - Fund Balances (Budget Basis)
As of June 30, 2011 and 2010
(in thousands)**

Major Funds	Fiscal Year June 30, 2011		Fiscal Year June 30, 2010		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water	\$ 688	13%	\$ 597	11%	\$ 91	13%
Wastewater	911	17%	1,184	22%	(273)	-30%
Wastewater Depreciation	1,778	33%	1,660	31%	118	7%
Other Business-type Funds	1,994	37%	1,957	36%	37	2%
Total fund balances	\$ 5,371	100%	\$ 5,398	100%	\$ (27)	-1%

As detailed in the notes to the financial statements, the City adopted the provisions of GASB Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions. In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

BUDGETARY HIGHLIGHTS

City Council approved the following changes to the adopted budget:

A supplemental budget adjustment in the amount of \$25,551 was adopted by City Council on June 28, 2011.

- The Project/Equipment Reserve Fund was increased by \$20,000 to recognize additional Fund Balance.
- The Narcotic Enforcement Reserve Fund was increased to recognize forfeitures received during the year.
- The Community Center Operating Fund was increased \$2,000 to recognize additional Fund Balance.
- The Parks & Recreation Fund was increased to recognize additional pool donations received during the year.

City Council approved three transfers from contingency funds during the year:

- \$20,000 was transferred in the General Fund from contingency to the non-departmental Labor Relations line.
- \$1,000 was transferred in the Library Fund from contingency to the equipment/machinery capital line.
- \$2,000 was transferred in the Community Center Operation Fund from contingency to the repairs & maintenance line.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City completed an inventory of infrastructure assets during 2011. As a result, approximately \$6.3 million and \$2.5 million of infrastructure, net of accumulated depreciation, were added to governmental and business-type activities, respectively, as of the beginning of the year.

Table 5
Capital Assets at June 30, 2011 and 2010
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 3,147	\$ 3,147	\$ -	\$ -	\$ 3,147	\$ 3,147
Buildings	9,177	9,114	28,725	17,267	37,902	26,381
Equipment	1,421	1,324	614	613	2,035	1,937
Infrastructure	25,736	25,471	10,297	10,297	36,033	35,768
CIP	-	-	9,977	19,718	9,977	19,718
Accumulated depreciation	(24,796)	(23,852)	(19,464)	(18,714)	(44,260)	(42,566)
Net capital assets	<u>\$ 14,685</u>	<u>\$ 15,204</u>	<u>\$ 30,149</u>	<u>\$ 29,181</u>	<u>\$ 44,834</u>	<u>\$ 44,385</u>

The following table reconciles the change in capital assets. Included within additions is the continuing work on the wastewater inflow and infiltration project in Business-type Activities. Detail of this summary is presented on pages 40-41 of the notes.

Table 6
Changes in Capital Assets
(in thousands)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 15,203	\$ 29,181	\$ 44,384
Additions	479	1,718	2,197
Depreciation	(997)	(750)	(1,747)
Ending balance	<u>\$ 14,685</u>	<u>\$ 30,149</u>	<u>\$ 44,834</u>

As of June 30, 2011 the City had \$19,385,390 in debt (notes) outstanding compared to \$18,645,802 last year. The \$739,588 increase is the net result of new debt from the third wastewater improvement note being drawn down.

Table 7
Outstanding Debt at Year End
June 30, 2011 and 2010
(in thousands)

	Totals	
	2011	2010
Governmental General obligation	\$ -	\$ 545
Business-type Notes	19,385	18,101
Total	<u>\$ 19,385</u>	<u>\$ 18,646</u>

For more detailed information the City's debt and amortization terms refer to pages 42-44 of the notes.

MAJOR INITIATIVES

Debt Increases

The City continued its Wastewater Inflow and Infiltration (I & I) Reduction Project with the start of Phase 4 of the project in March 2011. More debt will be drawn down by the City to continue upgrading its wastewater system in an effort to reduce major stormwater infiltration during the winter months.

Property Taxes

With the expiration of the current property tax levies on June 30, 2011, Sweet Home voters were asked to renew the Police and Library Local Option levies for another 5 years. Voters approved both levies including a

\$.20 increase in the Library Levy, increasing the tax rate from the current \$.62/\$1,000 to \$.82/\$1,000. With property values continuing to decrease, Measure 5 compression that limits all governmental taxing entities to \$10,000 per thousand is beginning to make substantial impact that could end being detrimental to the City's Police and Library services, who depend 100% upon the tax levies that are being reduced.

Staff expects no increase in property values during the upcoming 2011-2012 and will continue to budget and spend very conservatively in the hopes of avoiding any staffing or program cuts before the economy can begin to recover.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 1140 12th Avenue, Sweet Home, Oregon 97386.

BASIC FINANCIAL STATEMENTS

CITY OF SWEET HOME, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 6,028,780	\$ 4,449,847	\$ 10,478,627
Accounts receivable	596,644	1,535,451	2,132,095
Property taxes receivable	237,414	-	237,414
Assessment liens receivable	30,366	128,806	159,172
Inventories	-	85,885	85,885
Capital assets			
Non-depreciable capital assets	3,146,500	9,977,174	13,123,674
Other capital assets, net of depreciation	11,538,927	20,171,354	31,710,281
<i>Total Assets</i>	21,578,631	36,348,517	57,927,148
LIABILITIES			
Accounts payable	108,297	473,862	582,159
Accrued expenses payable	-	145,103	145,103
Deposits	-	139,830	139,830
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	1,131,799	1,131,799
Compensated absences	105,578	33,601	139,179
Due in more than one year:			
Notes payable	-	18,253,591	18,253,591
<i>Total Liabilities</i>	213,874	20,177,786	20,391,660
NET ASSETS			
Investment in capital assets, net of related debt	14,685,427	10,763,138	25,448,565
Restricted for:			
Debt service	89,139	-	89,139
Public Safety	1,013,356	706,169	1,719,525
Library	62,200	-	62,200
Community development	270,754	-	270,754
Unrestricted	5,243,880	4,701,423	9,945,303
<i>Total Net Assets</i>	\$ 21,364,756	\$ 16,170,730	\$ 37,535,486

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 1,646,466	\$ 87,355	\$ 181	\$ -
Library	216,457	10,178	-	-
Parks	128,970	3,703	14,685	-
Community development/public works	1,636,300	218,413	663,449	-
Public safety	2,377,171	294,028	2,440	300
Community center	34,800	-	24,800	-
Interest on long-term debt	31,775	-	-	-
<i>Total governmental activities</i>	6,071,939	613,677	705,555	300
Business-type activities:				
Water	1,715,547	1,776,453	-	8,505
Storm water	353,223	57,766	-	-
Wastewater	1,921,402	1,825,907	-	6,625
<i>Total business-type activities</i>	3,990,172	3,660,126	-	15,130
<i>Total activities</i>	\$ 10,062,111	\$ 4,273,803	\$ 705,555	\$ 15,430

General Revenues:

Property taxes
Franchise fees
Intergovernmental
Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets, Beginning, as previously reported

Prior period adjustments

Net assets, Beginning, as restated

Net assets, Ending

***Net (Expenses) Revenues and
Changes in Net Assets***

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (1,558,930)	\$ -	\$ (1,558,930)
(206,279)	-	(206,279)
(110,582)	-	(110,582)
(754,438)	-	(754,438)
(2,080,403)	-	(2,080,403)
(10,000)	-	(10,000)
(31,775)	-	(31,775)
(4,752,407)	-	(4,752,407)
-	69,411	69,411
-	(295,457)	(295,457)
-	(88,870)	(88,870)
-	(314,916)	(314,916)
(4,752,407)	(314,916)	(5,067,323)
2,614,654	-	2,614,654
553,617	-	553,617
219,534	151,500	371,034
131,686	35,689	167,375
3,519,491	187,189	3,706,680
289,320	(289,320)	-
(943,596)	(417,047)	(1,360,643)
15,940,495	14,013,603	29,954,098
6,367,858	2,574,174	8,942,032
22,308,353	16,587,777	38,896,130
\$ 21,364,757	\$ 16,170,730	\$ 37,535,487

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Public Safety Serial Levy</u>
ASSETS		
Cash and investments	\$ 1,684,922	\$ 860,884
Accounts receivable	113,288	-
Property taxes receivable	46,961	164,315
Assessment liens receivable	14,149	-
Due from other funds	712	-
Loans receivable	-	-
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,860,032</u>	<u>\$ 1,025,199</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 71,956	\$ 11,843
Due to other funds	-	-
Deferred revenue	73,034	164,315
	<hr/>	<hr/>
<i>Total Liabilities</i>	144,990	176,158
Fund Balances		
Restricted for:		
Public safety	-	849,041
Community development	-	-
Library	-	-
Debt service fund	-	-
Committed to:		
Public safety	-	-
Parks	-	-
Community development	-	-
Community center	-	-
Unassigned	1,715,042	-
	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>1,715,042</u>	<u>849,041</u>
	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,860,032</u>	<u>\$ 1,025,199</u>

<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 3,482,974	\$ 6,028,780
61,404	174,692
26,138	237,414
16,217	30,366
-	712
421,951	421,951
<hr/>	
\$ 4,008,684	\$ 6,893,915
<hr/>	
\$ 24,496	\$ 108,295
712	712
464,306	701,655
<hr/>	
489,514	810,662
-	849,041
270,754	270,754
46,032	46,032
79,169	79,169
68,897	68,897
11,945	11,945
3,041,563	3,041,563
809	809
-	1,715,042
<hr/>	
3,519,169	6,083,252
<hr/>	
\$ 4,008,683	\$ 6,893,914
<hr/>	

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

CITY OF SWEET HOME, OREGON
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

RECONCILIATION TO THE STATEMENT OF NET ASSETS

Fund Balances \$ 6,083,252

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds. 701,655

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.

Cost	39,481,696	
Accumulated depreciation	(24,796,269)	
		14,685,427

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.

Accrued compensated absences	(105,578)

Net Assets of Governmental Activities \$ 21,364,756

CITY OF SWEET HOME, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Public Safety Serial Levy</u>
REVENUES		
Taxes and assessments	\$ 528,904	\$ 1,817,906
Licenses and permits	618,001	1,397
Charges for services	23,835	12,000
Intergovernmental	212,967	4,840
Fines and forfeitures	248,473	-
Miscellaneous	80,704	49,231
	<hr/>	<hr/>
<i>Total Revenues</i>	1,712,884	1,885,374
EXPENDITURES		
Current operating:		
General government	980,437	-
Library	-	-
Parks	94,361	-
Community development	437,471	-
Public safety	240,638	2,115,471
Community center	-	-
Capital outlay	61,083	27,338
Debt service:		
Principal	-	-
Interest	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	1,813,990	2,142,809
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(101,106)	(257,435)
OTHER FINANCING SOURCES (USES)		
Transfers in	253,362	-
Transfers out	(431,789)	(547,542)
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(178,427)	(547,542)
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(279,533)	(804,977)
FUND BALANCES, Beginning	1,994,575	1,654,018
	<hr/>	<hr/>
FUND BALANCES, Ending	\$ 1,715,042	\$ 849,041
	<hr/> <hr/>	<hr/> <hr/>

<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 268,926	\$ 2,615,736
-	619,398
150	35,985
883,296	1,101,103
10,544	259,017
75,511	205,446
<hr/>	<hr/>
1,238,427	4,836,685
-	980,437
222,479	222,479
-	94,361
861,510	1,298,981
3,151	2,359,260
34,801	34,801
442,834	531,255
545,000	545,000
31,775	31,775
<hr/>	<hr/>
2,141,550	6,098,349
<hr/>	<hr/>
(903,123)	(1,261,664)
1,094,331	1,347,693
(79,042)	(1,058,373)
<hr/>	<hr/>
1,015,289	289,320
<hr/>	<hr/>
112,166	(972,344)
3,407,003	7,055,596
<hr/>	<hr/>
\$ 3,519,169	\$ 6,083,252
<hr/> <hr/>	<hr/> <hr/>

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

CITY OF SWEET HOME, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds \$ (972,344)

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

Governmental funds defer revenues that do not provide current financial resources.

