



City of
Sweet Home, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2013

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013



CRAIG MARTIN, CITY MANAGER
PATRICIA GRAY, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
TABLE OF CONTENTS

	<i>Page</i>
<i>INTRODUCTORY SECTION</i>	
City Officials	1
Letter of Transmittal	2-7
Organizational Chart	8
<i>FINANCIAL SECTION</i>	
Independent Auditor's Report	9-10
Management's Discussion and Analysis	11-19
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Fund Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Notes to Basic Financial Statements	30-48
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	49
Public Safety Local Option Levy Fund	50
State Gas Tax Fund	51
Other Supplementary Information	
Nonmajor Governmental Funds - Statements and Schedules	
Combining Balance Sheet	52-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54-55
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Narcotics Enforcement Fund	56
Library Local Option Levy Fund	57
Parks and Recreation Program Fund	58
Path Program Reserve Fund	59
Street Maintenance Improvement Fund	60
Housing Rehabilitation Loan Fund	61
Community Center Operating Fund	62
Special Assessments Fund	63
Public Transit Grant Fund	64
911 Tax Fund	65
Building Reserve Fund	66
Equipment Reserve Fund	67
Police Facilities Fund	68

CITY OF SWEET HOME
TABLE OF CONTENTS (Continued)

<i>FINANCIAL SECTION (Continued)</i>	<u>Page</u>
Other Supplementary Information (Continued)	
Proprietary Funds - Statements and Schedules	
Combining Statement of Fund Net Position - Nonmajor Funds	69
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Funds	70
Combining Statement of Cash Flows - Nonmajor Funds	71
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	
Water Fund	72
Wastewater Fund	73
Wastewater Depreciation Fund	74
Water System Development Fund	75
Water Capital Fund	76
Water Depreciation Fund	77
Wastewater System Development Fund	78
Wastewater Capital Fund	79
Storm Water Drainage Fund	80
Storm Water SDC Fund	81
Storm Water Capital Fund	82
Storm Water Depreciation Fund	83
Other Financial Schedules	
Schedule of Property Tax Transactions	84
Schedule of Debt Transactions	85
Schedule of Future Debt Requirements by Issue	86-88
 <i>COMPLIANCE SECTION</i>	
Independent Auditor's Report Required by Oregon State Regulations	89-90

CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2013

MAYOR

Term Expires

Jim Gourley, Mayor
3441 Juniper Street
Sweet Home, Oregon 97386

December 31, 2014

CITY COUNCIL MEMBERS

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

December 31, 2014

Dave Trask
1276 2nd Avenue
Sweet Home, Oregon 97386

December 31, 2017

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, 2016

Bruce Hobbs
1038 Nandina Street
Sweet Home, Oregon 97386

December 31, 2015

CITY ADMINISTRATION

Craig M. Martin, City Manager

Robert Snyder, City Attorney

MAILING ADDRESS

City Hall
1140 12th 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
www.ci.sweet-home.or.us

December 17, 2013

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, 2013.

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, 2013 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 accounting estimates made by management; as well as evaluating the overall presentation of the financial statements.

Grove, Mueller & Swank, P.C, have issued an opinion that the City's financial statements for the year ended June 30, 2013 are in accordance with accounting principles generally accepted in the United States of America. 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 9,005. 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 55 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 regional 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

The Sweet Home City Council met in workshops on February 15 and 16, 2013 for the purpose of reflecting on the accomplishments of the prior year, and to set a strategic direction for 2013. The primary product of this workshop is a set of Council Goals for 2013.

The Goals will be used to guide development of the recommended 2013-2014 Budget, set program and project priorities, and establish expectations for the City Manager's work plan and performance for 2013.

Council Goals

- **Develop a Community Strategic Plan**
 - Broadly engage the community in developing a strategy for community success for the next decade
 - Develop tangible projects and programs to implement the strategy
 - Use the strategic planning process to evaluate and act on the following goals

- **Develop a Capital Improvements Program**
 - Establish a comprehensive system to identify, prioritize, and track needed investments in the capital assets of the City.

- Identify means of financing the projects and reflect those financial tools in city budgets and longer term financial strategies
- Cover all physical assets including infrastructure and buildings
- **Initiate a Charter Review Process**
 - Create a Charter Review Committee
 - Address needed changes to bring the Charter into compliance with state and federal law
 - Address structural and policy changes identified through the Community Strategic Plan process
- **Initiate development of a Parks Master Plan**
 - Address communities needs
 - Focus on Sweet Home's unique recreational opportunities
 - Include an operational plan addressing operations, maintenance, staffing, and other resource needs over time

Ongoing City Projects

- Continue to pursue options for stable funding of Police and Library services
- Preserve and Protect Weddle Bridge
- Complete the Hobart Management Plan
- Create a Technology Plan for City Government to increase efficiency of City

Property Taxes, Property Values & Compression

During 2012-2013, market values of property in Sweet Home continued to drop which increased compression losses in property tax revenues that fund the Police and Library Local Option Levies. Anticipating this happening, staff did not budget for any increase in assessed property values and continued to budget for larger compression losses. This strategy helped revenues come in slightly more than budgeted, yet \$81,279 less than the prior 2011-2012 revenues.

While the Police and Library continue to monitor their expenses, the finance department continues to compare audited numbers to estimated forecasts in both 5 year operating levies to see if or when money will need to be transferred to avoid over expenditures in these operating funds.

Building Activity

Sweet Home continued to see increases in new home starts from 11 in 2012 to 15 during 2013 and increases in new commercial construction from 2 in 2012 to 5 in 2013. Total residential permits dropped from 216 in 2012 to 193 in 2013, but commercial permits increased from 74 in 2012 to 80 in 2013.

The value of work done under residential permits was up from the 2012 values of \$925,731 to \$2,882,169 during 2013 with commercial values increased from \$1,028,903 to \$4,694,379.

While the total number of permits dropped from 290 permits in 2012 to 273 in 2013, the combined values of residential and commercial permits came in at \$7,576,548 compared to \$1,954,634 in 2012. 39% of the 2013 value was for residential permits with 61% for commercial, thanks to Bi-Mart building a new store in Sweet Home.

Bi-Mart came into the City in March 2013 with a proposed plan to build a new store on property behind McDonalds with construction to begin in the fall.

Livability Initiative

During 2012-2013, City staff, members of the Sweet Home Economic Development Group and US Forest Service Representatives began working together to develop recreational opportunities that will bring people not only into Sweet Home, but also into the nearby national forest. In July 2013, Sweet Home is expected to be chosen to participate as one of four communities in America who will enter into a private-public partnership with the federal government to evaluate and identify opportunities that will enhance community and economic goals related to tourism, industry and natural resource-based products and services.

In 2013-2014, a design team will be developed consisting of representatives from various agencies who will evaluate key livability factors, such as quality of transportation options, accessibility of affordable housing, attractiveness of employment and business opportunities in Sweet Home and the surrounding communities.

The Livability Initiative is a two-year project to strengthen the livability of communities that are neighbors to federally managed lands.

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. In 2002 a "demonstration" project was originally developed to correct storm water inflow and infiltration problems that are affecting the City's wastewater system in 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. Projects were broken down into 4 Phases of Inflow and Infiltration (I & I) programs that addressed a variety of storm water issues, such as 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.

As of June 30, 2013 the City has secured over \$13 million in three low/no interest loans for the Inflow and Infiltration (I & I) reduction program. However, it has been determined that the I & I reduction from the Phase 1 – 4 projects will not be enough to meet current compliance requirements of the existing Mutual Agreement Order the City has with the DEQ.

As such, wastewater treatment 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, 2013, 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 2012-2013 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 funds, debt service funds, and capital projects). 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 & 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.

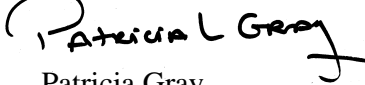
Oregon budget law allows for amendments to the City budget for reasons unforeseen at the time of the adoption of the original budget. Management is allowed to adjust budget numbers within adopted appropriations. Changes in appropriations, transfers outside of funds, appropriation of unexpected revenues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

The City of Sweet Home manages its finances according to generally accepted accounting principals. 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.