However, the Statement of Activities recognizes such revenues at their net realizable value
when earned, regardless of when received.

2,339

Governmental funds do not report expenditures for unpaid compensated absences, interest
expense, or arbitrage since they do not require the use of current financial resources.

However, the Statement of Activities reports such expenses when incurred, regardless
of when settlement ultimately occurs.

(441)

Capital outlays are reported as expenditures in governmental funds. However, the
Statement of Activities allocates the cost of capital outlay over their estimated useful
lives as depreciation expense.

478,846

Depreciation on capital assets is not recognized in governmental funds.

(996,996)

Repayment of long-term debt uses current financial resources and is reported as an
expenditure in governmental funds.

545,000

Change in net assets of governmental activities.

\$ (943,596)

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

CITY OF SWEET HOME, OREGON
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
ASSETS			
Cash and investments	\$ 603,482	\$ 591,687	\$ 1,269,455
Accounts receivable	235,485	335,144	954,828
Assessment liens receivable	-	-	-
Inventories	82,484	3,401	-
Capital assets			
Nondepreciable capital assets	-	-	9,977,174
Other capital assets, net of depreciation	14,785,332	3,069,265	-
<i>Total Assets</i>	<u>15,706,783</u>	<u>3,999,497</u>	<u>12,201,457</u>
LIABILITIES			
Accounts payable	10,538	15,807	446,529
Interest payable	116,097	5,041	23,417
Deposits	139,830	-	-
Non-current liabilities:			
Due within one year:			
Notes payable	418,254	52,950	660,595
Compensated absences	14,705	18,896	-
Due in more than one year:			
Notes payable	10,269,846	114,287	7,869,458
<i>Total Liabilities</i>	<u>10,969,270</u>	<u>206,981</u>	<u>8,999,999</u>
NET ASSETS			
Investment in capital assets (net of related debt)	4,097,232	2,902,028	1,447,121
Restricted for:			
Construction	-	-	-
Unrestricted	640,280	890,488	1,754,337
<i>Total Net Assets</i>	<u>\$ 4,737,512</u>	<u>\$ 3,792,516</u>	<u>\$ 3,201,458</u>

<i>Other Business-type Funds</i>	<i>Totals</i>
\$ 1,985,223	\$ 4,449,847
9,994	1,535,451
128,806	128,806
-	85,885
-	9,977,174
2,316,757	20,171,354
<hr/>	<hr/>
4,440,780	36,348,517
1,536	474,410
-	144,555
-	139,830
-	1,131,799
-	33,601
-	18,253,591
<hr/>	<hr/>
1,536	20,177,786
2,316,757	10,763,138
706,169	706,169
1,416,318	4,701,423
<hr/>	<hr/>
\$ 4,439,244	\$ 16,170,730
<hr/> <hr/>	<hr/> <hr/>

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

CITY OF SWEET HOME, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ 1,747,432	\$ 1,765,672	\$ 44,758
Intergovernmental	151,500	-	-
Miscellaneous	29,020	15,607	1
	<hr/>	<hr/>	<hr/>
<i>Total Operating Revenues</i>	1,927,952	1,781,279	44,759
OPERATING EXPENSES			
Personal services	441,851	513,232	-
Materials and services	540,083	540,642	105,286
Depreciation	200,461	292,477	-
	<hr/>	<hr/>	<hr/>
<i>Total Operating Expenses</i>	1,182,395	1,346,351	105,286
OPERATING INCOME (LOSS)	745,557	434,928	(60,527)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	2,724	4,906	9,556
System development revenue	-	-	-
Interest expense	(494,910)	(469,765)	-
Transfers in	11,457,486	-	340,252
Transfers out	(10,840,892)	(479,912)	-
	<hr/>	<hr/>	<hr/>
<i>Total Nonoperating Revenue (Expenses)</i>	124,408	(944,771)	349,808
CHANGE IN NET ASSETS	869,965	(509,843)	289,281
NET ASSETS, Beginning, as previously reported	3,867,547	4,302,359	2,912,177
Prior period adjustments	-	-	-
	<hr/>	<hr/>	<hr/>
NET ASSETS, Beginning, as restated	3,867,547	4,302,359	2,912,177
	<hr/>	<hr/>	<hr/>
NET ASSETS, Ending	\$ 4,737,512	\$ 3,792,516	\$ 3,201,458
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Other Business-type Funds</i>	<i>Totals</i>
\$ 57,766	\$ 3,615,628
-	151,500
-	44,628
57,766	3,811,756
48,959	1,004,042
85,087	1,271,098
257,418	750,356
391,464	3,025,496
(333,698)	786,260
18,372	35,558
15,130	15,130
-	(964,675)
10,698,732	22,496,470
(11,464,986)	(22,785,790)
(732,752)	(1,203,307)
(1,066,450)	(417,047)
2,931,519	14,013,602
2,574,175	2,574,175
5,505,694	16,587,777
\$ 4,439,244	\$ 16,170,730

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

CITY OF SWEET HOME, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,834,674
Cash paid to suppliers for goods and services	(539,422)
Cash paid to employees for services	(441,314)
	<hr/>
<i>Net cash provided by (used for) operating activities</i>	853,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in and interfund transactions	-
Transfers out and interfund transactions	(239,660)
	<hr/>
<i>Net cash provided by (used for) noncapital financing activities</i>	(239,660)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes, bonds, and certificates	(211,057)
Proceeds from new debt	-
Interest payments on notes, bonds, and certificates	(408,142)
Collections from system development charges	-
Acquisition and construction of capital assets	(1,403)
	<hr/>
<i>Net cash provided by (used for) capital and related financing activities</i>	(620,602)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	2,724
	<hr/>
NET CHANGE IN CASH AND INVESTMENTS	(3,600)
CASH AND INVESTMENTS, Beginning	607,081
	<hr/>
CASH AND INVESTMENTS, Ending	<u><u>\$ 603,481</u></u>

<i>Wastewater</i>	<i>Wastewater Depreciation</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
\$ 1,762,285	\$ 43,934	\$ 57,201	\$ 3,698,094
(546,803)	(105,286)	(103,945)	(1,295,456)
(515,895)	-	(48,959)	(1,006,168)
699,587	(61,352)	(95,703)	1,396,470
-	340,252	115,577	455,829
(479,912)	-	(7,500)	(727,072)
(479,912)	340,252	108,077	(271,243)
(50,337)	(170,252)	-	(431,646)
-	766,100	-	766,100
(471,283)	(1,343)	-	(880,768)
-	-	6,111	6,111
(589)	(1,299,576)	-	(1,301,568)
(522,209)	(705,071)	6,111	(1,841,771)
4,906	9,556	18,372	35,558
(297,628)	(416,615)	36,857	(680,986)
889,315	1,686,070	1,948,366	5,130,832
\$ 591,687	\$ 1,269,455	\$ 1,985,223	\$ 4,449,846

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

CITY OF SWEET HOME, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
YEAR ENDED JUNE 30, 2011

CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	<u>Water</u>
Operating income (loss)	\$ 745,557
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>	
Depreciation	200,461
(Increase) Decrease in accounts receivable	(68,331)
(Increase) Decrease in compensated absences payable	537
(Increase) Decrease in inventories	2,235
Increase (Decrease) in accounts payable	(1,574)
	<hr/>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 853,938</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Debt reduction by State of Oregon	\$ 151,500
Debt principal assumed by (transferred to) other funds	10,601,232
Capital assets acquired by (transferred to) other funds	11,457,486

<i>Wastewater</i>	<i>Wastewater Depreciation</i>	<i>Business-type Funds</i>	<i>Totals</i>
\$ 434,928	\$ (60,527)	\$ (333,698)	\$ 786,260
292,477	-	257,418	750,356
(18,994)	(825)	(565)	(88,715)
(2,663)	-	-	(2,126)
(210)	-	-	2,025
(5,951)	-	781	(6,744)
<u>\$ 699,587</u>	<u>\$ (61,352)</u>	<u>\$ (95,703)</u>	<u>\$ 1,396,470</u>

\$ -	\$ -	\$ -	\$ 151,500
-	-	(10,601,232)	-
-	-	(11,457,486)	-

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sweet Home in Linn County, Oregon was incorporated as a municipal corporation in 1893 under the name of "City of Sweet Home." The City of Sweet Home charter of 1986 was approved by the voters on June 24, 1986.

The government of the City of Sweet Home is vested in a City Council. The Council is composed of seven members elected at large at each biennial general election. The three council members who receive the highest number of votes serve four year terms and the councilor who receives the next highest number of votes serves for a two-year term. The Mayor is elected by the other council members after each biennial general election for a two-year term. The City Manager, City Attorney, and Municipal Judge are appointed by and serve at the pleasure of the City Council. The City Manager is selected by the Council as the administrative head of the city government.

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 financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial 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, or fiduciary. Currently, the City has governmental (general, special revenue, capital projects and debt service) and proprietary type (enterprise) funds. Major individual governmental funds, and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

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, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The model sets forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

General Fund - this fund is used to account for all financial resources except those required to be accounted for in another fund. Primary sources of revenue are property taxes, franchise fees, state shared revenues, licenses and permits. Primary expenditures are made for public safety, parks and community services and general government.

Special Revenue Fund

Public Safety Serial Levy Fund - this fund is used to account for the serial property tax levy approved by voters every four years to finance police and dispatch services.

The City reports the following major proprietary funds:

Water Fund - this fund is used to account for the operation of the City's water department. Primary revenues are sales of waters to users, connection fees, and interest on invested funds.

Wastewater Fund - this fund is used to account for the operation of the City sewer utility.

Wastewater Depreciation Fund - this fund is used to account for monies set aside for wastewater related capital projects.

The City reports the following nonmajor governmental funds:

Special Revenue Funds

State Gas Tax Fund - this fund is used to account for the City's share of state gasoline tax revenues which are restricted for use in the maintenance of streets.

Narcotic Enforcement Reserve Fund - this fund is used to account for property seized and forfeited to the Police Department in drug related cases, which must be used for drug enforcement by the Police Department.

Library Serial Levy Fund - this fund is used to account for serial property tax levy approved by voters every four years for operation of the library.

Parks and Recreation Program Fund - this fund is used to account for funds received from donations that are to be used for parks improvements and a recreation program.

Path Program Reserve Fund - this fund accounts for the construction of bicycle paths.

Public Transit Grant Fund - this fund is used to account for the expenditures of public transportation grant monies.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

Street Maintenance Improvement Fund - this fund is used to account for funds received from Linn County in conjunction with the transfer of several County roads to the City and for the City's share of Linn County timber receipts which are restricted to maintenance and improvement of these roads.

Housing Rehabilitation Loan Fund - this fund is used to account for Community Development Block Grant housing rehabilitation loans.

Community Center Operating Fund - this fund is used to account for funds to be used for the general operation of the community center.

Donations and Contributions Fund - this fund is used to account for donations being held for specific purposes.

Special Assessments Fund - this fund is used to account for reimbursements on local improvement City projects financed by assessments against benefited property owners.

Capital Projects Funds

Building Reserve Fund - this fund was established as a reserve for the construction of a new City Hall.

Equipment Reserve Fund - this fund is a reserve for purchase of equipment as provided by ORS 180.100.

Debt Service Fund

Police Facilities Debt Service Fund - this fund is used to account for revenues from property tax payments to pay back general obligation bonds used to build the Police/Emergency Dispatch Facilities.

The City reports the following nonmajor proprietary funds:

Water Capital Fund - this fund is used to account for water facilities projects.

Water SDC Reserve Fund - this fund is used to account for interest in investments and transfers from the Water Fund. Expenditures are for the development of the water system.

Water Depreciation Fund - this fund is used to account for monies set aside for water related capital projects.

Wastewater SDC Reserve Fund - this fund is used to account for sewer system improvements and expansion.

Wastewater Capital Fund - this fund is used to account for wastewater facilities project.