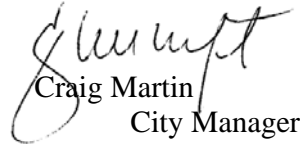
Acknowledgments

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,

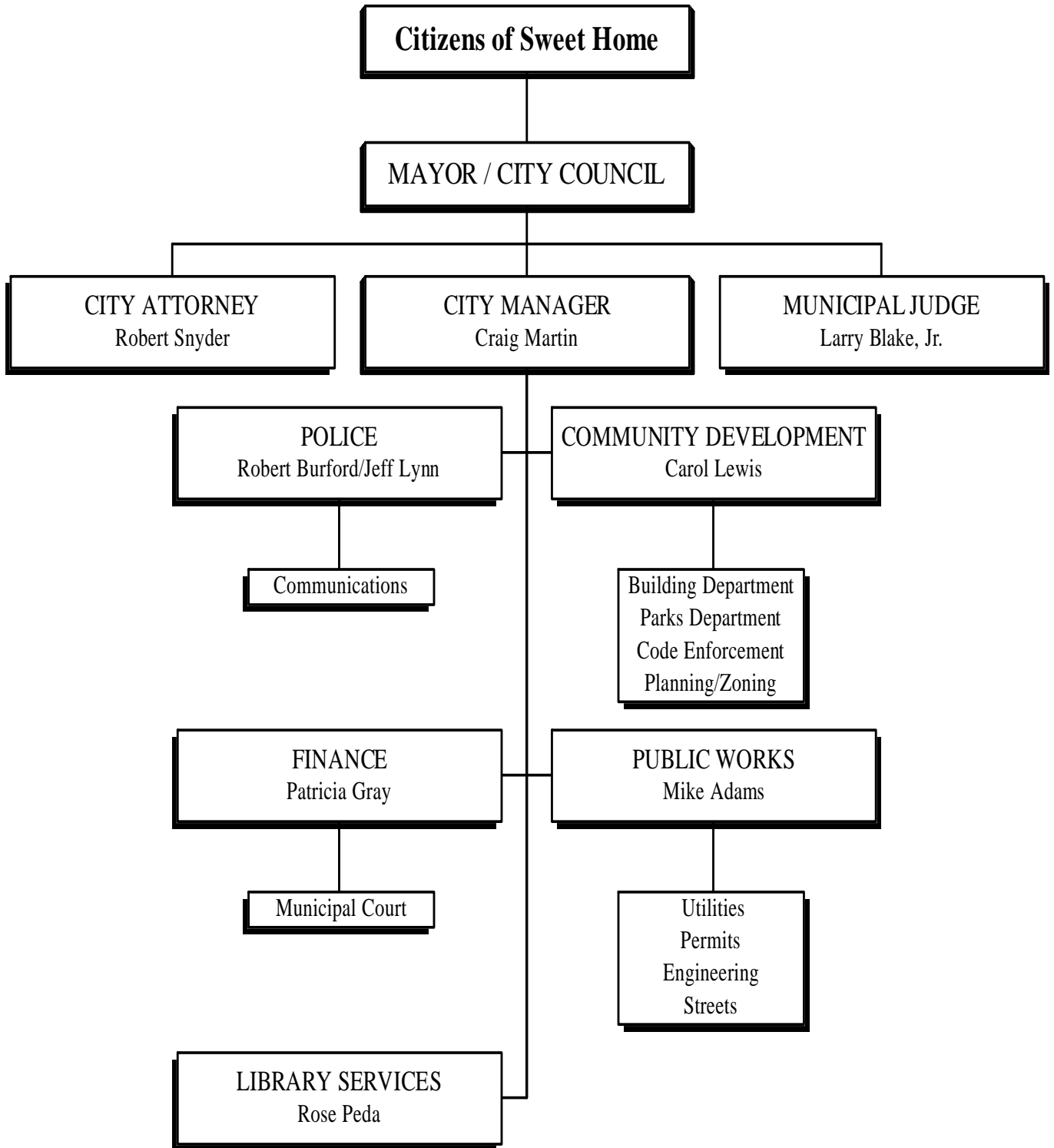


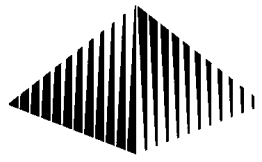
Patricia Gray
Finance Director



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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweet Home as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweet Home as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis 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.

Required and Other Supplementary Information

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

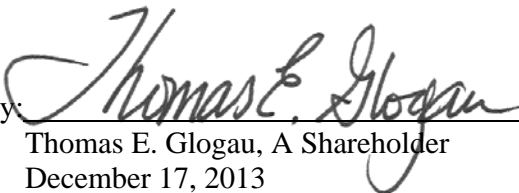
The required supplementary information and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 17, 2013, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

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

By: 
Thomas E. Glogau, A Shareholder
December 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2013

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.

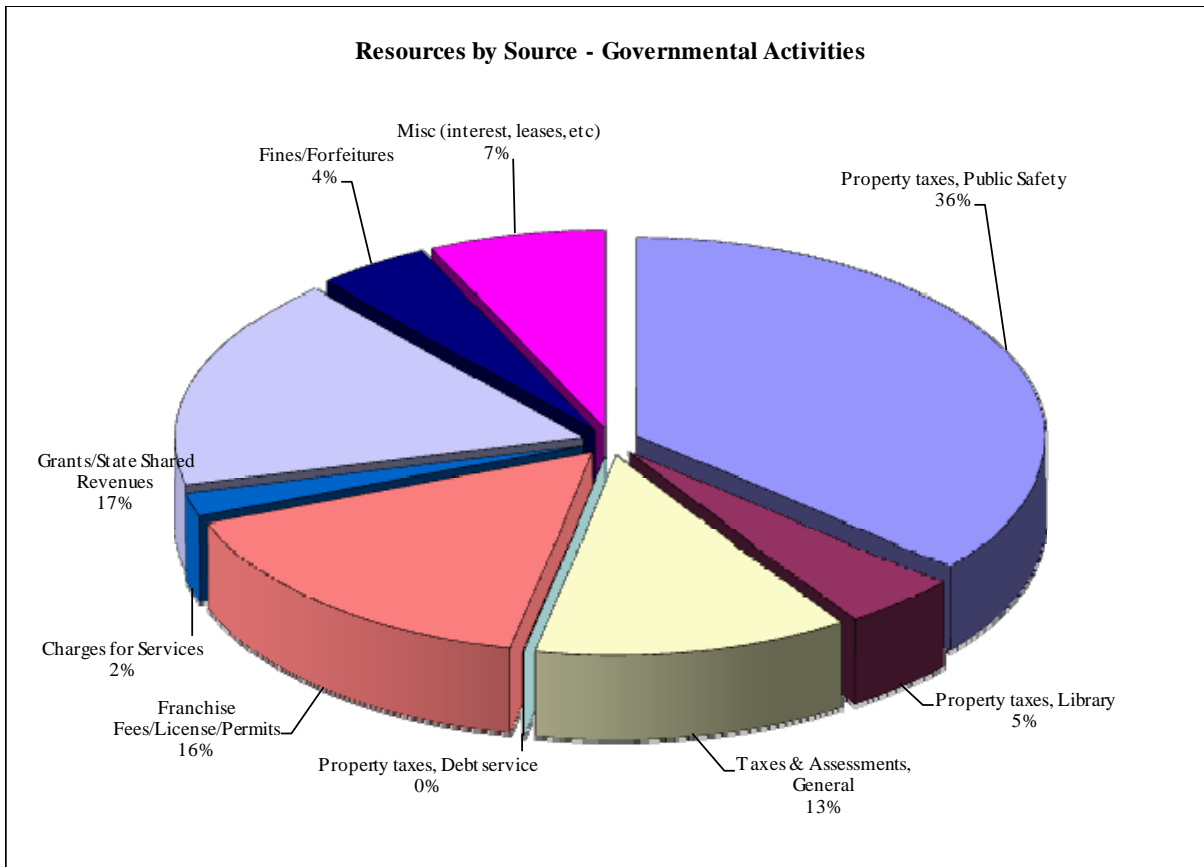
Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Transmittal Letter (pages 2 through 7) and the City's financial statements (beginning on page 20).

FINANCIAL HIGHLIGHTS

The City's net position decreased by \$4.415 million (or 12%) due to reductions in assets and investments for capital assets.

Governmental activities revenues increased by \$9 thousand (or 0.21%) despite reductions in operating grants and charges for services that were slightly offset by increases in property taxes and other income.

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.

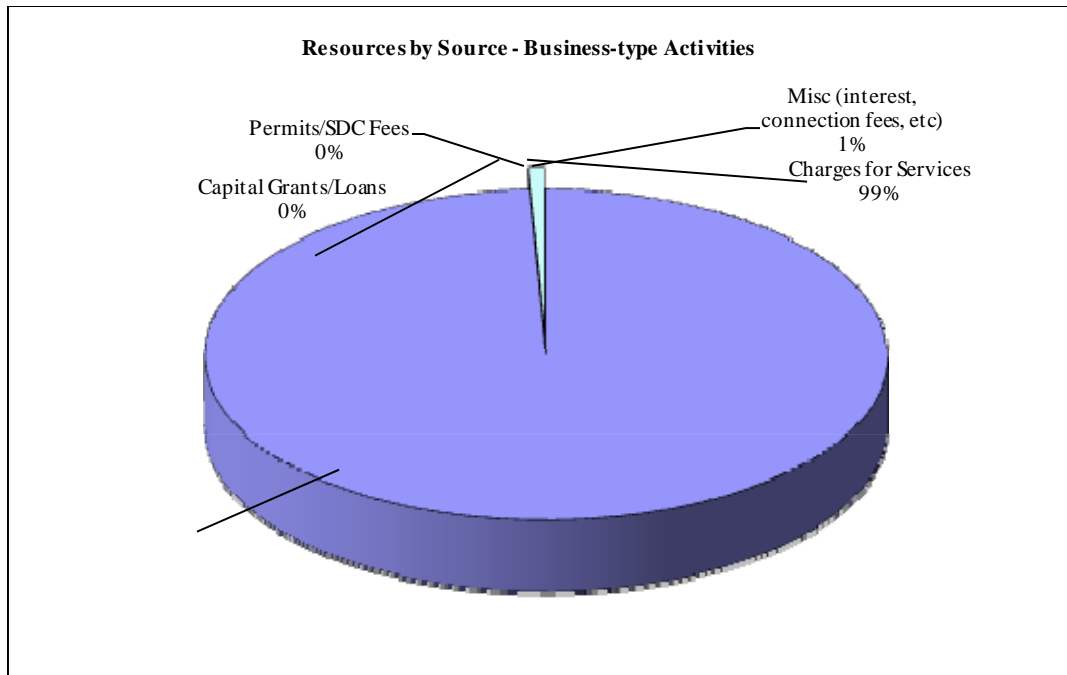


Charges for services in the business-type activities increased \$119 thousand (or 3%) due to an increase in customer usage.