Storm Water Drainage Fund - this fund is used to account for the operation of the storm water drainage system.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Storm Water SDC Reserve Fund - this fund is used to account for interest in investments and transfers from the Storm Water Drainage Fund. Expenditures are for the development of the storm water system.

Storm Water Capital Fund - this fund is used to account for storm water facilities project.

Storm Water Depreciation Fund - this fund is used to account for monies set aside for storm water related capital projects.

Fund Balance

In the year ended June 30, 2011, the City adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used.

The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When expenditures are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted net assets to be spent first.

In addition, the Building Reserve and Equipment Reserve Funds were changed to Capital Projects Funds. The Special Assessments Fund was changed to a Special Revenue Fund.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Debt Service Funds are utilized to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets are segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are franchise fees, licenses, interest revenue and charges for services. Fines and permits and property taxes revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.” The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Enterprise funds distinguish between operating receipts and disbursements and nonoperating items. Operating receipts and disbursements result from providing services to customers in connection with ongoing utility operations. The principal operating receipts are charges to customers for service. Operating disbursements include payroll and related costs, materials and supplies, and capital outlay. All receipts not considered operating are reported as nonoperating items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2011. Actual results may differ from such estimates.

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. No investments are carried at amortized cost.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the enterprise funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types are recognized as revenues on the cash basis. Uncollected property taxes are offset by deferred revenue and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Linn County, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventories of supplies in the proprietary funds are stated at cost (first-in, first-out basis) and are charged to expense as used.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of fixed assets are included in operations.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$200 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in business-type activities consist of water, stormwater and wastewater collection systems.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings	30-50 years
Improvements other than buildings	20 years
Infrastructure	20-40 years
Equipment	3-15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, and in proprietary fund types, long-term obligations are reported as liabilities. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs at the time of issuance. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Accrued Compensated Absences

Accumulated vested vacation pay is accrued in the government-wide and proprietary funds as it is earned by employees. In the governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds. Accumulated sick leave does not vest and is therefore recorded in all funds when leave is taken.

Encumbrances

The City does not utilize encumbrances.

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law.

The City begins its budgeting process after City Council holds a work session in January at which goals and objectives are discussed for the upcoming year. Utilizing the goals and objectives adopted by City Council, city staff develops a proposed budget in early spring which is present to the Budget Committee in late spring. Following a series of public meetings with the Budget Committee an Approved Budget is sent to City Council for adoption at a Public Hearing at the end of June.

City Council adopts the budget, makes appropriations and declares the tax levies by resolution no later than June 30. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds except the General Fund, in which budgetary controls are established at the departmental operations level, capital outlay and contingency. Management is allowed to adjust budget numbers between services levels within funds, while transfers outside of funds, appropriation of unexpected revenues and use of contingencies require Council action through the supplemental budget process.

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 a local newspaper and approval by the City Council. City Council must authorize all appropriation transfers and supplementary budgetary appropriations. With the approval of the supplemental budget during the year, budget amounts shown in the general purpose financial statements have been revised since the original budget amounts were adopted. All annual appropriations lapse at fiscal year-end.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting (Continued)

A detailed budget document that contains more specific information on all funds, their operational purposes, their levels of budgetary controls and historical data is made available to the public and used constantly by the City for its administration control purposes.

PRIOR PERIOD ADJUSTMENTS

During 2011, the City completed an inventory of infrastructure assets. Beginning net assets were restated as of June 30, 2010 to report these assets as follow:

	<i>Net Assets, June 30, 2010</i>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets - beginning as previously reported:	\$ 15,940,496	\$ 14,013,603	\$ 29,954,099
Adjustments to:			
report infrastructure assets previously not reported	25,471,433	10,296,700	35,768,133
record accumulated depreciation on infrastructure	(19,103,576)	(7,722,526)	(11,381,050)
Net adjustment	<u>6,367,857</u>	<u>2,574,174</u>	<u>8,942,031</u>
Net assets - beginning, as restated	<u>\$ 22,308,353</u>	<u>\$ 16,587,777</u>	<u>\$ 38,896,130</u>

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2011:

	<u>Carrying</u> <u>Value</u>	<u>Fair</u> <u>Value</u>
Cash		
Cash on hand	\$ 2,631	\$ 2,631
Deposits with financial institutions	489,212	489,212
Certificates of deposit	126,964	126,964
Investments		
Local Government Investment Pool	9,859,819	9,859,819
	<u>\$ 10,478,627</u>	<u>\$ 10,478,627</u>

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CASH AND INVESTMENTS (Continued)

Deposits

The book balance of the City's bank deposits with various financial institutions was \$616,176 and the bank balance was \$704,758 at year-end. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides unlimited insurance for the City's deposits with financial institutions for the aggregate of all non-interest bearing accounts and up to \$250,000 for the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2011, \$291,067 of the City's bank balances were covered by the PFCP.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. At June 30, 2011, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not rated for credit quality.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS

Capital assets and accumulated depreciation (business-type activities) have been restated at June 30, 2010 to account for assets which were not recorded and depreciation which was understated. See prior period adjustments footnote to the basic financial statements. Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<i>(Restated)</i> <i>Balances</i> <i>July 1,</i> <i>2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Balances</i> <i>June 30,</i> <i>2011</i>
NON-DEPRECIABLE					
Construction in progress-water	\$ 11,457,486	\$ -	\$ -	\$ (11,457,486)	\$ -
Construction in progress-sewer	8,260,940	1,716,234	-	-	9,977,174
<i>Total Non-depreciable</i>	19,718,426	1,716,234	-	(11,457,486)	9,977,174
DEPRECIABLE					
Equipment-water	133,317	1,403	(975)	-	133,745
Equipment-sewer	479,201	588	-	-	479,789
Water facilities	7,485,166	-	-	11,457,486	18,942,652
Sewer facilities	9,782,260	-	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	-	10,296,700
<i>Total depreciable</i>	28,176,644	1,991	(975)	11,457,486	39,635,146
ACCUMULATED DEPRECIATION					
Equipment-water	(198,627)	(13,332)	975	-	(210,984)
Equipment-sewer	(546,663)	(47,920)	-	-	(594,583)
Water facilities	(3,892,952)	(187,129)	-	-	(4,080,081)
Sewer facilities	(6,353,645)	(244,556)	-	-	(6,598,201)
Stormwater Infrastructure	(7,722,525)	(257,418)	-	-	(7,979,943)
<i>Total accumulated depreciation</i>	(18,714,412)	(750,355)	975	-	(19,463,792)
<i>Business-type activities capital assets, net</i>	<u>\$ 29,180,658</u>	<u>\$ 967,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,148,528</u>

Capital assets and accumulated depreciation (governmental activities) have been restated at June 30, 2010 to account for assets which were not recorded and depreciation which was understated. See prior period adjustments footnote to the basic financial statements. Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS (Continued)

	<i>(Restated)</i> Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
NON-DEPRECIABLE				
Land and improvements	\$ 3,146,500	\$ -	\$ -	\$ 3,146,500
DEPRECIABLE				
Buildings	9,114,731	62,755	-	9,177,486
Equipment	1,323,418	151,516	(53,233)	1,421,701
Infrastructure	25,471,433	264,575	-	25,736,008
<i>Total depreciable</i>	35,909,582	478,846	(53,233)	36,335,195
ACCUMULATED DEPRECIATION				
Buildings	(2,362,988)	(227,868)	-	(2,590,856)
Equipment	(2,385,942)	(132,342)	53,233	(2,465,051)
Infrastructure	(19,103,575)	(636,786)	-	(19,740,361)
<i>Total accumulated depreciation</i>	(23,852,505)	(996,996)	53,233	(24,796,268)
<i>Governmental activities capital assets, net</i>	<u>\$ 15,203,577</u>	<u>\$ (518,150)</u>	<u>\$ -</u>	<u>\$ 14,685,427</u>

Depreciation expense in the amount of \$996,996 and \$750,355 was charged to functions/programs for governmental and business-type activities, respectively for the year ended June 30, 2011.

LONG-TERM DEBT

Long-term debt transactions for the year were as follows:

	Outstanding July 1, 2010	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2011	Due Within One Year
<i>Governmental Activities</i>					
Justice Facility Bonds semiannual payments including interest from 3.75% to 6%, original issue \$950,000	\$ 545,000	\$ -	\$ (545,000)	\$ -	\$ -

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2010</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
<i>Business-type Activities</i>					
<i>Water Fund</i>					
1992 OEDD promissory note, annual payments of \$118,504 including interest at 6.13%	\$ 316,002	\$ -	\$ (99,133)	\$ 216,869	\$ 105,210
Water treatment facility note, estimated annual payments of \$289,310 including interest at 1%	7,250,000	-	(208,424)	7,041,576	210,508
Water treatment facility note, due two years after project completion including interest at 3.56%	3,333,155	151,500	(55,000)	3,429,655	102,536
<i>Wastewater Fund</i>					
1993 OEDD promissory note, annual payments of \$61,630 including interest at 5.19%	217,574	-	(50,337)	167,237	52,950
<i>Wastewater Depreciation Fund</i>					
Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	3,205,020	-	(170,252)	3,034,768	175,640
Wastewater improvement note, variable annual payments including interest at 2.90%	3,779,051	-	-	3,779,051	234,955
Wastewater improvement note, estimated annual payments of \$250,000	-	1,716,234	-	1,716,234	250,000
	<u>\$ 18,100,802</u>	<u>\$ 1,867,734</u>	<u>\$ (583,146)</u>	<u>\$ 19,385,390</u>	<u>\$ 1,131,799</u>

Business-type Activities

Business-type activity debt requirements are shown below for the full amount of the Water Treatment Facility loans. These loans were only partially disbursed at June 30, 2011.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,131,799	\$ 491,130	\$ 1,622,929
2013	1,160,874	464,180	1,625,054
2014	1,067,388	436,154	1,503,542
2015	1,024,496	414,371	1,438,867
2016	1,045,624	395,163	1,440,787
2017-2021	5,517,631	1,658,067	7,175,698
2022-2026	5,818,602	1,050,397	6,868,999
2027-2031	4,671,030	476,352	5,147,382
2032-2036	2,014,658	229,850	2,244,508
2037-2040	1,096,156	27,540	1,123,696
	<u>\$ 24,548,258</u>	<u>\$ 5,643,204</u>	<u>\$ 30,191,462</u>

On December 3, 1992, the City obtained a Special Public Works Fund (SPWF) \$1,345,000 loan from the Oregon Economic Development Department to finance water distribution system improvements and a two million gallon reservoir. This loan was made under a promissory note and a related loan agreement under which the City has pledged revenue of its Water Fund and also its taxing power under Article XI, Section 11 of the Constitution of the State of Oregon. The State of Oregon has assigned the City's obligations under this loan agreement to a trustee under the State's bond indenture as security for the bonds issued by the State of Oregon. Final payment is scheduled for 2012-13.

On December 2, 1993, the City obtained a Special Public Works Fund (SPWF) \$755,816 loan from the Oregon Economic Development Department to finance wastewater treatment plant improvements required by EPA. This loan was made under provision in a note and a related loan agreement under which the City has pledged revenues of its Wastewater Fund and also its taxing power under Article XI, Section 11 of the Constitution of the State of Oregon. Interest on this loan is 5.19% per annum which reflects the interest rate of the Oregon Bond Bank Revenue Bond 1993 Series C which the State of Oregon issued to fund this loan. The State of Oregon has assigned the City's obligations under this loan agreement to a trustee under the State's bond indenture as security for the bonds issued by the State of Oregon. Final payment is scheduled for 2013-14.