The Water Fund represents 46% 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 52% 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 Road.

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

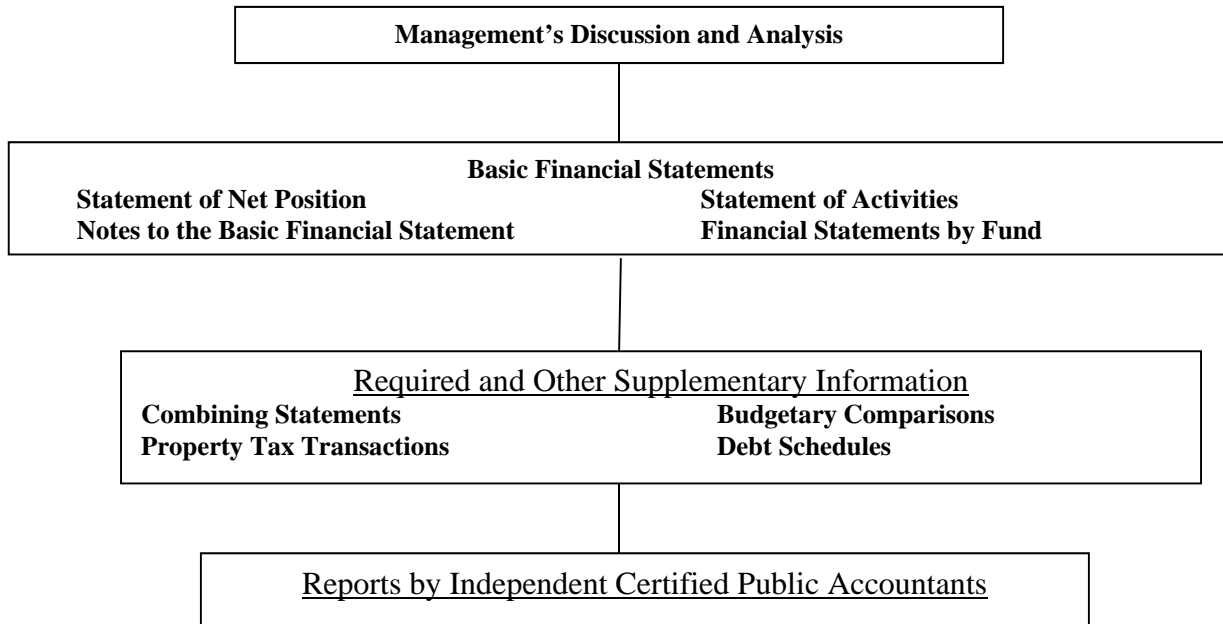


Overall City program costs increased by \$3,641 thousand.

REPORT LAYOUT

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

Components of the 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 Position, Statement of Activities, fund financial statements and the notes to the financial statements. The Statements of Net Position 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 Position 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, Public Safety Local Option Levy, and State Gas Tax Funds as required supplementary information. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses and changes in fund net position, 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.

CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Statements of Net Position
June 30,
(in thousands)

	2013			2012		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Cash and investments	\$ 5,824	\$ 3,793	\$ 9,617	\$ 5,881	\$ 4,279	\$ 10,160
Other assets	833	809	1,642	940	1,164	2,104
Capital assets	14,121	29,020	43,141	14,395	33,113	47,508
<i>Total Assets</i>	20,778	33,622	54,400	21,216	38,556	59,772
Other liabilities	62	277	339	75	272	347
Long-term liabilities	141	21,696	21,837	161	22,625	22,786
<i>Total Liabilities</i>	203	21,973	22,176	236	22,897	23,133
Net position:						
Invested in capital assets	14,087	7,364	21,451	14,341	10,528	24,869
Restricted	1,576	740	2,316	1,665	725	2,390
Unrestricted	4,912	3,545	8,457	4,974	4,406	9,380
<i>Total Net Position</i>	\$ 20,575	\$ 11,649	\$ 32,224	\$ 20,980	\$ 15,659	\$ 36,639

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
June 30,
(in thousands)

	2013			2012		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Revenues						
Program Revenues						
Charges for service	\$ 448	\$ 3,693	\$ 4,141	\$ 451	\$ 3,574	\$ 4,025
Operating grants and contributions	598	-	598	655	11	666
Taxes and assessments	2,273	-	2,273	2,261	-	2,261
Other	1,001	35	1,036	944	29	973
<i>Total Revenues</i>	4,320	3,728	8,048	4,311	3,614	7,925
Expenses						
Programs	4,969	7,494	12,463	4,940	3,882	8,822
Transfers	244	(244)	-	244	(244)	-
Change in Net Position	(405)	(4,010)	(4,415)	(385)	(512)	(897)
Beginning Net Position	20,980	15,659	36,639	21,365	16,171	37,536
Ending Net Position	\$ 20,575	\$ 11,649	\$ 32,224	\$ 20,980	\$ 15,659	\$ 36,639

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 \$1,534,066 at year end. The fund balance increased by \$241,848 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 86% of total General Fund expenditures.

Public Safety Local Option Levy Fund. The Public Safety Local Option Levy Fund is used to account for the local option property tax levy approved by voters every five years to finance police and dispatch services. The fund balance was \$988,979 at year end. The fund balance decreased by \$243,406 during the current fiscal year primarily due to the loss in property tax revenue.

State Gas Tax Fund. The State Gas Tax 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. The fund balance was \$158,232 at year end. The fund balance decreased by \$15,282 during the current fiscal year as revenues were in excess of expenditures, but money was transferred out to other funds.

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 net position was \$865,609 at year end. The fund net position decreased by \$3,692,001 during the current fiscal year, primarily due a recognized loss on the disposal of capital assets of \$3,446,213.

Wastewater. The Wastewater Fund is used to account for the operation of the City’s sewer utility. The fund net position was \$2,761,451 at year end. The fund net position decreased by \$499,662 during the current fiscal year, primarily due transfers to other funds.

Wastewater Depreciation. The Wastewater Depreciation Fund is used to account for monies set aside for wastewater related capital projects. The fund net position was \$4,136,647 at year end. The fund net position increased by \$478,225 during the current fiscal year, primarily due transfers from other funds.

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 49.

**Table 3
Governmental Funds - Fund Balances
June 30,
(in thousands)**

Major Funds	2013		2012		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General	\$ 1,534	25%	\$ 1,292	22%	\$ 242	19%
Public Safety Serial Levy	989	17%	1,232	20%	(243)	-20%
State Gas Tax	158	3%	174	3%	(16)	-9%
Other Governmental Funds	3,250	55%	3,351	55%	(101)	-3%
Total fund balances	<u>\$ 5,931</u>	<u>100%</u>	<u>\$ 6,049</u>	<u>100%</u>	<u>\$ (118)</u>	<u>-2%</u>

The following table reflects a summary of ending fund balance for business-types activities on a budget basis compared to the prior year. Detail of this summary begins on page 72.

**Table 4
Proprietary Funds - Fund Balances (Budget Basis)
June 30,
(in thousands)**

Major Funds	2013		2012		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water	\$ 375	9%	\$ 577	12%	\$ (202)	-35%
Wastewater	361	8%	622	12%	(261)	-42%
Wastewater Depreciation	1,540	36%	1,898	37%	(358)	-19%
Other Business-type Funds	2,001	47%	1,998	39%	3	0%
Total fund net assets	<u>\$ 4,277</u>	<u>100%</u>	<u>\$ 5,095</u>	<u>100%</u>	<u>\$ (818)</u>	<u>-16%</u>

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:

The City Council adopted one supplemental budget during the 2012-2013 fiscal year.

A supplemental budget adjustment in the amount of \$72,188 was adopted by City Council on June 25, 2013. The supplemental budget was adopted to recognize

- \$65,000 in insurance payments received from the City’s insurance company to replace damaged police cars,
- a \$2,000 towards a copy machine lease buyout at the Library, and
- a \$5,188 warranty payment from Owens Corning towards labor on a roof replacement at the Community Center building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business activities as of year-end was \$43 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and infrastructure. The total decrease in the City’s investment in capital assets for the current fiscal year was \$4,368 thousand (a \$275 thousand decrease for governmental activities and a \$4,093 thousand decrease in for business-type activities.)

Table 5
Capital Assets at June 30, 2013 and 2012
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 3,147	\$ 3,147	\$ -	\$ -	\$ 3,147	\$ 3,147
Buildings	9,177	9,177	21,239	28,725	30,416	37,902
Equipment	1,481	1,475	560	615	2,041	2,090
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
CIP	-	-	14,366	13,977	14,366	13,977
Accumulated depreciation	(25,420)	(25,139)	(17,442)	(20,501)	(42,862)	(45,640)
Net capital assets	<u>\$ 14,121</u>	<u>\$ 14,396</u>	<u>\$ 29,020</u>	<u>\$ 33,113</u>	<u>\$ 43,141</u>	<u>\$ 47,509</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 39-40 of the notes.

Table 6
Changes in Capital Assets
(in thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Beginning balance	\$ 14,396	\$ 33,113	\$ 47,509
Additions	169	394	563
Retirements	(67)	(3,450)	(3,517)
Depreciation	(377)	(1,037)	(1,414)
Ending balance	<u>\$ 14,121</u>	<u>\$ 29,020</u>	<u>\$ 43,141</u>

Long-term Debt

The City's long-term debt at June 30, 2013 and 2012 is summarized below.

Table 7
City of Sweet Home
General Obligation Debt
June 30,
(in thousands)

	<i>Governmental</i>		<i>Change</i>
	<i>Activities</i>		<i>2012-2013</i>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Capital lease	\$ 34	\$ 55	\$ (21)
	<i>Business-type</i>		<i>Change</i>
	<i>Activities</i>		<i>2012-2013</i>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Loans	\$ 21,656	\$ 19,385	\$ 2,271

For more detailed information the City's debt and amortization terms refer to pages 86-88 of the notes.

MAJOR INITIATIVES

Status of the Inflow & Infiltration Program

As of June 30, 2013 the City has secured over \$13 million in three low/no interest loans for the Inflow and Infiltration (I & I) reduction program. However, it has been determined that the I & I reduction from the Phase 1 – 4 projects will not be enough to meet current compliance requirements of the existing Mutual Agreement Order the City has with DEQ.

Wastewater treatment 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.

Property Taxes

During 2012-2013, market values of property in Sweet Home continued to drop which increased compression losses in property tax revenues that fund the Police and Library Local Option Levies. Anticipating this happening, staff did not budget for any increase in assessed property values and continued to budget for larger compression losses. This strategy helped revenues come in slightly more than budgeted, yet \$81,279 less than the prior 2011-2012 revenues.

While the Police and Library continue to monitor their expenses, the finance department continues to compare audited numbers to estimated forecasts in both 5 year operating levies to see if or when money will need to be transferred to avoid over expenditures in these operating funds.

Building Activity

New residential home starts continue to increase for a second year in a row from 11 in 2012 to 15 in 2013, with new commercial construction increasing from 2 in 2012 to 5 in 2013.

The value of work done under residential permits increase from the 2012 values of \$925,731 to \$2,882,169 in 2013 with commercial values increased from \$1,028,903 to \$4,694,379, thanks mainly to Bi-Mart coming in with a proposed plan to build a new store on property behind McDonalds with construction to begin in the fall.

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 POSITION
JUNE 30, 2013

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<i>ASSETS</i>			
Cash and investments	\$ 5,823,589	\$ 3,792,972	\$ 9,616,561
Accounts receivable	602,713	629,235	1,231,948
Property taxes receivable	210,224	-	210,224
Assessment liens receivable	20,466	81,354	101,820
Inventories	-	98,279	98,279
Non-depreciable capital assets	3,146,500	14,365,536	17,512,036
Other capital assets, net of depreciation	10,974,353	14,654,116	25,628,469
<i>Total Assets</i>	<u>20,777,845</u>	<u>33,621,492</u>	<u>54,399,337</u>
<i>LIABILITIES</i>			
Accounts payable	61,796	52,693	114,489
Deposits payable	-	102,960	102,960
Accrued interest payable	-	120,880	120,880
Noncurrent liabilities:			
Due within one year:			
Long-term debt	22,396	1,101,368	1,123,764
Accrued compensated absences	107,240	40,728	147,968
Due in more than one year:			
Long-term debt	11,311	20,554,316	20,565,627
<i>Total Liabilities</i>	<u>202,743</u>	<u>21,972,945</u>	<u>22,175,688</u>
<i>NET POSITION</i>			
Invested in capital assets	14,087,144	7,363,968	21,451,112
Restricted for:			
Public safety	1,134,476	-	1,134,476
Construction	-	739,812	739,812
Community development	257,292	-	257,292
Library	171,701	-	171,701
Debt service	11,995	-	11,995
Unrestricted	4,912,494	3,544,767	8,457,261
<i>Total Net Position</i>	<u>\$ 20,575,102</u>	<u>\$ 11,648,547</u>	<u>\$32,223,649</u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 1,493,560	\$ 114,135	\$ 161	\$ -
Library	176,277	17,339	873	-
Parks	117,182	2,294	1,900	-
Community development	1,019,196	50,615	544,695	-
Public safety	2,125,618	263,793	4,263	-
Community center	33,607	-	46,496	-
Interest on long-term debt	3,849	-	-	-
<i>Total Governmental activities</i>	<u>4,969,289</u>	<u>448,176</u>	<u>598,388</u>	<u>-</u>
Business-type activities:				
Water	5,301,823	1,701,908	-	13,300
Sewer	1,857,066	1,931,647	-	7,159
Stormwater	335,119	59,386	-	-
<i>Total Business-type activities</i>	<u>7,494,008</u>	<u>3,692,941</u>	<u>-</u>	<u>20,459</u>
<i>Total Activities</i>	<u>\$ 12,463,297</u>	<u>\$ 4,141,117</u>	<u>\$ 598,388</u>	<u>\$ 20,459</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net Position - beginning of year				
Net Position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (1,379,264)	\$ -	\$ (1,379,264)
(158,065)	-	(158,065)
(112,988)	-	(112,988)
(423,886)	-	(423,886)
(1,857,562)	-	(1,857,562)
12,889	-	12,889
(3,849)	-	(3,849)
(3,922,725)	-	(3,922,725)
-	(3,586,615)	(3,586,615)
-	81,740	81,740
-	(275,733)	(275,733)
-	(3,780,608)	(3,780,608)
(3,922,725)	(3,780,608)	(7,703,333)
2,272,807	-	2,272,807
612,817	-	612,817
241,694	-	241,694
146,586	14,580	161,166
3,273,904	14,580	3,288,484
244,100	(244,100)	-
(404,721)	(4,010,128)	(4,414,849)
20,979,823	15,658,675	36,638,498
<u>\$ 20,575,102</u>	<u>\$ 11,648,547</u>	<u>\$ 32,223,649</u>

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<i>General</i>	<i>Special Revenue</i>	
		<i>Public Safety Local Option Levy</i>	<i>State Gas Tax</i>
ASSETS			
Cash and investments	\$ 1,450,809	\$ 997,433	\$ 124,407
Accounts receivable	117,151	-	43,331
Property taxes receivable	41,583	145,497	-
Assessment liens receivable	9,533	-	-
<i>Total Assets</i>	<u>\$ 1,619,076</u>	<u>\$ 1,142,930</u>	<u>\$ 167,738</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 22,327	\$ 8,454	\$ 9,506
Deferred inflows			
Deferred revenue	62,683	145,497	-
Fund Balance:			
Restricted for:			
Public safety	-	988,979	-
Community development	-	-	158,232
Library	-	-	-
Debt service	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	-	-
Community center	-	-	-
Unrestricted	1,534,066	-	-
<i>Total Fund Balance</i>	<u>1,534,066</u>	<u>988,979</u>	<u>158,232</u>
<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	<u>\$ 1,619,076</u>	<u>\$ 1,142,930</u>	<u>\$ 167,738</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 3,250,942	\$ 5,823,591
442,231	602,713
23,144	210,224
10,933	20,466
<hr/>	<hr/>
\$ 3,727,250	\$ 6,656,994
<hr/>	<hr/>
\$ 21,509	\$ 61,796
456,028	664,208
-	988,979
99,060	257,292
157,385	157,385
3,167	3,167
49,017	49,017
9,580	9,580
2,912,407	2,912,407
19,097	19,097
-	1,534,066
<hr/>	<hr/>
3,249,713	5,930,990
<hr/>	<hr/>
\$ 3,727,250	\$ 6,656,994
<hr/>	<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 POSITION
JUNE 30, 2013

RECONCILIATION TO THE STATEMENT OF NET POSITION

<i>Fund Balances</i>	\$ 5,930,990
<p>The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.</p>	
	664,208
<p>Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.</p>	
Cost	39,540,968
Accumulated depreciation	(25,420,115)
<p>All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.</p>	
Capital lease	(33,707)
Bonds payable	
Accrued compensated absences	(107,242)
	<hr/>
<i>Net Position of Governmental Activities</i>	<u>\$ 20,575,102</u>

CITY OF SWEET HOME, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	<i>Special Revenue</i>		
	<i>General Fund</i>	<i>Public Safety</i>	<i>State Gas Tax</i>
		<i>Local Option</i>	
	<i>Levy</i>		
REVENUES			
Taxes and assessments	\$ 545,402	\$ 1,575,009	\$ -
Licenses and permits	703,676	647	-
Charges for services	23,285	5,061	-
Intergovernmental	216,436	-	493,101
Fines and forfeitures	186,100	-	-
Miscellaneous	91,827	103,276	1,497
<i>Total Revenues</i>	<u>1,766,726</u>	<u>1,683,993</u>	<u>494,598</u>
EXPENDITURES			
Current			
General government	1,024,319	-	-
Library	-	-	-
Parks	106,295	-	-
Community development	375,126	-	382,414
Public safety	259,106	1,863,373	-
Community center	-	-	-
Capital outlay	19,495	71,278	2,103
<i>Total Expenditures</i>	<u>1,784,341</u>	<u>1,934,651</u>	<u>384,517</u>
REVENUES OVER (UNDER) EXPENDITURES	(17,615)	(250,658)	110,081
OTHER FINANCING SOURCES (USES)			
Transfers in	268,215	7,252	-
Transfers out	(8,752)	-	(125,363)
<i>Total Other Financing Sources (Uses)</i>	<u>259,463</u>	<u>7,252</u>	<u>(125,363)</u>
NET CHANGE IN FUND BALANCE	241,848	(243,406)	(15,282)
FUND BALANCE, beginning of year	<u>1,292,218</u>	<u>1,232,385</u>	<u>173,514</u>
FUND BALANCE, end of year	<u>\$ 1,534,066</u>	<u>\$ 988,979</u>	<u>\$ 158,232</u>