On November 26, 2002, the City signed a \$2,000,000 loan agreement with the State of Oregon Department of Environmental Quality. On April 13, 2004, the City signed an amendment for an additional \$2,000,000, bringing the total loan amount to \$4,000,000. The loan requires a reserve balance of \$268,625. The City was in compliance with the loan reserve requirement as of June 30, 2011. Funds are being disbursed from the State's Clean Water State Revolving Loan Fund to correct storm water inflow and infiltration problems that are affecting the City's wastewater system. The interest rate is set at 3.14% for twenty years. Payments of \$269,564 plus fees will continue annually until the loan is paid back. The City will make these payments utilizing wastewater revenue set aside for depreciation replacement. Final payment is scheduled for 2024-25.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

LONG-TERM DEBT *(Continued)*

On September 22, 2004, the City signed a \$4,000,000 loan with Oregon Economic and Community Development Department to finance the planning, design and construction of river intake and transmission lines, two pump stations, a new 6,000 square-foot building, a filter, a disinfection contact tank, structural improvements to existing buildings, a new backwash pond, a clearwell and plumbing and electrical improvements. On March 10, 2009, the City signed an amendment bringing the total loan amount to \$7,500,000. This loan was made under a promissory note and a related loan agreement under which the City has pledged revenue of its Water Fund and also its taxing power under Article XI, Section 11 of the Constitution of the State of Oregon. Interest on this loan is set at 1.00% per annum. The State of Oregon has assigned the City's obligations under this loan agreement to a trustee under the State's bond indenture as security for the bonds issued by the State of Oregon. Funds will be disbursed from the State's Clean Water State Revolving Loan Fund. Final payment is scheduled for 2039-40.

On September 22, 2004, the City signed a \$1,030,000 loan with Oregon Economic and Community Development Department for costs associated with the construction of a new water treatment facility. The City subsequently signed an amendment for an additional \$3,000,000, bringing the total loan amount to \$4,030,000. Interest on this loan is set at 3.56%. At June 30, 2011, the City had drawn down \$3,429,655 of the loan. Future debt service requirements are estimated based on full disbursement of the loan.

On April 1, 2005, the City signed a \$2,000,000 loan agreement with the State of Oregon Department of Environmental Quality. On April 30, 2005, the loan agreement was amended to reduce the interest rate to a rate in effect at the time of loan execution, which was 2.90%. On February 5, 2007, the City signed an amendment bringing the total loan amount to \$5,886,440. The loan requires a reserve balance of \$196,008. Funds will be disbursed from the State's Clean Water State Revolving Loan Fund. At June 30, 2011, the City had drawn down \$3,779,051 of the loan, and was in compliance with the reserve requirement. Future debt service requirements for this loan are based on the payment schedule provided by the State of Oregon, which assumes full disbursement of the loan. Payments are scheduled to begin in the 2010-11 year.

On December 16, 2009, the City signed a \$5,000,000 loan agreement with the State of Oregon Department of Environmental Quality. Funds are being disbursed from the State's Clean Water State Revolving Loan Fund to fund wastewater system improvements to reduce inflow and infiltration problems that are affecting the City's wastewater system. There is no interest charged on the loan. The loan requires a reserve balance of \$125,000. At June 30, 2011, the City had drawn down \$1,716,234 of the loan, and was in compliance with the reserve requirement. Semi-annual payments are estimated at \$125,000 the loan is paid back. Final payment is scheduled for 2030-31.

DEFINED BENEFIT PENSION PLAN

Plan Description

City police officers participate in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. 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 and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. 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. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6.0% "pick-up" for the year ended June 30, 2011.

In addition to the 6.0% "pick-up," the City contributed 11.92% of covered payroll to PERS and 9.22% to OPSRP for the fiscal year ended June 30, 2011. This contribution rate was determined as part of the December 31, 2007 actuarial valuation.

Annual Pension Cost

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2011, the City's annual pension expenditures/expense was \$94,923. The City's contributions were equal to the annual required contributions.

The City's pension liability and the annual required contribution rate were determined using the entity age cost method. The actuarial assumptions utilized in the valuation include an investment return of 8.0%, a projected salary increase of 3.75%, health cost inflation graded from 9.0% in 2007 to 5.0% in 2029 and a consumer price inflation component of 2.75%

The unfunded actuarial liability ("UAL"), created by this method is amortized as a level percentage of projected payroll over a closed amortization period of twenty-two years. This is different from the prior method of amortization, in that the liability was previously amortized as a level percentage of PERS covered payroll. The change in amortization method was in response to anticipated future declines in PERS covered payroll, since new hires will be participating in OPSRP.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost (Continued)

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25.0% per year. The actuarial value of assets is limited to a 10.0% corridor above and below the fair market value.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits on all member contributions in Tier One and Tier Two Regular Accounts are assumed to accrue at an annual rate of 8.0%, compounded annually.

The following table presents three-year trend information for the City's defined benefit pension plan:

<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 130,207	100%	\$ -
2010	97,159	100	-
2011	94,923	100	-

DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the ICMA IRC Section 401 defined contribution pension plan agreement for all full-time general employees who are union members and not covered by another retirement plan, the City's contribution rate is 12% of the general union employee's salary. There is no mandatory or voluntary employee contribution and the plan does not provide for employer "pick-up" of any employee contributions. The City's contribution to this plan for fiscal year ended June 30, 2011 totaled \$148,020 on \$1,225,195 of covered payroll.

Under the ICMA IRC Section 401 defined contribution pension plan agreement for emergency services union member employees the City's contribution rate is 10% of the emergency services union member employee's salary. The City's contribution to the money purchase pension plan for the emergency services union member employees for the fiscal year ended June 30, 2011 was \$3,980 on \$39,815 of covered union member City payroll.

Under the ICMA IRC Section 401 defined contribution pension plan agreement for non-contractual employees the City's contribution rate is 15.7% of the non-contractual employee's salary. The non-contractual employees also have a mandatory 1.0% contribution based on their salary. The City's contribution to the money purchase pension plan for the non-contractual employees for the fiscal year ended June 30, 2011 was \$95,015 on \$605,185 of covered non-contractual City payroll.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Description (Continued)

Under the ICMA Pension Plans there is no minimum age requirement and there is a six-month period of service requirement for participation. The normal retirement age under this pension plan is age 65. There is no minimum vesting requirement under the plan and employees vest as follows:

<u>Years of Service Completed</u>	<u>Specified Percent Vesting</u>
1	-
2	-
3	50%
4	75%
5	100%

Deferred Compensation

The City makes available an IRC Section 457 deferred compensation plan through the ICMA Retirement Corporation for all employees. Employee participation is voluntary and the City does not make any contribution to the plan.

COMMITMENTS AND CONTINGENCIES

The City purchases commercial insurance from the City/County Insurance Services Trust to cover all commonly insurable risks, which includes property damage, liability and employee bonds. This is a self-insurance pool set up for city and county entities in Oregon. For premiums paid by the city during the 2010-2011 fiscal year, the city received insurance for four major concerns: Liability, Auto & Equipment, Property and Equipment Breakdown for Boiler and Machinery. The general Liability Coverage has a per occurrence limit of \$5,000,000. A \$2,500 conditional deductible may apply on certain employment claims. Auto coverage has a \$100 deductible for comprehensive and \$500 for collision. Property coverage has a \$1,000 deductible, while the Equipment Breakdown for Boiler and Machinery has a maximum coverage of \$50,000 with a \$1,000 deductible per occurrence.

If the pool is profitable, the trustees can make a distribution of net income to the entities based upon a pro rata share and experience. During fiscal year 2010-2011, the City incurred four claims with a total cost of \$143 with \$2,000 held in reserves for all open claims. No insurance claims settled in each of the prior three years have exceeded policy coverage.

<u>Fiscal Year Ended June 30,</u>	<u>Insurance Settlements</u>	<u>Premiums Paid by City</u>
2009	\$ 7,663	\$ 108,717
2010	1,449	104,632
2011	143	61,657

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

COMMITMENTS AND CONTINGENCIES (Continued)

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Based upon prior experience, City Management believes such disallowances, if any, will be immaterial.

TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 253,362	\$ 431,789
Public Safety Levy	-	547,542
State Gas Tax	-	59,042
Path Program Reserve	20,000	-
Street Maintenance	-	20,000
Building Reserve	430,289	-
Equipment Reserve	96,500	-
Police Facilities Debt	547,542	-
Water	-	239,660
Water Construction	50,000	-
Water Depreciation	20,000	-
Wastewater	-	309,660
Wastewater Construction	20,000	-
Wastewater Depreciation	170,000	-
Storm Water	-	7,500
Storm Water Construction	1,500	-
Storm Water Depreciation	6,000	-
	<u>\$ 1,615,193</u>	<u>\$ 1,615,193</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OVER-EXPENDITURE OF APPROPRIATIONS

Oregon law prohibits disbursements of a fund in excess of Council approved appropriations. Disbursements in excess of appropriations in individual funds for the year ended June 30, 2011 occurred as follows:

<u><i>Fund</i></u>	<u><i>Category</i></u>	<u><i>Amount</i></u>
General	Non-departmental	\$ 10,201
Public Safety	Capital outlay	538
Donations and Contributions	Materials and services	554
Water	Debt service	123,570

SUBSEQUENT EVENTS

The City follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through March 7, 2012, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2011

The following table presents a schedule of funding progress for the City's defined benefit pension plan:

<i>Actuarial Valuation Ending December 31</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability</i>	<i>Assets in Excess of Actuarial Liability (UAL)</i>	<i>Funded Percent</i>	<i>Covered Payroll</i>	<i>UAL as a Percentage of Covered Payroll</i>
1997	\$ 2,969,995	\$ 1,840,816	\$ 1,129,179	161%	\$ 749,171	(151%)
1999	4,337,544	3,105,085	1,232,459	140%	847,082	(145%)
2001	4,458,143	3,899,013	559,130	114%	573,823	(97%)
2003	4,049,927	4,431,123	(381,196)	91%	719,749	53%
2004	4,904,357	5,260,450	(356,093)	93%	704,863	51%
2005	5,674,886	4,406,081	1,268,805	129%	700,557	(181%)
2006	6,590,624	4,442,449	2,148,175	148%	711,226	(302%)
2007	7,148,035	4,825,288	2,322,747	148%	751,771	(309%)
2008	5,349,083	5,001,138	347,945	107%	803,558	(43%)
2009	6,230,307	5,371,122	859,185	116%	817,510	(105%)

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 523,917	\$ 523,917	\$ 528,904	\$ 4,987
Licenses and permits	592,180	592,180	618,001	25,821
Charges for services	22,065	22,065	23,835	1,770
Intergovernmental	189,827	189,827	212,967	23,140
Fines and forfeitures	200,000	200,000	248,473	48,473
Miscellaneous	41,471	41,471	80,704	39,233
<i>Total Revenues</i>	1,569,460	1,569,460	1,712,884	143,424
EXPENDITURES				
General government legislative	804,745	804,745	16,318	788,427
Executive department	234,561	234,561	226,159	8,402
Municipal court	272,175	272,175	240,638	31,537
Building inspection program	273,061	273,061	239,158	33,903
Community development	199,459	199,459	170,719	28,740
Community service programs	27,595	27,595	27,594	1
Parks maintenance	104,250	104,250	94,361	9,889
Finance	177,712	177,712	175,593	2,119
Non-departmental	532,166	552,166	562,367	(10,201)
Capital outlay	168,600	168,600	61,083	107,517
Contingency	88,505	68,505	-	68,505
<i>Total Expenditures</i>	2,882,829	2,882,829	1,813,990	1,068,839
REVENUES OVER (UNDER)				
EXPENDITURES	(1,313,369)	(1,313,369)	(101,106)	1,212,263
OTHER FINANCING SOURCES (USES)				
Transfers in	253,362	253,362	253,362	-
Transfers out	(431,789)	(431,789)	(431,789)	-
<i>Total Other Financing Sources (Uses)</i>	(178,427)	(178,427)	(178,427)	-
NET CHANGE IN FUND BALANCE	(1,491,796)	(1,491,796)	(279,533)	1,212,263
FUND BALANCE, Beginning	1,491,796	1,491,796	1,994,575	502,779
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,715,042	\$ 1,715,042

Budgetary basis is same as GAAP.