<i>Other</i>			
<i>Governmental</i>			
<i>Funds</i>		<i>Total</i>	
\$	202,566	\$	2,322,977
	-		704,323
	51,594		79,940
	47,596		757,133
	9,560		195,660
	106,514		303,114
	<hr/>		<hr/>
	417,830		4,363,147
	1,026		1,025,345
	205,296		205,296
	1,998		108,293
	51,594		809,134
	-		2,122,479
	33,607		33,607
	328,531		421,407
	<hr/>		<hr/>
	622,052		4,725,561
	<hr/>		<hr/>
	(204,222)		(362,414)
	130,000		405,467
	(27,252)		(161,367)
	<hr/>		<hr/>
	102,748		244,100
	<hr/>		<hr/>
	(101,474)		(118,314)
	3,351,187		6,049,304
	<hr/>		<hr/>
\$	3,249,713	\$	5,930,990
	<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, 2013**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ (118,314)
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.	(32,480)
Governmental funds do not report expenditures for unpaid compensated absences 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.	(540)
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.	
Capital outlay expenditures	169,584
Depreciation	(376,906)
Net book value of assets sold	(67,339)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.	
Debt principal paid	21,274
 <i>Change in Net Position of Governmental Activities</i>	 <hr/> <u>\$ (404,721)</u>

CITY OF SWEET HOME, OREGON
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
ASSETS			
Current Assets			
Cash and investments	\$ 196,338	\$ 24,376	\$ 1,566,650
Accounts receivable	288,028	342,182	(975)
Inventories	85,727	3,515	-
<i>Total Current Assets</i>	570,093	370,073	1,565,675
Noncurrent Assets			
Assessment liens receivable	-	-	-
Nondepreciable capital assets	-	-	14,365,536
Other capital assets, net of depreciation	10,366,746	2,483,562	-
<i>Total Noncurrent Assets</i>	10,366,746	2,483,562	14,365,536
<i>Total Assets</i>	10,936,839	2,853,635	15,931,211
LIABILITIES			
Current Liabilities			
Accounts payable	6,406	6,044	25,276
Deposits payable	102,960	-	-
Accrued interest payable	103,540	1,766	15,574
Current portion of long-term liabilities			
Long-term debt	432,159	55,698	613,511
Accrued compensated absences	14,943	25,785	-
<i>Total Current Liabilities</i>	660,008	89,293	654,361
Noncurrent Liabilities			
Long-term debt	9,411,222	2,891	11,140,203
<i>Total Liabilities</i>	10,071,230	92,184	11,794,564
FUND NET POSITION:			
Investment in capital assets	523,365	2,424,973	2,611,822
Restricted for:			
Construction	-	-	-
Unrestricted	342,244	336,478	1,524,825
<i>Total Fund Net Position</i>	\$ 865,609	\$ 2,761,451	\$ 4,136,647

<i>Other Business- type Funds</i>	<i>Total</i>
\$ 2,005,608	\$ 3,792,972
-	629,235
9,037	98,279
<hr/>	<hr/>
2,014,645	4,520,486
81,354	81,354
-	14,365,536
1,803,808	14,654,116
<hr/>	<hr/>
1,885,162	29,101,006
<hr/>	<hr/>
3,899,807	33,621,492
14,967	52,693
-	102,960
-	120,880
-	1,101,368
-	40,728
<hr/>	<hr/>
14,967	1,418,629
-	20,554,316
<hr/>	<hr/>
14,967	21,972,945
<hr/>	<hr/>
1,803,808	7,363,968
739,812	739,812
1,341,220	3,544,767
<hr/>	<hr/>
\$ 3,884,840	\$ 11,648,547
<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 FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ 1,694,206	\$ 1,921,093	\$ 3,743
Miscellaneous	7,703	6,811	-
<i>Total Operating Revenues</i>	1,701,909	1,927,904	3,743
OPERATING EXPENSES			
Personal services	497,354	553,489	-
Materials and services	624,560	588,637	156,394
Depreciation	487,056	292,591	-
<i>Total Operating Expenses</i>	1,608,970	1,434,717	156,394
OPERATING INCOME (LOSS)	92,939	493,187	(152,651)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	1,957	2,260	8,629
Interest expense	(182,884)	(257,995)	-
Gain (loss) on sale of assets	(3,446,213)	(3,567)	-
<i>Total Nonoperating Revenues (Expenses)</i>	(3,627,140)	(259,302)	8,629
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(3,534,201)	233,885	(144,022)
Capital contributions	-	-	-
Transfers in	-	-	622,247
Transfers out	(157,800)	(733,547)	-
CHANGE IN FUND NET POSITION	(3,692,001)	(499,662)	478,225
FUND NET POSITION, Beginning of year	4,557,610	3,261,113	3,658,422
FUND NET POSITION, End of year	\$ 865,609	\$ 2,761,451	\$ 4,136,647

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 59,386	\$ 3,678,428
-	14,514
59,386	3,692,942
65,701	1,116,544
80,149	1,449,740
257,418	1,037,065
403,268	3,603,349
(343,882)	89,593
1,733	14,579
-	(440,879)
-	(3,449,780)
1,733	(3,876,080)
(342,149)	(3,786,487)
20,459	20,459
30,000	652,247
(5,000)	(896,347)
(296,690)	(4,010,128)
4,181,530	15,658,675
\$ 3,884,840	\$ 11,648,547

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, 2013

	<u>Water</u>	<u>Wastewater</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collected from customers	\$ 1,664,045	\$ 1,924,499
Paid to suppliers	(631,695)	(587,077)
Paid to employees	(498,663)	(551,390)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	533,687	786,032
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	(157,800)	(733,547)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(157,800)	(733,547)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(470)	(2,435)
Principal paid on long-term debt	(426,808)	(55,698)
Proceeds from issuance of debt	-	-
Contribution of capital	-	-
Interest paid	(189,287)	(259,675)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(616,565)	(317,808)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,957	2,260
	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	(238,721)	(263,063)
CASH AND INVESTMENTS, Beginning of year	435,059	287,439
	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	<u>\$ 196,338</u>	<u>\$ 24,376</u>

<i>Wastewater Depreciation</i>	<i>Nonmajor Funds</i>	<i>Totals</i>
\$ 349,312	\$ 58,478	\$ 3,996,334
(136,672)	(73,890)	(1,429,334)
-	(65,700)	(1,115,753)
212,640	(81,112)	1,451,247
622,247	30,000	652,247
-	(5,000)	(896,347)
622,247	25,000	(244,100)
(388,872)	(1,887)	(393,664)
(621,635)	-	(1,104,141)
175,249	-	175,249
-	63,886	63,886
(612)	-	(449,574)
(835,870)	61,999	(1,708,244)
8,629	1,731	14,577
7,646	7,618	(486,520)
1,559,004	1,997,990	4,279,492
<u>\$ 1,566,650</u>	<u>\$ 2,005,608</u>	<u>\$ 3,792,972</u>

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, 2013

	<u>Water</u>	<u>Wastewater</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 92,939	\$ 493,187
Depreciation	487,056	292,591
Change in assets and liabilities:		
Accounts receivable	(21,574)	(3,405)
Inventory	(8,144)	16
Accounts payable and accrued liabilities	(15,281)	1,544
Accrued vacation payable	(1,309)	2,099
	<u>533,687</u>	<u>786,032</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 533,687</u>	<u>\$ 786,032</u>

<u>Wastewater Depreciation</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
\$ (152,651)	(343,880)	\$ 89,595
	257,418	1,037,065
345,569	(908)	319,682
-	-	(8,128)
19,722	6,258	12,243
	-	790
<u>\$ 212,640</u>	<u>\$ (81,112)</u>	<u>\$ 1,451,247</u>

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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 Position 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, fund equity, revenues and expenses. The various funds are reported by generic classification within the financial statements.

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 Local Option 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.

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.

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

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 Local Option 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.

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 revenues 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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

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

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

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

911 Tax Fund - this fund is used to account for the City's share of 911 tax revenues which is passed through to 911 call centers.

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

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

Wastewater SDC 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.

Storm Water SDC 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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 net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position. Net position is 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. “Available” is defined as being collectible within the current period or soon enough thereafter (30 days) to be used to liquidate 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 taxes, 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.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, materials and supplies, and capital outlay. All revenues 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, 2013. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 is 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 consists 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2013:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Cash on hand	\$ 2,633	\$ 2,633
Deposits with financial institutions	450,540	450,540
Certificates of deposit	134,628	134,628
Investments		
Local Government Investment Pool	9,028,760	9,028,760
	<u>\$ 9,616,561</u>	<u>\$ 9,616,561</u>

Deposits

The book balance of the City’s bank deposits with various financial institutions was \$585,168 and the bank balance was \$773,871 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 insurance for the City’s deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial 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, 2013, \$534,420 of the City's bank balances were covered by the FDIC.