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC SAFETY SERIAL LEVY FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,885,458	\$ 1,885,458	\$ 1,817,906	\$ (67,552)
Licenses and permits	320	320	1,397	1,077
Charges for services	42,000	42,000	12,000	(30,000)
Intergovernmental	5,000	5,000	4,840	(160)
Miscellaneous	27,483	27,483	49,231	21,748
<i>Total Revenues</i>	<u>1,960,261</u>	<u>1,960,261</u>	<u>1,885,374</u>	<u>(74,887)</u>
EXPENDITURES				
Personal services	2,082,251	2,082,251	1,880,600	201,651
Materials and services	280,965	280,965	234,871	46,094
Capital outlay	26,800	26,800	27,338	(538)
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	<u>2,440,016</u>	<u>2,440,016</u>	<u>2,142,809</u>	<u>297,207</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(479,755)	(479,755)	(257,435)	222,320
OTHER FINANCING SOURCES (USES)				
Transfers out	(547,542)	(547,542)	(547,542)	-
NET CHANGE IN FUND BALANCE	<u>(1,027,297)</u>	<u>(1,027,297)</u>	<u>(804,977)</u>	<u>222,320</u>
FUND BALANCE, Beginning	<u>1,393,588</u>	<u>1,393,588</u>	<u>1,654,018</u>	<u>260,430</u>
FUND BALANCE, Ending	<u><u>\$ 366,291</u></u>	<u><u>\$ 366,291</u></u>	<u><u>\$ 849,041</u></u>	<u><u>\$ 482,750</u></u>

Budgetary basis is same as GAAP.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<i>Special Revenue</i>		
	<i>State Gas Tax</i>	<i>Narcotic Enforcement Reserve</i>	<i>Library Serial Levy</i>
ASSETS			
Cash and investments	\$ 125,464	\$ 68,897	\$ 46,064
Accounts receivable	42,365	-	2,978
Property taxes receivable	-	-	16,168
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
<i>Total Assets</i>	<u>\$ 167,829</u>	<u>\$ 68,897</u>	<u>\$ 65,210</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,603	\$ -	\$ 3,010
Due to other funds	-	-	-
Deferred revenue	-	-	16,168
<i>Total Liabilities</i>	6,603	-	19,178
Fund Balances			
Restricted for:			
Community development	161,225	-	-
Library	-	-	46,032
Debt service	-	-	-
Committed to:			
Public safety	-	68,897	-
Parks	-	-	-
Community development	-	-	-
Community center	-	-	-
<i>Total Fund Balances</i>	<u>161,225</u>	<u>68,897</u>	<u>46,032</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 167,828</u>	<u>\$ 68,897</u>	<u>\$ 65,210</u>

Special Revenue

<i>Parks and Recreation Program</i>	<i>Path Program Reserve</i>	<i>Public Transit Grant</i>	<i>Street Maintenance</i>	<i>Housing Rehabilitation</i>
\$ 12,288 (343)	\$ 109,529 -	\$ - 13,304	\$ 1,462,932 -	\$ 214,473 -
-	-	-	-	-
-	-	-	5,136	-
-	-	-	-	421,951
<u>\$ 11,945</u>	<u>\$ 109,529</u>	<u>\$ 13,304</u>	<u>\$ 1,468,068</u>	<u>\$ 636,424</u>
\$ -	\$ -	\$ 13,304	\$ -	\$ -
-	-	-	-	-
-	-	-	5,136	421,951
-	-	13,304	5,136	421,951
-	109,529	-	-	-
-	-	-	-	-
-	-	-	-	-
11,945	-	-	-	-
-	-	-	1,462,932	214,473
-	-	-	-	-
<u>11,945</u>	<u>109,529</u>	<u>-</u>	<u>1,462,932</u>	<u>214,473</u>
<u>\$ 11,945</u>	<u>\$ 109,529</u>	<u>\$ 13,304</u>	<u>\$ 1,468,068</u>	<u>\$ 636,424</u>

CITY OF SWEET HOME, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2011

	<i>Special Revenue</i>	
	<i>Community Center Operating</i>	<i>Special Assessments</i>
ASSETS		
Cash and investments	\$ -	\$ 750
Accounts receivable	3,100	-
Property taxes receivable	-	-
Assessment liens receivable	-	11,081
Loans receivable	-	-
	<hr/>	<hr/>
<i>Total Assets</i>	\$ 3,100	\$ 11,831
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 1,579	\$ -
Due to other funds	712	-
Deferred revenue	-	11,081
	<hr/>	<hr/>
<i>Total Liabilities</i>	2,291	11,081
Fund Balances		
Restricted for:		
Community development	-	-
Library	-	-
Debt service	-	-
Committed to:		
Public safety	-	-
Parks	-	-
Community development	-	750
Community center	809	-
	<hr/>	<hr/>
<i>Total Fund Balances</i>	809	750
	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 3,100	\$ 11,831
	<hr/> <hr/>	<hr/> <hr/>

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Equipment Reserve</i>	<i>Police Facilities</i>	<i>Totals</i>
\$ 1,067,993	\$ 295,415	\$ 79,169	\$ 3,482,974
-	-	-	61,404
-	-	9,970	26,138
-	-	-	16,217
-	-	-	421,951
<u>\$ 1,067,993</u>	<u>\$ 295,415</u>	<u>\$ 89,139</u>	<u>\$ 4,008,684</u>
\$ -	\$ -	\$ -	\$ 24,496
-	-	-	712
-	-	9,970	464,306
-	-	9,970	489,514
-	-	-	270,754
-	-	-	46,032
-	-	79,169	79,169
-	-	-	68,897
-	-	-	11,945
1,067,993	295,415	-	3,041,563
-	-	-	809
<u>1,067,993</u>	<u>295,415</u>	<u>79,169</u>	<u>3,519,169</u>
<u>\$ 1,067,993</u>	<u>\$ 295,415</u>	<u>\$ 89,139</u>	<u>\$ 4,008,683</u>

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<i>Special Revenue</i>		
	<i>State Gas Tax</i>	<i>Narcotic Enforcement Reserve</i>	<i>Library Serial Levy</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ 176,108
Charges for services	-	-	-
Intergovernmental	441,616	-	-
Fines and forfeitures	-	976	9,568
Miscellaneous	1,378	1,035	2,012
<i>Total Revenues</i>	442,994	2,011	187,688
EXPENDITURES			
Current operating:			
Library	-	-	222,479
Community development	379,686	-	-
Public safety	-	3,151	-
Community center	-	-	-
Capital outlay	7,412	-	1,631
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total Expenditures</i>	387,098	3,151	224,110
REVENUES OVER (UNDER) EXPENDITURES	55,896	(1,140)	(36,422)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(59,042)	-	-
<i>Total Other Financing Sources (Uses)</i>	(59,042)	-	-
NET CHANGE IN FUND BALANCES	(3,146)	(1,140)	(36,422)
FUND BALANCES, Beginning	164,371	70,037	82,454
FUND BALANCES, Ending	\$ 161,225	\$ 68,897	\$ 46,032

<i>Special Revenue</i>				
<i>Parks and Recreation Program</i>	<i>Path Program Reserve</i>	<i>Public Transit Grant</i>	<i>Street Maintenance</i>	<i>Housing Rehabilitation</i>
\$ -	\$ -	\$ -	\$ -	\$ -
150	-	-	-	-
-	182,163	39,671	214,327	-
-	-	-	-	-
3,904	578	-	7,628	21,146
4,054	182,741	39,671	221,955	21,146
-	-	-	-	-
2,448	421,411	57,286	-	125
-	-	-	-	-
-	-	-	-	-
-	65,485	-	264,575	-
-	-	-	-	-
-	-	-	-	-
2,448	486,896	57,286	264,575	125
1,606	(304,155)	(17,615)	(42,620)	21,021
-	20,000	-	-	-
-	-	-	(20,000)	-
-	20,000	-	(20,000)	-
1,606	(284,155)	(17,615)	(62,620)	21,021
10,339	393,684	17,615	1,525,552	193,452
\$ 11,945	\$ 109,529	\$ -	\$ 1,462,932	\$ 214,473

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
YEAR ENDED JUNE 30, 2011**

	<i>Special Revenue</i>		
	<i>Community Center Operating</i>	<i>Donations and Contributions</i>	<i>Special Assessments</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Charges for services	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	24,807	1	4
<i>Total Revenues</i>	24,807	1	4
EXPENDITURES			
Current operating:			
Library	-	-	-
Community development	-	554	-
Public safety	-	-	-
Community center	34,801	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total Expenditures</i>	34,801	554	-
REVENUES OVER (UNDER) EXPENDITURES	(9,994)	(553)	4
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
NET CHANGE IN FUND BALANCES	(9,994)	(553)	4
FUND BALANCES, Beginning	10,803	553	746
FUND BALANCES, Ending	\$ 809	\$ -	\$ 750

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Equipment Reserve</i>	<i>Police Facilities</i>	<i>Totals</i>
\$ -	\$ -	\$ 92,818	\$ 268,926
-	-	-	150
-	5,519	-	883,296
-	-	-	10,544
8,686	1,555	2,777	75,511
8,686	7,074	95,595	1,238,427
-	-	-	222,479
-	-	-	861,510
-	-	-	3,151
-	-	-	34,801
-	103,731	-	442,834
-	-	545,000	545,000
-	-	31,775	31,775
-	103,731	576,775	2,141,550
8,686	(96,657)	(481,180)	(903,123)
430,289	96,500	547,542	1,094,331
-	-	-	(79,042)
430,289	96,500	547,542	1,015,289
438,975	(157)	66,362	112,166
629,018	295,572	12,807	3,407,003
\$ 1,067,993	\$ 295,415	\$ 79,169	\$ 3,519,169

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE GAS TAX FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 452,862	\$ 452,862	\$ 441,616	\$ (11,246)
Miscellaneous	1,326	1,326	1,378	52
<i>Total Revenues</i>	454,188	454,188	442,994	(11,194)
EXPENDITURES				
Personal services	318,475	318,475	307,093	11,382
Materials and services	92,525	92,525	72,593	19,932
Capital outlay	22,250	22,250	7,412	14,838
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	533,250	533,250	387,098	146,152
REVENUES OVER (UNDER) EXPENDITURES	(79,062)	(79,062)	55,896	134,958
OTHER FINANCING SOURCES (USES)				
Transfers out	(59,042)	(59,042)	(59,042)	-
NET CHANGE IN FUND BALANCE	(138,104)	(138,104)	(3,146)	134,958
FUND BALANCE, Beginning	139,496	139,496	164,371	24,875
FUND BALANCE, Ending	\$ 1,392	\$ 1,392	\$ 161,225	\$ 159,833

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NARCOTIC ENFORCEMENT FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ -	\$ 3,151	\$ 976	\$ (2,175)
Miscellaneous	426	426	1,035	609
<i>Total Revenues</i>	426	3,577	2,011	(1,566)
EXPENDITURES				
Materials and services	-	3,151	3,151	-
Capital outlay	53,611	56,762	-	56,762
<i>Total Expenditures</i>	53,611	59,913	3,151	56,762
REVENUES OVER (UNDER)				
EXPENDITURES	(53,185)	(56,336)	(1,140)	55,196
FUND BALANCE, Beginning	53,185	56,336	70,037	13,701
FUND BALANCE, Ending	\$ -	\$ -	\$ 68,897	\$ 68,897

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY SERIAL LEVY FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 181,769	\$ 181,769	\$ 176,108	\$ (5,661)
Fines and forfeitures	7,000	7,000	9,568	2,568
Miscellaneous	712	712	2,012	1,300
<i>Total Revenues</i>	189,481	189,481	187,688	(1,793)
EXPENDITURES				
Personal services	166,032	166,032	156,784	9,248
Materials and services	68,980	68,980	65,695	3,285
Capital outlay	1,000	2,000	1,631	369
Contingency	2,000	1,000	-	1,000
<i>Total Expenditures</i>	238,012	238,012	224,110	13,902
REVENUES OVER (UNDER)				
EXPENDITURES	(48,531)	(48,531)	(36,422)	12,109
FUND BALANCE, Beginning	63,989	63,989	82,454	18,465
FUND BALANCE, Ending	\$ 15,458	\$ 15,458	\$ 46,032	\$ 30,574

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARKS AND RECREATION PROGRAM FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ -	\$ -	\$ 150	\$ 150
Miscellaneous	3,205	3,605	3,904	299
<i>Total Revenues</i>	3,205	3,605	4,054	449
EXPENDITURES				
Materials and services	2,100	2,500	2,448	52
Capital outlay	6,130	6,130	-	6,130
<i>Total Expenditures</i>	8,230	8,630	2,448	6,182
REVENUES OVER (UNDER)				
EXPENDITURES	(5,025)	(5,025)	1,606	6,631
FUND BALANCE, Beginning	5,025	5,025	10,339	5,314
FUND BALANCE, Ending	\$ -	\$ -	\$ 11,945	\$ 11,945

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PATH PROGRAM RESERVE FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 182,162	\$ 182,162	\$ 182,163	\$ 1
Miscellaneous	3,299	3,299	578	(2,721)
<i>Total Revenues</i>	185,461	185,461	182,741	(2,720)
EXPENDITURES				
Materials and services	427,740	427,740	421,411	6,329
Capital outlay	85,000	85,000	65,485	19,515
<i>Total Expenditures</i>	512,740	512,740	486,896	25,844
REVENUES OVER (UNDER)				
EXPENDITURES	(327,279)	(327,279)	(304,155)	23,124
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(307,279)	(307,279)	(284,155)	23,124
FUND BALANCE, Beginning	313,157	313,157	393,684	80,527
FUND BALANCE, Ending	\$ 5,878	\$ 5,878	\$ 109,529	\$ 103,651

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC TRANSIT GRANT FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 89,000	\$ 89,000	\$ 39,671	\$ (49,329)
EXPENDITURES				
Materials and services	89,000	89,000	57,286	31,714
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(17,615)	(17,615)
FUND BALANCE, Beginning	-	-	17,615	17,615
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STREET MAINTENANCE IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 344,204	\$ 344,204	\$ 214,327	\$ (129,877)
Miscellaneous	810,757	810,757	7,628	(803,129)
<i>Total Revenues</i>	1,154,961	1,154,961	221,955	(933,006)
EXPENDITURES				
Capital outlay	1,130,000	1,130,000	264,575	865,425
REVENUES OVER (UNDER)				
EXPENDITURES	24,961	24,961	(42,620)	(67,581)
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	4,961	4,961	(62,620)	(67,581)
FUND BALANCE, Beginning	1,114,386	1,114,386	1,525,552	411,166
FUND BALANCE, Ending	\$ 1,119,347	\$ 1,119,347	\$ 1,462,932	\$ 343,585

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOUSING REHABILITATION LOAN FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 1,370	\$ 1,370	\$ 21,146	\$ 19,776
EXPENDITURES				
Materials and services	194,989	194,989	125	194,864
REVENUES OVER (UNDER)				
EXPENDITURES	(193,619)	(193,619)	21,021	214,640
FUND BALANCE, Beginning	193,619	193,619	193,452	(167)
FUND BALANCE, Ending	\$ -	\$ -	\$ 214,473	\$ 214,473

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMMUNITY CENTER OPERATING FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 24,906	\$ 24,906	\$ 24,807	\$ (99)
EXPENDITURES				
Materials and services	33,000	36,000	34,801	1,199
Contingency	1,000	-	-	-
<i>Total Expenditures</i>	<u>34,000</u>	<u>36,000</u>	<u>34,801</u>	<u>1,199</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(9,094)	(11,094)	(9,994)	1,100
FUND BALANCE, Beginning	<u>9,094</u>	<u>11,094</u>	<u>10,803</u>	<u>(291)</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 809</u></u>	<u><u>\$ 809</u></u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DONATIONS AND CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1	\$ 1
EXPENDITURES				
Materials and services	-	-	554	(554)
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(553)	(553)
FUND BALANCE, Beginning	-	-	553	553
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 4	\$ 4
EXPENDITURES				
Materials and services	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	4	4
FUND BALANCE, Beginning	<u>79</u>	<u>79</u>	<u>746</u>	<u>667</u>
FUND BALANCE, Ending	<u>\$ 79</u>	<u>\$ 79</u>	<u>\$ 750</u>	<u>\$ 671</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,665	\$ 3,665	\$ 8,686	\$ 5,021
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	3,665	3,665	8,686	5,021
OTHER FINANCING SOURCES (USES)				
Transfers in	430,289	430,289	430,289	-
NET CHANGE IN FUND BALANCE	433,954	433,954	438,975	5,021
FUND BALANCE, Beginning	627,901	627,901	629,018	1,117
FUND BALANCE, Ending	<u>\$ 1,061,855</u>	<u>\$ 1,061,855</u>	<u>\$ 1,067,993</u>	<u>\$ 6,138</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - EQUIPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 5,519	\$ 5,519
Miscellaneous	2,773	2,773	1,555	(1,218)
<i>Total Revenues</i>	2,773	2,773	7,074	4,301
EXPENDITURES				
Capital outlay	95,000	115,000	103,731	11,269
REVENUES OVER (UNDER) EXPENDITURES	(92,227)	(112,227)	(96,657)	15,570
OTHER FINANCING SOURCES (USES)				
Transfers in	96,500	96,500	96,500	-
NET CHANGE IN FUND BALANCE	4,273	(15,727)	(157)	15,570
FUND BALANCE, Beginning	231,395	251,395	295,572	44,177
FUND BALANCE, Ending	\$ 235,668	\$ 235,668	\$ 295,415	\$ 59,747

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 83,149	\$ 83,149	\$ 92,818	\$ 9,669
Miscellaneous	-	-	2,777	2,777
<i>Total Revenues</i>	83,149	83,149	95,595	12,446
EXPENDITURES				
Debt service				
Principal	595,000	595,000	545,000	50,000
Interest	39,195	39,195	31,775	7,420
<i>Total Expenditures</i>	634,195	634,195	576,775	57,420
REVENUES OVER (UNDER)				
EXPENDITURES	(551,046)	(551,046)	(481,180)	69,866
OTHER FINANCING SOURCES (USES)				
Transfers in	547,542	547,542	547,542	-
NET CHANGE IN FUND BALANCE	(3,504)	(3,504)	66,362	69,866
FUND BALANCE, Beginning	3,504	3,504	12,807	9,303
FUND BALANCE, Ending	\$ -	\$ -	\$ 79,169	\$ 79,169

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Water Capital</u>	<u>Water SDC Reserve</u>	<u>Water Depreciation</u>
ASSETS			
Cash and investments	\$ 110,314	\$ 241,161	\$ 636,788
Accounts receivable	-	-	-
Assessment liens receivable	-	95,177	-
Capital assets			
Other capital assets, net of depreciation	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	110,314	336,338	636,788
LIABILITIES			
Accounts payable	-	-	988
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Construction		336,338	-
Unrestricted	110,314	-	635,800
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 110,314</u>	<u>\$ 336,338</u>	<u>\$ 635,800</u>

<i>Wastewater SDC Reserve</i>	<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC Reserve</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Totals</i>
\$ 325,597	\$ 492,414	\$ 29,075	\$ 10,605	\$ 53,910	\$ 85,359	\$ 1,985,223
-	-	9,994	-	-	-	9,994
33,629	-	-	-	-	-	128,806
-	-	2,316,757	-	-	-	2,316,757
359,226	492,414	2,355,826	10,605	53,910	85,359	4,440,780
-	-	548	-	-	-	1,536
-	-	2,316,757	-	-	-	2,316,757
359,226	-	-	10,605	-	-	706,169
-	492,414	38,521	-	53,910	85,359	1,416,318
<u>\$ 359,226</u>	<u>\$ 492,414</u>	<u>\$ 2,355,278</u>	<u>\$ 10,605</u>	<u>\$ 53,910</u>	<u>\$ 85,359</u>	<u>\$ 4,439,244</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -****NONMAJOR PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2011**

	<u>Water Capital</u>	<u>Water SDC Reserve</u>	<u>Water Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Personal services	-	-	-
Materials and services	-	6,195	32,047
Depreciation	-	-	-
<i>Total Operating Expenses</i>	-	6,195	32,047
OPERATING INCOME (LOSS)	-	(6,195)	(32,047)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	567	7,630	3,221
System development revenue	-	8,505	-
Transfers in	10,651,232	-	20,000
Transfers out	(11,242,925)	-	(214,561)
<i>Total Nonoperating Revenue (Expenses)</i>	(591,126)	16,135	(191,340)
CHANGE IN NET ASSETS	(591,126)	9,940	(223,387)
NET ASSETS, Beginning, as previously reported	701,440	326,398	859,187
Restatements	-	-	-
NET ASSETS, Beginning, as restated	701,440	326,398	859,187
NET ASSETS, Ending	\$ 110,314	\$ 336,338	\$ 635,800

<i>Wastewater SDC Reserve</i>	<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC Reserve</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Totals</i>
\$ -	\$ -	\$ 57,766	\$ -	\$ -	\$ -	\$ 57,766
-	-	48,959	-	-	-	48,959
-	-	1,280	2,563	-	43,002	85,087
-	-	257,418	-	-	-	257,418
-	-	307,657	2,563	-	43,002	391,464
-	-	(249,891)	(2,563)	-	(43,002)	(333,698)
3,567	2,440	163	54	267	463	18,372
6,625	-	-	-	-	-	15,130
-	20,000	-	-	1,500	6,000	10,698,732
-	-	(7,500)	-	-	-	(11,464,986)
10,192	22,440	(7,337)	54	1,767	6,463	(732,752)
10,192	22,440	(257,228)	(2,509)	1,767	(36,539)	(1,066,450)
349,034	469,974	38,331	13,114	52,143	121,898	2,931,519
-	-	2,574,175	-	-	-	2,574,175
349,034	469,974	2,612,506	13,114	52,143	121,898	5,505,694
\$ 359,226	\$ 492,414	\$ 2,355,278	\$ 10,605	\$ 53,910	\$ 85,359	\$ 4,439,244

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<i>Business-type Activities</i>	
	<i>Water Capital</i>	<i>Water SDC Reserve</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ -	\$ -
Cash paid to suppliers for goods and services	(19,639)	(6,195)
Cash paid to employees for services	-	-
<i>Net cash provided by (used for) operating activities</i>	(19,639)	(6,195)
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>		
Transfers in	68,077	-
Transfers out	-	-
<i>Net cash provided by (used for) noncapital financing activities</i>	68,077	-
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>		
Collections from system development charges	-	3,095
<i>Net cash used for capital and related financing activities</i>	-	3,095
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest revenue	567	7,630
<i>NET CHANGE IN CASH AND INVESTMENTS</i>	49,005	4,530
<i>CASH AND INVESTMENTS, Beginning</i>	61,309	236,631
<i>CASH AND INVESTMENTS, Ending</i>	\$ 110,314	\$ 241,161

Business-type Activities

<u>Water Depreciation</u>	<u>Wastewater SDC Reserve</u>	<u>Wastewater Capital</u>	<u>Storm Water Drainage</u>	<u>Storm Water SDC Reserve</u>	<u>Storm Water Capital</u>	<u>Storm Water Depreciation</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 57,201	\$ -	\$ -	\$ -	\$ 57,201
(31,059)	-	-	(1,487)	(2,563)	-	(43,002)	(103,945)
-	-	-	(48,959)	-	-	-	(48,959)
(31,059)	-	-	6,755	(2,563)	-	(43,002)	(95,703)
20,000	-	20,000	-	-	1,500	6,000	115,577
-	-	-	(7,500)	-	-	-	(7,500)
20,000	-	20,000	(7,500)	-	1,500	6,000	108,077
-	3,016	-	-	-	-	-	6,111
-	3,016	-	-	-	-	-	6,111
3,221	3,567	2,440	163	54	267	463	18,372
(7,838)	6,583	22,440	(582)	(2,509)	1,767	(36,539)	36,857
644,626	319,014	469,974	29,657	13,114	52,143	121,898	1,948,366
<u>\$ 636,788</u>	<u>\$ 325,597</u>	<u>\$ 492,414</u>	<u>\$ 29,075</u>	<u>\$ 10,605</u>	<u>\$ 53,910</u>	<u>\$ 85,359</u>	<u>\$ 1,985,223</u>