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, 2013, 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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS (Continued)

Investments (Continued)

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.

CAPITAL ASSETS

Business-type capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<i>Balances</i> <i>July 1,</i> <i>2012</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Balances</i> <i>June 30,</i> <i>2013</i>
NON-DEPRECIABLE					
Construction in progress-sewer	\$ 13,976,664	\$ 388,871	\$ -	\$ -	\$ 14,365,535
DEPRECIABLE					
Equipment-water	134,899	470	-	-	135,369
Equipment-sewer	480,344	2,437	(60,000)	-	422,781
Equipment - stormwater	-	1,886	-	-	1,886
Water facilities	18,942,652	-	(7,485,166)	-	11,457,486
Sewer facilities	9,782,260	-	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	-	10,296,700
<i>Total depreciable</i>	39,636,855	4,793	(7,545,166)	-	32,096,482
ACCUMULATED DEPRECIATION					
Equipment-water	(66,872)	(13,490)	-	-	(80,362)
Equipment-sewer	(239,893)	(48,034)	56,433	-	(231,494)
Water facilities	(4,711,134)	(473,566)	4,038,953	-	(1,145,747)
Sewer facilities	(7,245,426)	(244,557)	-	-	(7,489,983)
Stormwater Infrastructure	(8,237,361)	(257,418)	-	-	(8,494,779)
<i>Total accumulated depreciation</i>	(20,500,686)	(1,037,065)	4,095,386	-	(17,442,365)
<i>Business-type activities capital</i>	\$ 33,112,833	\$ (643,401)	\$ (3,449,780)	\$ -	\$ 29,019,652

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CAPITAL ASSETS (Continued)

Governmental activities capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<i>Balances</i> <i>July 1,</i> <i>2012</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances</i> <i>June 30,</i> <i>2013</i>
NON-DEPRECIABLE				
Land and improvements	\$ 3,146,500	\$ -	\$ -	\$ 3,146,500
DEPRECIABLE				
Buildings	9,177,486	-	-	9,177,486
Equipment	1,474,684	169,584	(163,294)	1,480,974
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	36,388,178	169,584	(163,294)	36,394,468
ACCUMULATED DEPRECIATION				
Buildings	(4,020,293)	(229,437)	-	(4,249,730)
Equipment	(1,378,510)	(147,468)	95,954	(1,430,024)
Infrastructure	(19,740,361)	-	-	(19,740,361)
<i>Total accumulated depreciation</i>	(25,139,164)	(376,905)	95,954	(25,420,115)
<i>Governmental activities capital assets, net</i>	\$ 14,395,514	(207,321)	\$ (67,340)	\$ 14,120,853

Depreciation expense in the amount of \$376,905 was charged to general government on the statement of activities. Depreciation of was charged to business-type activities in the same amounts as shown on the enterprise fund financial statements.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2012</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2013</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Multiple vehicle leases with interest rates varying from 7% to 8% and the longest maturing in 2013-14	\$ 54,983	\$ -	\$ (21,274)	\$ 33,709	\$ 22,398
<i>Business-type Activities</i>					
Water Fund					
1992 OEDD promissory note, annual payments of \$118,504 including interest at 6.13%	\$ 111,659	\$ -	\$ (111,659)	\$ -	\$ -
Water treatment facility note, estimated annual payments of \$289,310 including interest at 1%	6,831,068	-	(212,613)	6,618,455	214,739
Water treatment facility note, due two years after project completion including interest at 3.56%	3,327,462	-	(102,536)	3,224,926	107,887
Wastewater Fund					
1993 OEDD promissory note, annual payments of \$61,630 including interest at 5.19%	114,287	-	(55,698)	58,589	58,589
Wastewater Depreciation Fund					
Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	2,859,128	-	(181,199)	2,677,929	186,934
Wastewater improvement note, variable annual payments including interest at 2.90%	4,340,972	175,249	(190,436)	4,325,785	192,884
Wastewater improvement note, semi-annual payments of \$125,000 including 0% interest. Annual fees at 0.5% are charged.	5,000,000	-	(250,000)	4,750,000	250,000
	<u>\$ 22,584,576</u>	<u>\$ 175,249</u>	<u>\$ (1,104,141)</u>	<u>\$ 21,655,684</u>	<u>\$ 1,011,033</u>

Governmental Activities

Governmental activity debt requirements consist of capital lease which have future required payments of \$22,398 due in the fiscal year ending June 30, 2013 and the remaining balance of \$11,311 due in the fiscal year ending June 30, 2014.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

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, 2013.

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 1,011,033	\$ 387,996	\$ 1,399,029
2015	966,499	369,100	1,335,599
2016	980,935	352,864	1,333,799
2017	1,000,762	336,236	1,336,998
2018	1,015,991	319,107	1,335,098
2019-2023	5,371,265	1,305,330	6,676,595
2024-2028	5,082,145	785,774	5,867,919
2029-2033	3,927,468	357,940	4,285,408
2034-2038	1,746,054	92,836	1,838,890
2039-2040	553,532	8,317	561,849
	<u>\$ 21,655,684</u>	<u>\$ 4,315,500</u>	<u>\$ 25,971,184</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, 2013. 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, 2013

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 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%.

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, 2013, the City had drawn down \$4,667,024 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. Final payment is scheduled for 2030-31.

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. During the year ending June 30, 2013, the City was in compliance with the reserve requirement. Interest is set at 0.00% with a fee of 0.50% per annum. Final payment is scheduled for 2031-32.

DEFINED BENEFIT PENSION PLAN

Plan Description

City police officers participate in the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is a cost sharing multi-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit, established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution, established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan provides for a specific benefit determined by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS, which acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

The 1995 Oregon legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996 called Tier Two. The 2003 Oregon legislature established OPSRP for public employees hired on or after August 29, 2003, unless membership was previously established in PERS.

Benefits generally vest after five years of continuous service. Retirement is allowed at age fifty-eight with unreduced benefits, but retirement is generally available after age fifty-five with reduced benefits. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, 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 Status

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6 percent of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 6.08 percent for PERS and .50 percent for OPSRP – general employees, and .50 percent for OPSRP – police and fire employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The City participates in the State and local government rate pool.

Annual Pension Cost

For the years ended June 30, 2013, 2012, and 2011, the City's annual pension costs were \$71,086, \$74,859, and \$94,923, respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2010, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed at 7 percent in 2011, then declining by 0.5 percent per year until the rate of 4.5 percent is reached in 2029; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.25 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the ICMA IRC Section 401 defined contribution pension plan agreement for all full-time general and emergency services employees who are union members and not covered by another retirement plan, the City’s contribution rate is 12% of the 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, 2013 totaled \$142,498 on \$1,187,487 of covered payroll.

Under the ICMA IRC Section 401 defined contribution pension plan agreement the City’s contribution rate is 10% of the Police Chief’s salary per his contract. The City’s contribution to the money purchase pension plan for the Chief of Police for the fiscal year ended June 30, 2013 was \$8,274 on \$82,743.

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, 2013 was \$101,907 on \$649,092 of covered non-contractual City payroll.

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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

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 2012-2013 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 2012-2013, the City incurred six claims with a total cost of \$57,358 with \$0 held in reserves for all open claims. No insurance claims settled in each of the prior four years have exceeded policy coverage.

<u><i>Fiscal Year Ended June 30,</i></u>	<u><i>Insurance Settlements</i></u>	<u><i>Premiums Paid by City</i></u>
2011	\$ 77,443	\$ 61,657
2012	43,328	79,928
2013	57,358	101,881

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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 268,215	\$ 8,752
Public Safety	7,252	-
State Gas Tax	-	125,363
Path Program Reserve	70,000	-
Street Maintenance	-	20,000
Equipment Reserve	60,000	-
Police Facilities	-	7,252
Water	-	157,800
Wastewater	-	111,300
Water Depreciation	25,000	-
Storm Water	-	5,000
Storm Water Capital	1,500	-
Storm Water Depreciation	3,500	-
	<u>\$ 435,467</u>	<u>\$ 435,467</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 revenues restricted to debt service from the funds collecting the revenues 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.

NEW PRONOUNCEMENTS

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.” This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement was implemented in the current year.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into GASB’s authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement was implemented in the current year.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement was implemented in the current year.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year.