CITY OF SWEET HOME, OREGON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS (Continued)

YEAR ENDED JUNE 30, 2011

	<u>Water Capital</u>	<u>Water SDC Reserve</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ -	\$ (6,195)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>		
Depreciation	-	-
Increase in accounts receivable	-	-
Increase (Decrease) in accounts payable	-	-
Decrease in deposits	(19,639)	-
	<u>(19,639)</u>	<u>-</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ (19,639)</u>	<u>\$ (6,195)</u>

**SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND
FINANCING ACTIVITIES:**

Debt principal transferred to other funds	\$ 10,601,232	\$ -
Capital assets transferred to other funds	(11,242,925)	-

<u>Water Depreciation</u>	<u>Wastewater SDC Reserve</u>	<u>Wastewater Capital</u>	<u>Storm Water Drainage</u>	<u>Storm Water SDC Reserve</u>	<u>Storm Water Capital</u>	<u>Storm Water Depreciation</u>	<u>Totals</u>
\$ (32,047)	\$ -	\$ -	\$ (249,891)	\$ (2,563)	\$ -	\$ (43,002)	\$ (333,698)
-	-	-	257,418	-	-	-	257,418
-	-	-	(565)	-	-	-	(565)
988	-	-	(207)	-	-	-	781
-	-	-	-	-	-	-	(19,639)
<u>\$ (31,059)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,755</u>	<u>\$ (2,563)</u>	<u>\$ -</u>	<u>\$ (43,002)</u>	<u>\$ (95,703)</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,601,232
(214,561)	-	-	-	-	-	-	(11,457,486)

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,617,572	\$ 1,617,572	\$ 1,747,432	\$ 1,747,432
Intergovernmental	-	-	151,500	151,500
Miscellaneous	11,659	11,659	31,744	31,744
<i>Total Revenues</i>	1,629,231	1,629,231	1,930,676	1,930,676
EXPENDITURES				
Personal services	468,724	468,724	441,314	441,851
Materials and services	603,527	603,527	533,413	540,083
Capital outlay/depreciation	17,500	17,500	6,814	200,461
Debt service				
Principal	307,557	307,557	307,557	-
Interest	188,069	188,069	311,639	494,910
Contingency	200,000	200,000	-	-
<i>Total Expenditures</i>	1,785,377	1,785,377	1,600,737	1,677,305
REVENUES OVER (UNDER) EXPENDITURES				
	(156,146)	(156,146)	329,939	253,371
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	11,457,486
Transfers out	(239,660)	(239,660)	(239,660)	(10,840,892)
<i>Total Other Financing Sources (Uses)</i>	(239,660)	(239,660)	(239,660)	616,594
NET CHANGE IN FUND BALANCE	(395,806)	(395,806)	90,279	869,965
FUND BALANCE, Beginning	421,640	421,640	597,516	3,867,547
FUND BALANCE, Ending	\$ 25,834	\$ 25,834	\$ 687,795	\$ 4,737,512

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 112,000	\$ 112,000	\$ -	\$ -
Miscellaneous	-	-	568	568
<i>Total Revenues</i>	112,000	112,000	568	568
EXPENDITURES				
Capital outlay/depreciation	162,000	162,000	-	-
REVENUES OVER (UNDER) EXPENDITURES				
	(50,000)	(50,000)	568	568
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	10,651,232
Transfers out	-	-	-	(11,242,925)
<i>Total Other Financing Sources (Uses)</i>	50,000	50,000	50,000	(591,693)
NET CHANGE IN FUND BALANCE	-	-	50,568	(591,125)
FUND BALANCE, Beginning	-	-	59,747	701,440
FUND BALANCE, Ending	\$ -	\$ -	\$ 110,315	\$ 110,315

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,800,000	\$ 1,800,000	\$ 1,765,672	\$ 1,765,672
Miscellaneous	12,761	12,761	20,513	20,513
<i>Total Revenues</i>	1,812,761	1,812,761	1,786,185	1,786,185
EXPENDITURES				
Personal services	540,017	540,017	515,895	513,232
Materials and services	590,723	590,723	536,026	540,642
Capital outlay/depreciation	25,500	25,500	5,416	292,477
Debt service				
Principal	220,590	220,590	220,589	-
Interest	769,989	769,989	471,282	469,765
Contingency	142,000	142,000	-	-
<i>Total Expenditures</i>	2,288,819	2,288,819	1,749,208	1,816,116
REVENUES OVER (UNDER) EXPENDITURES				
	(476,058)	(476,058)	36,977	(29,931)
OTHER FINANCING SOURCES (USES)				
Transfers out	(309,660)	(309,660)	(309,660)	(479,912)
NET CHANGE IN FUND BALANCE	(785,718)	(785,718)	(272,683)	(509,843)
FUND BALANCE, Beginning	818,151	818,151	1,183,707	4,302,359
FUND BALANCE, Ending	\$ 32,433	\$ 32,433	\$ 911,024	\$ 3,792,516

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 50,000	\$ 50,000	\$ 44,758	\$ 44,758
Intergovernmental	3,500,000	3,500,000	-	-
Miscellaneous	11,416	11,416	8,213	9,557
<i>Total Revenues</i>	3,561,416	3,561,416	52,971	54,315
EXPENDITURES				
Materials and services	1,000,000	1,000,000	305,809	105,286
Capital outlay	8,850,000	8,850,000	1,515,711	-
<i>Total Expenditures</i>	9,850,000	9,850,000	1,821,520	105,286
REVENUES OVER (UNDER) EXPENDITURES				
	(6,288,584)	(6,288,584)	(1,768,549)	(50,971)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	5,000,000	5,000,000	1,716,234	-
Transfers in	170,000	170,000	170,000	340,252
<i>Total Other Financing Sources (Uses)</i>	5,170,000	5,170,000	1,886,234	340,252
NET CHANGE IN FUND BALANCE	(1,118,584)	(1,118,584)	117,685	289,281
FUND BALANCE, Beginning	1,609,785	1,609,785	1,660,068	2,912,177
FUND BALANCE, Ending	\$ 491,201	\$ 491,201	\$ 1,777,753	\$ 3,201,458

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 9,022	\$ 8,505
Miscellaneous	1,825	1,825	1,703	7,630
<i>Total Revenues</i>	11,825	11,825	10,725	16,135
EXPENDITURES				
Materials and services	115,000	115,000	6,195	6,195
Capital outlay	35,000	35,000	-	-
<i>Total Expenditures</i>	150,000	150,000	6,195	6,195
REVENUES OVER (UNDER) EXPENDITURES	(138,175)	(138,175)	4,530	9,940
FUND BALANCE, Beginning	157,576	157,576	236,630	326,398
FUND BALANCE, Ending	\$ 19,401	\$ 19,401	\$ 241,160	\$ 336,338

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 3,291	\$ 3,291	\$ 3,221	\$ 3,221
EXPENDITURES				
Materials and services	171,332	171,332	4,587	32,047
Capital outlay	275,000	275,000	27,460	-
<i>Total Expenditures</i>	<u>446,332</u>	<u>446,332</u>	<u>32,047</u>	<u>32,047</u>
REVENUES OVER (UNDER) EXPENDITURES				
	(443,041)	(443,041)	(28,826)	(28,826)
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	20,000
Transfers out	-	-	-	(214,561)
<i>Total Other Financing Sources (Uses)</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>(194,561)</u>
NET CHANGE IN FUND BALANCE	(423,041)	(423,041)	(8,826)	(223,387)
FUND BALANCE, Beginning	<u>424,341</u>	<u>424,341</u>	<u>644,626</u>	<u>859,187</u>
FUND BALANCE, Ending	<u><u>\$ 1,300</u></u>	<u><u>\$ 1,300</u></u>	<u><u>\$ 635,800</u></u>	<u><u>\$ 635,800</u></u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - WASTEWATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 4,829	\$ 6,625
Miscellaneous	2,199	2,199	1,754	3,567
<i>Total Revenues</i>	17,199	17,199	6,583	10,192
EXPENDITURES				
Materials and services	315,880	315,880	-	-
REVENUES OVER (UNDER) EXPENDITURES	(298,681)	(298,681)	6,583	10,192
FUND BALANCE, Beginning	309,582	309,582	319,014	349,034
FUND BALANCE, Ending	\$ 10,901	\$ 10,901	\$ 325,597	\$ 359,226

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER CAPITAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 3,103	\$ 3,103	\$ 2,440	\$ 2,440
EXPENDITURES				
Materials and services	150,000	150,000	-	-
Capital outlay	250,000	250,000	-	-
<i>Total Expenditures</i>	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(396,897)	(396,897)	2,440	2,440
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	(376,897)	(376,897)	22,440	22,440
FUND BALANCE, Beginning	<u>470,309</u>	<u>470,309</u>	<u>469,974</u>	<u>469,974</u>
FUND BALANCE, Ending	<u><u>\$ 93,412</u></u>	<u><u>\$ 93,412</u></u>	<u><u>\$ 492,414</u></u>	<u><u>\$ 492,414</u></u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER DRAINAGE FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 66,000	\$ 66,000	\$ 57,766	\$ 57,766
Miscellaneous	407	407	163	163
<i>Total Revenues</i>	66,407	66,407	57,929	57,929
EXPENDITURES				
Personal services	67,322	67,322	49,166	48,959
Materials and services	4,100	4,100	1,281	1,280
Capital outlay/depreciation	1,800	1,800	-	257,418
Contingency	10,000	10,000	-	-
<i>Total Expenditures</i>	83,222	83,222	50,447	307,657
REVENUES OVER (UNDER) EXPENDITURES	(16,815)	(16,815)	7,482	(249,728)
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,500)	(7,500)	(7,500)	(7,500)
NET CHANGE IN FUND BALANCE	(24,315)	(24,315)	(18)	(257,228)
FUND BALANCE, Beginning, as previously reported				
Restatements	-	-	-	2,574,175
FUND BALANCE, Beginning, as restated	26,459	26,459	39,086	2,612,506
FUND BALANCE, Ending	\$ 2,144	\$ 2,144	\$ 39,068	\$ 2,355,278

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER SDC FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 54	\$ 54
EXPENDITURES				
Materials and services	13,128	13,128	2,563	2,563
REVENUES OVER (UNDER) EXPENDITURES	(13,128)	(13,128)	(2,509)	(2,509)
FUND BALANCE, Beginning	13,128	13,128	13,114	13,114
FUND BALANCE, Ending	\$ -	\$ -	\$ 10,605	\$ 10,605

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 94	\$ 94	\$ 267	\$ 267
EXPENDITURES				
Materials and services	10,000	10,000	-	-
Capital outlay	35,000	35,000	-	-
<i>Total Expenditures</i>	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES				
	(44,906)	(44,906)	267	267
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
NET CHANGE IN FUND BALANCE	(43,406)	(43,406)	1,767	1,767
FUND BALANCE, Beginning	<u>52,178</u>	<u>52,178</u>	<u>52,143</u>	<u>52,143</u>
FUND BALANCE, Ending	<u><u>\$ 8,772</u></u>	<u><u>\$ 8,772</u></u>	<u><u>\$ 53,910</u></u>	<u><u>\$ 53,910</u></u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 333	\$ 333	\$ 463	\$ 463
EXPENDITURES				
Materials and services	115,000	115,000	43,002	43,002
REVENUES OVER (UNDER) EXPENDITURES				
	(114,667)	(114,667)	(42,539)	(42,539)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	6,000	6,000	6,000
NET CHANGE IN FUND BALANCE				
	(108,667)	(108,667)	(36,539)	(36,539)
FUND BALANCE, Beginning				
	121,958	121,958	121,898	121,898
FUND BALANCE, Ending				
	\$ 13,291	\$ 13,291	\$ 85,359	\$ 85,359