The City will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement is effective for fiscal years beginning after June 15, 2013.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2013, 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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 510,270	\$ 510,270	\$ 545,402	\$ 35,132
Licenses and permits	601,226	601,226	703,676	102,450
Charges for services	24,115	24,115	23,285	(830)
Intergovernmental	337,664	337,664	216,436	(121,228)
Fines and forfeitures	250,000	250,000	186,100	(63,900)
Miscellaneous	45,480	45,480	91,827	46,347
<i>Total Revenues</i>	1,768,755	1,768,755	1,766,726	(2,029)
EXPENDITURES				
General government	18,002	18,002	16,694	1,308
Executive department	247,978	246,978	239,396	7,582
Municipal court	278,738	277,738	259,106	18,632
Building inspection program	177,337	177,337	154,547	22,790
Community development	222,669	222,669	209,478	13,191
Community services programs	11,100	11,100	11,100	-
Parks maintenance	114,065	114,065	106,295	7,770
Finance	198,011	198,011	196,552	1,459
Non-departmental	779,564	779,564	571,678	207,886
Capital outlay	28,200	30,200	19,495	10,705
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	2,175,664	2,175,664	1,784,341	391,323
REVENUES OVER (UNDER) EXPENDITURES	(406,909)	(406,909)	(17,615)	389,294
OTHER FINANCING SOURCES (USES)				
Transfers in	268,215	268,215	268,215	-
Transfers out	(8,752)	(8,752)	(8,752)	-
<i>Total Other Financing Sources and Uses</i>	259,463	259,463	259,463	-
NET CHANGE IN FUND BALANCE	\$ 147,446	\$ 147,446	\$ 241,848	\$ 94,402
FUND BALANCE, beginning of year	928,145	928,145	1,292,218	364,073
FUND BALANCE, end of year	\$ 1,075,591	\$ 1,075,591	\$ 1,534,066	\$ 458,475

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 LOCAL OPTION LEVY FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,425,537	\$ 1,425,537	\$ 1,575,009	\$ 149,472
Licenses and permits	320	320	647	327
Charges for services	2,000	2,000	5,061	3,061
Miscellaneous	20,554	85,554	103,276	17,722
<i>Total Revenues</i>	1,448,411	1,513,411	1,683,993	170,582
EXPENDITURES				
Police operations	1,772,105	1,765,305	1,506,263	259,042
Communications operations	369,079	369,079	357,110	11,969
Capital outlay	3,000	74,800	71,278	3,522
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	2,194,184	2,259,184	1,934,651	324,533
REVENUES OVER (UNDER)				
EXPENDITURES	(745,773)	(745,773)	(250,658)	495,115
OTHER FINANCING SOURCES (USES)				
Transfers in	7,252	7,252	7,252	-
NET CHANGE IN FUND BALANCE	(738,521)	(738,521)	(243,406)	495,115
FUND BALANCE, beginning of year	1,034,764	1,034,764	1,232,385	197,621
FUND BALANCE, end of year	\$ 296,243	\$ 296,243	\$ 988,979	\$ 692,736

Budgetary basis is same as GAAP.

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 505,361	\$ 505,361	\$ 493,101	\$ (12,260)
Miscellaneous	471	471	1,497	1,026
<i>Total Revenues</i>	505,832	505,832	494,598	(11,234)
EXPENDITURES				
Operations	456,701	449,951	382,414	67,537
Capital outlay	-	6,750	2,103	4,647
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	556,701	556,701	384,517	172,184
REVENUES OVER (UNDER)				
EXPENDITURES	(50,869)	(50,869)	110,081	160,950
OTHER FINANCING SOURCES (USES)				
Transfers out	(125,363)	(125,363)	(125,363)	-
NET CHANGE IN FUND BALANCE	(176,232)	(176,232)	(15,282)	160,950
FUND BALANCE, beginning of year	190,012	190,012	173,514	(16,498)
FUND BALANCE, end of year	\$ 13,780	\$ 13,780	\$ 158,232	\$ 144,452

Budgetary basis is same as GAAP.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Local Option Levy</i>	<i>Parks and Recreation Program</i>
ASSETS			
Cash and investments	\$ 49,017	\$ 159,116	\$ 11,992
Accounts receivable	-	-	(414)
Property taxes receivable	-	14,316	-
Assessment liens receivable	-	-	-
<i>Total Assets</i>	<u>\$ 49,017</u>	<u>\$ 173,432</u>	<u>\$ 11,578</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 1,731	\$ 1,998
Deferred revenue	-	14,316	-
<i>Total Liabilities</i>	-	16,047	1,998
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	157,385	-
Debt service	-	-	-
Committed to:			
Public safety	49,017	-	-
Parks	-	-	9,580
Community development	-	-	-
Community center	-	-	-
<i>Total Fund Balance</i>	<u>49,017</u>	<u>157,385</u>	<u>9,580</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 49,017</u>	<u>\$ 173,432</u>	<u>\$ 11,578</u>

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvement</i>	<i>Housing Rehabilitation Loan</i>	<i>Community Center Operating</i>	<i>Special Assessment</i>
\$ 102,000	\$ 1,369,835	\$ 216,326	\$ 9,260	\$ 758
-	-	421,951	11,624	-
-	-	-	-	-
-	4,938	-	-	5,995
<u>\$ 102,000</u>	<u>\$ 1,374,773</u>	<u>\$ 638,277</u>	<u>\$ 20,884</u>	<u>\$ 6,753</u>
\$ 2,940	\$ -	\$ -	\$ 1,787	\$ -
-	4,938	421,951	-	5,995
<u>2,940</u>	<u>4,938</u>	<u>421,951</u>	<u>1,787</u>	<u>5,995</u>
99,060	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,369,835	216,326	-	758
-	-	-	19,097	-
<u>99,060</u>	<u>1,369,835</u>	<u>216,326</u>	<u>19,097</u>	<u>758</u>
\$ 102,000	\$ 1,374,773	\$ 638,277	\$ 20,884	\$ 6,753

CITY OF SWEET HOME, OREGON**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)**

JUNE 30, 2013

	<u>Special</u>	<u>Capital Projects</u>	
	<u>Public Transit Grant</u>	<u>Building Reserve</u>	<u>Equipment Reserve</u>
ASSETS			
Cash and investments	\$ -	\$ 1,059,265	\$ 270,206
Accounts receivable	9,070	-	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 9,070	\$ 1,059,265	\$ 270,206
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 9,070	\$ 313	\$ 3,670
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	9,070	313	3,670
Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	-	-
Debt service	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	1,058,952	266,536
Community center	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	-	1,058,952	266,536
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 9,070	\$ 1,059,265	\$ 270,206
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Debt Service

<i>Police Facilities</i>	<i>Total</i>
\$ 3,167	\$ 3,250,942
-	442,231
8,828	23,144
-	10,933
<hr/>	
\$ 11,995	\$ 3,727,250
<hr/>	
\$ -	\$ 21,509
8,828	456,028
<hr/>	
8,828	477,537
-	99,060
-	157,385
3,167	3,167
-	49,017
-	9,580
-	2,912,407
-	19,097
<hr/>	
3,167	3,249,713
<hr/>	
\$ 11,995	\$ 3,727,250
<hr/>	

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Local Option Levy</i>	<i>Parks and Recreation Program</i>
REVENUES			
Taxes and assessments	\$ -	\$ 200,408	\$ -
Charges for services	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	9,560	-
Miscellaneous	307	11,243	3,318
<i>Total Revenues</i>	307	221,211	3,318
EXPENDITURES			
Current			
General government	-	-	-
Library	-	205,296	-
Parks	-	-	1,998
Community development	-	-	-
Community center	-	-	-
Capital outlay	28,219	-	4,043
<i>Total Expenditures</i>	28,219	205,296	6,041
REVENUES OVER (UNDER) EXPENDITURES	(27,912)	15,915	(2,723)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources and Uses</i>	-	-	-
NET CHANGE IN FUND BALANCE	(27,912)	15,915	(2,723)
FUND BALANCE, beginning of year	76,929	141,470	12,303
FUND BALANCE, end of year	\$ 49,017	\$ 157,385	\$ 9,580

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvement</i>	<i>Housing Rehabilitation Loan</i>	<i>Community Center Operating</i>	<i>Special Assessment</i>
\$ -	\$ 157	\$ -	\$ -	\$ -
-	-	-	-	-
-	46,876	-	-	-
-	-	-	-	-
909	7,353	1,129	46,515	4
909	54,386	1,129	46,515	4
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	33,607	-
81,121	90,523	-	-	-
81,121	90,523	-	33,607	-
(80,212)	(36,137)	1,129	12,908	4
70,000	-	-	-	-
-	(20,000)	-	-	-
70,000	(20,000)	-	-	-
(10,212)	(56,137)	1,129	12,908	4
109,272	1,425,972	215,197	6,189	754
\$ 99,060	\$ 1,369,835	\$ 216,326	\$ 19,097	\$ 758

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Public Transit Grant</u>	<u>Building Reserve</u>	<u>Equipment Reserve</u>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Charges for services	51,594	-	-
Intergovernmental	-	-	720
Fines and forfeitures	-	-	-
Miscellaneous	-	13,648	22,063
<i>Total Revenues</i>	51,594	13,648	22,783
EXPENDITURES			
Current			
General government	-	1,026	-
Library	-	-	-
Parks	-	-	-
Community development	51,594	-	-
Community center	-	-	-
Capital outlay	-	27,835	96,790
<i>Total Expenditures</i>	51,594	28,861	96,790
REVENUES OVER (UNDER) EXPENDITURES	-	(15,213)	(74,007)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	60,000
Transfers out	-	-	-
<i>Total Other Financing Sources and Uses</i>	-	-	60,000
NET CHANGE IN FUND BALANCE	-	(15,213)	(14,007)
FUND BALANCE, beginning of year	-	1,074,165	280,543
FUND BALANCE, end of year	\$ -	\$ 1,058,952	\$ 266,536