OTHER FINANCIAL SCHEDULES

CITY OF SWEET HOME, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS - GENERAL FUND
YEAR ENDED JUNE 30, 2011

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2010</u>	<u>2010-2011 Levy</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2011</u>
2010-2011	\$ -	\$ 2,730,661	\$ 1,265	\$ (74,522)	\$ (2,530,563)	\$ 126,841
2009-2010	120,042	-	1	(1,678)	(56,802)	61,563
2008-2009	65,089	-	1	(1,936)	(26,589)	36,565
2007-2008	11,449	-	-	(531)	(5,716)	5,202
2006-2007	11,234	-	187	(1,348)	(7,109)	2,964
2005-2006	2,976	-	-	(1,260)	(564)	1,152
2004-2005	1,915	-	-	(1,008)	(271)	636
Prior Years	2,699	-	-	(24)	(184)	2,491
Total	<u>\$ 215,404</u>	<u>\$ 2,730,661</u>	<u>\$ 1,454</u>	<u>\$ (82,307)</u>	<u>\$ (2,627,798)</u>	<u>\$ 237,414</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2011

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
DEBT PRINCIPAL TRANSACTIONS			
<i>Governmental activities</i>			
Justice Facility bonds	3.750 - 6.000%	1999	2018-19
<i>Business-type activities</i>			
Water System Improvements note	6.13%	1992	2012-13
Wastewater Treatment Plant Improvements note	5.19%	1993	2014-15
Wastewater Improvement note R89750	3.14%	2002	2024-25
Wastewater Improvement note R89751 (partially disbursed at June 30, 2011)	2.90%	2005	2026-27
Wastewater Improvement note R89752 (partially disbursed at June 30, 2011)	0.00%	2011	2030-31
Water Treatment Facility note S04002	1.00%	2007	2038-39
Water Treatment Facility note G04003	3.56%	2007	2034-35

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest July 1, 2010</u>
DEBT INTEREST TRANSACTIONS			
<i>Governmental activities</i>			
Justice Facility bonds	3.750 - 6.000%	1999	\$ 173,124
<i>Business-type activities</i>			
Water System Improvements note	6.13%	1992	39,510
Wastewater Treatment Plant Improvements note	5.19%	1993	28,944
Wastewater Improvement note R89750	3.14%	2002	838,141
Wastewater Improvement note R89751	2.90%	2005	1,953,897
Water Treatment Facility note S04002	1.00%	2007	1,177,715
Water Treatment Facility note G04003	3.56%	2007	-
			<u>\$ 4,211,331</u>

<i>Outstanding July 1, 2010</i>	<i>New Debt Issued</i>	<i>Principal Paid/Forgiven</i>	<i>Outstanding June 30, 2011</i>
\$ 545,000	\$ -	(545,000)	\$ -
316,002	-	(99,133)	216,869
217,574	-	(50,337)	167,237
3,205,020	-	(170,252)	3,034,768
3,779,051	-	-	3,779,051
-	1,716,234	-	1,716,234
7,250,000	-	(208,424)	7,041,576
3,333,155	151,500	(55,000)	3,429,655
<u>\$ 18,645,802</u>	<u>\$ 1,867,734</u>	<u>\$ (1,128,146)</u>	<u>\$ 19,385,390</u>

<i>New Issues</i>	<i>Interest and Fees Paid</i>	<i>Adjustments</i>	<i>Unmatured Interest June 30, 2011</i>
\$ -	\$ (31,775)	\$ (141,349)	\$ -
-	(19,371)	-	20,139
-	(11,292)	-	17,652
-	(99,312)	318	739,147
-	(345,075)	383,148	1,991,970
-	(72,500)	(1)	1,105,214
1,837,351	(164,769)	96,500	1,769,082
<u>\$ 1,837,351</u>	<u>\$ (744,094)</u>	<u>\$ 338,616</u>	<u>\$ 5,643,204</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2011

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Water Systems Improvements</i>			<i>Wastewater Treatment Plant</i>		
	<i>Reservoir Note, bearing 6.13% Interest</i>			<i>Improvements Note, bearing 5.19% Interest,</i>		
	<i>dated December 3, 1992</i>			<i>dated December 2, 1993</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 105,210	\$ 13,294	\$ 118,504	\$ 52,950	\$ 8,680	\$ 61,630
2013	111,659	6,845	118,504	55,698	5,931	61,629
2014	-	-	-	58,589	3,041	61,630
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 216,869</u>	<u>\$ 20,139</u>	<u>\$ 237,008</u>	<u>\$ 167,237</u>	<u>\$ 17,652</u>	<u>\$ 184,889</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2011

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Wastewater Improvement Note R89752,</i> <i>bearing 0% Interest dated</i> <i>dated April 1, 2011</i>			<i>Water Treatment Facility loan S04002</i> <i>bearing 1.0% Interest amended to</i> <i>March 15, 2010</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
	2012	\$ 250,000	\$ -	\$ 250,000	\$ 210,508	\$ 70,416
2013	250,000	-	250,000	212,613	68,311	280,924
2014	250,000	-	250,000	214,739	66,185	280,924
2015	250,000	-	250,000	216,887	64,037	280,924
2016	250,000	-	250,000	219,056	61,868	280,924
2017	250,000	-	250,000	221,246	59,677	280,923
2018	250,000	-	250,000	223,458	57,465	280,923
2019	250,000	-	250,000	225,693	55,231	280,924
2020	250,000	-	250,000	227,950	52,974	280,924
2021	250,000	-	250,000	230,230	50,694	280,924
2022	250,000	-	250,000	232,532	48,392	280,924
2023	250,000	-	250,000	234,857	46,067	280,924
2024	250,000	-	250,000	237,206	43,718	280,924
2025	250,000	-	250,000	239,577	41,346	280,923
2026	250,000	-	250,000	241,974	38,950	280,924
2027	250,000	-	250,000	244,393	36,531	280,924
2028	250,000	-	250,000	246,837	34,087	280,924
2029	250,000	-	250,000	249,306	31,618	280,924
2030	250,000	-	250,000	251,798	29,125	280,923
2031	250,000	-	250,000	254,317	26,607	280,924
2032	-	-	-	256,860	24,064	280,924
2033	-	-	-	259,428	21,495	280,923
2034	-	-	-	262,023	18,901	280,924
2035	-	-	-	264,643	16,281	280,924
2036	-	-	-	267,289	13,634	280,923
2037	-	-	-	269,962	10,962	280,924
2038	-	-	-	272,662	8,262	280,924
2039	-	-	-	275,389	5,535	280,924
2040	-	-	-	278,143	2,781	280,924
	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>	<u>\$ 7,041,576</u>	<u>\$ 1,105,214</u>	<u>\$ 8,146,790</u>

Water Treatment Facility loan G04003

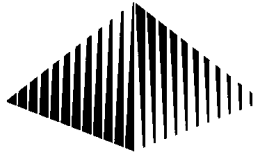
bearing 3.56% Interest dated

September 1, 2004

Total Proprietary Long-term Debt

September 1, 2004			Total Proprietary Long-term Debt		
Principal	Interest	Total	Principal	Interest	Total
\$ 102,536	\$ 114,130	\$ 216,666	\$ 1,131,799	\$ 491,130	\$ 1,622,929
107,887	112,080	219,967	1,160,874	464,180	1,625,054
108,245	109,922	218,167	1,067,388	436,154	1,503,542
108,610	107,757	216,367	1,024,496	414,371	1,438,867
113,982	105,585	219,567	1,045,624	395,163	1,440,787
114,362	103,305	217,667	1,062,191	375,377	1,437,568
119,846	100,446	220,292	1,084,307	354,529	1,438,836
120,441	96,851	217,292	1,101,995	332,446	1,434,441
126,054	93,238	219,292	1,125,174	309,830	1,435,004
126,791	88,826	215,617	1,143,964	285,885	1,429,849
132,554	84,388	216,942	1,168,279	261,373	1,429,652
138,230	80,411	218,641	1,193,024	236,760	1,429,784
143,956	76,092	220,048	1,218,349	211,230	1,429,579
149,915	70,333	220,248	1,244,471	183,666	1,428,137
150,911	64,337	215,248	994,479	157,368	1,151,847
156,948	58,300	215,248	1,013,205	136,884	1,150,089
163,026	52,022	215,048	1,032,298	115,782	1,148,080
174,147	45,501	219,648	1,056,766	94,052	1,150,818
180,312	38,535	218,847	877,957	71,479	949,436
186,487	31,548	218,035	690,804	58,155	748,959
192,747	24,089	216,836	449,607	48,153	497,760
199,056	16,379	215,435	458,484	37,874	496,358
312,612	95,007	407,619	574,635	113,908	688,543
-	-	-	264,643	16,281	280,924
-	-	-	267,289	13,634	280,923
-	-	-	269,962	10,962	280,924
-	-	-	272,662	8,262	280,924
-	-	-	275,389	5,535	280,924
-	-	-	278,143	2,781	280,924
\$ 3,429,655	\$ 1,769,082	\$ 5,198,737	\$ 24,548,258	\$ 5,643,204	\$ 30,191,462

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Craig Fentiman, Mayor
and Members of the City Council
1140 12th Avenue
City of Sweet Home, Oregon 97386

We have audited the basic financial statements of the City of Sweet Home, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Sweet Home, Oregon's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which include, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.


In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except expenditures in excess of appropriations as indicated in the notes to the financial statements, and the City did not file on a timely basis.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting. Please see report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

This report is intended solely for the information and use of the council members and management of the City of Sweet Home, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
March 7, 2012



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor, Members of the
City Council and the City Manager
City of Sweet Home, Oregon
Sweet Home, Oregon 97386

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sweet Home, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City of Sweet Home's basic financial statements and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

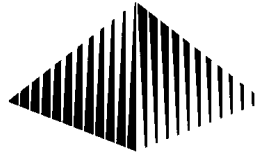
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Gene Mueller & Chuck R
CERTIFIED PUBLIC ACCOUNTANTS

March 7, 2012



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

475 Cottage Street NE, Suite 200, Salem, Oregon 97301

(503) 581-7788

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

Honorable Mayor, Members of the
City Council and the City Manager
City of Sweet Home, Oregon
Sweet Home, Oregon 97386

Compliance

We have audited the City of Sweet Home's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Sweet Home's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Sweet Home's compliance with those requirements.

In our opinion, the City of Sweet Home complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Sweet Home is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sweet Home's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the City of Sweet Home, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

March 7, 2012

CITY OF SWEET HOME, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Public Transit Grant, Small City and Rural Areas Program Passed through Oregon Department of Transportation Public Transit Division to fund Dial-A-Bus Services. Awarded July 1, 2010 through June 30, 2011 in the amount of \$49,911	20.509	ODOT 26693	\$ 49,911
Clean Water State Revolving Fund Loan, Passed through State of Oregon Dept. of Environmental Quality - executed on January 21, 2010 in the amount of \$5,000,000 to provide additional funding for wastewater demonstration project	66.458	R89752	688,421
DUII Traffic Grant, Passed through Oregon Association of Police Chiefs (OACP) - requested \$1,280	20.601	n/a	480
Seat Belt Traffic Safety Grant, Passed through Oregon Association of Police Chiefs (OACP) - requested \$2,240	20.600	n/a	880
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 739,692</u>

See notes to schedules of expenditures of federal awards.

CITY OF SWEET HOME, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the City of Sweet Home's basic financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City, it is not intended to and does not present either the financial position or the results of operations of the City.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in the notes to the basic financial statements. Additionally, the Schedule includes all federal programs administered by the City for the year ended June 30, 2011.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

CITY OF SWEET HOME, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issues: Unqualified
 Internal control reporting: No
 • Material weakness(es) identified? None reported
 • Significant deficiency(ies) identified? No
 • Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs: No
 • Material weakness(es) identified? None reported
 • Significant deficiency(ies) identified? Unqualified
 Type of auditor's report issued on compliance for major programs: Unqualified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of major program:

CFDA	Agency	Authorization	Program Title
66.458	EPA	R89752	Capitalization Grant for Clean Water State Revolving Funds - ARRA

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
 Auditee qualified as low-risk auditee? No

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None