Debt Service

<i>Police Facilities</i>	<i>Total</i>
\$ 2,001	\$ 202,566
-	51,594
-	47,596
-	9,560
25	106,514
<hr/>	
2,026	417,830
-	1,026
-	205,296
-	1,998
-	51,594
-	33,607
-	328,531
<hr/>	
-	622,052
<hr/>	
2,026	(204,222)
-	130,000
(7,252)	(27,252)
<hr/>	
(7,252)	102,748
<hr/>	
(5,226)	(101,474)
8,393	3,351,187
<hr/>	
\$ 3,167	\$ 3,249,713
<hr/> <hr/>	

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NARCOTICS ENFORCEMENT FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 314	\$ 314	\$ 307	\$ (7)
EXPENDITURES				
Capital outlay	76,376	76,376	28,219	48,157
NET CHANGE IN FUND BALANCE	(76,062)	(76,062)	(27,912)	48,150
FUND BALANCE, beginning of year	76,062	76,062	76,929	867
FUND BALANCE, end of year	\$ -	\$ -	\$ 49,017	\$ 49,017

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY LOCAL OPTION LEVY FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 185,498	\$ 185,498	\$ 200,408	\$ 14,910
Fines and forfeitures	7,000	7,000	9,560	2,560
Miscellaneous	350	2,350	11,243	8,893
<i>Total Revenues</i>	192,848	194,848	221,211	26,363
EXPENDITURES				
Operations	219,269	220,269	205,296	14,973
Capital outlay	-	1,000	-	1,000
Contingency	2,000	2,000	-	2,000
<i>Total Expenditures</i>	221,269	223,269	205,296	17,973
NET CHANGE IN FUND BALANCE	(28,421)	(28,421)	15,915	44,336
FUND BALANCE, beginning of year	124,449	124,449	141,470	17,021
FUND BALANCE, end of year	\$ 96,028	\$ 96,028	\$ 157,385	\$ 61,357

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,329	\$ 3,329	\$ 3,318	\$ (11)
EXPENDITURES				
Operations	1,998	1,998	1,998	-
Capital outlay	9,635	9,635	4,043	5,592
<i>Total Expenditures</i>	11,633	11,633	6,041	5,592
NET CHANGE IN FUND BALANCE	(8,304)	(8,304)	(2,723)	5,581
FUND BALANCE, beginning of year	8,304	8,304	12,303	3,999
FUND BALANCE, end of year	\$ -	\$ -	\$ 9,580	\$ 9,580

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 639	\$ 639	\$ 909	\$ 270
EXPENDITURES				
Capital outlay	160,000	160,000	81,121	78,879
REVENUES OVER (UNDER)				
EXPENDITURES	(159,361)	(159,361)	(80,212)	79,149
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	70,000	70,000	-
NET CHANGE IN FUND BALANCE	(89,361)	(89,361)	(10,212)	79,149
FUND BALANCE, beginning of year	90,169	90,169	109,272	19,103
FUND BALANCE, end of year	\$ 808	\$ 808	\$ 99,060	\$ 98,252

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, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 157	\$ 157
Intergovernmental	320,102	320,102	46,876	(273,226)
Miscellaneous	6,443	6,443	7,353	910
<i>Total Revenues</i>	326,545	326,545	54,386	(272,159)
EXPENDITURES				
Capital outlay	422,619	422,619	90,523	332,096
REVENUES OVER (UNDER) EXPENDITURES	(96,074)	(96,074)	(36,137)	59,937
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	(116,074)	(116,074)	(56,137)	59,937
FUND BALANCE, beginning of year	1,439,475	1,439,475	1,425,972	(13,503)
FUND BALANCE, end of year	\$ 1,323,401	\$ 1,323,401	\$ 1,369,835	\$ 46,434

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 957	\$ 957	\$ 1,129	\$ 172
EXPENDITURES				
Operations	216,387	216,387	-	216,387
NET CHANGE IN FUND BALANCE	(215,430)	(215,430)	1,129	216,559
FUND BALANCE, beginning of year	215,430	215,430	215,197	(233)
FUND BALANCE, end of year	\$ -	\$ -	\$ 216,326	\$ 216,326

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 46,500	\$ 46,500	\$ 46,515	\$ 15
EXPENDITURES				
Operations	45,500	45,500	33,607	11,893
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	46,500	46,500	33,607	12,893
NET CHANGE IN FUND BALANCE	-	-	12,908	12,908
FUND BALANCE, beginning of year	-	-	6,189	6,189
FUND BALANCE, end of year	\$ -	\$ -	\$ 19,097	\$ 19,097

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 4	\$ 4
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	4	4
FUND BALANCE, beginning of year	-	752	754	2
FUND BALANCE, end of year	\$ -	\$ 752	\$ 758	\$ 6

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 51,594	\$ 51,594	\$ 51,594	\$ -
EXPENDITURES				
Materials and services	51,594	51,594	51,594	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – 911 TAX FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 43,854	\$ 43,854	\$ -	\$ (43,854)
EXPENDITURES				
Operations	43,854	43,854	-	43,854
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,951	\$ 14,139	\$ 13,648	\$ (491)
EXPENDITURES				
Operations	5,000	5,000	1,026	3,974
Capital outlay	45,000	50,188	27,835	22,353
<i>Total Expenditures</i>	50,000	55,188	28,861	26,327
NET CHANGE IN FUND BALANCE	(41,049)	(41,049)	(15,213)	25,836
FUND BALANCE, beginning of year	1,074,944	1,074,944	1,074,165	(779)
FUND BALANCE, end of year	\$ 1,033,895	\$ 1,033,895	\$ 1,058,952	\$ 25,057

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - EQUIPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 720	\$ 720
Miscellaneous	1,417	1,417	22,063	20,646
<i>Total Revenues</i>	1,417	1,417	22,783	21,366
EXPENDITURES				
Capital outlay	185,444	185,444	96,790	88,654
REVENUES OVER (UNDER)				
EXPENDITURES	(184,027)	(184,027)	(74,007)	110,020
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
NET CHANGE IN FUND BALANCE	(124,027)	(124,027)	(14,007)	110,020
FUND BALANCE, beginning of year	262,341	262,341	280,543	18,202
FUND BALANCE, end of year	\$ 138,314	\$ 138,314	\$ 266,536	\$ 128,222

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 2,001	\$ 2,001
Miscellaneous	-	-	25	25
<i>Total Revenues</i>	-	-	2,026	2,026
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	2,026	2,026
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,252)	(7,252)	(7,252)	-
NET CHANGE IN FUND BALANCE	(7,252)	(7,252)	(5,226)	2,026
FUND BALANCE, beginning of year	7,252	7,252	8,393	1,141
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,167	\$ 3,167

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF FUND NET POSITION - NONMAJOR PROPRIETARY FUNDS**

JUNE 30, 2013

	<u>Water System Development</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater System Development</u>
ASSETS				
Current Assets				
Cash and investments	\$ 304,331	\$ 111,473	\$ 564,624	\$ 343,414
Inventories	-	-	-	-
<i>Total Current Assets</i>	<u>304,331</u>	<u>111,473</u>	<u>564,624</u>	<u>343,414</u>
Noncurrent Assets				
Assessment liens receivable	47,218	-	-	34,136
Capital assets, net of depreciation	-	-	-	-
<i>Total Noncurrent Assets</i>	<u>47,218</u>	<u>-</u>	<u>-</u>	<u>34,136</u>
<i>Total Assets</i>	<u>351,549</u>	<u>111,473</u>	<u>564,624</u>	<u>377,550</u>
LIABILITIES				
Current Liabilities				
Accounts payable	-	-	-	-
FUND NET POSITION:				
Investment in capital assets	-	-	-	-
Restricted for:				
Construction	351,549	-	-	377,550
Unrestricted	-	111,473	564,624	-
<i>Total Fund Net Position</i>	<u>\$ 351,549</u>	<u>\$ 111,473</u>	<u>\$ 564,624</u>	<u>\$ 377,550</u>

<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ 517,622	\$ 7,735	\$ 10,713	\$ 57,481	\$ 88,215	\$ 2,005,608
-	9,037	-	-	-	9,037
517,622	16,772	10,713	57,481	88,215	2,014,645
-	-	-	-	-	81,354
-	1,803,808	-	-	-	1,803,808
-	1,803,808	-	-	-	1,885,162
517,622	1,820,580	10,713	57,481	88,215	3,899,807
4,389	1,128	-	9,450	-	14,967
-	1,803,808	-	-	-	1,803,808
-	-	10,713	-	-	739,812
513,233	15,644	-	48,031	88,215	1,341,220
\$ 513,233	\$ 1,819,452	\$ 10,713	\$ 48,031	\$ 88,215	\$ 3,884,840

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Water System Development</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Personal services	-	-	-
Materials and services	-	-	63,757
Depreciation	-	-	-
<i>Total Expenses</i>	<u>-</u>	<u>-</u>	<u>63,757</u>
OPERATING INCOME (LOSS)	-	-	(63,757)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	(9,178)	592	3,083
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(9,178)	592	(60,674)
Capital contributions	13,300	-	-
Transfers in	-	-	25,000
Transfers out	-	-	-
CHANGE IN FUND NET POSITION	4,122	592	(35,674)
FUND NET POSITION, Beginning of year	<u>347,427</u>	<u>110,881</u>	<u>600,298</u>
FUND NET POSITION, End of year	<u>\$ 351,549</u>	<u>\$ 111,473</u>	<u>\$ 564,624</u>

<i>Wastewater System Development</i>	<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ -	\$ -	\$ 59,386	\$ -	\$ -	\$ -	\$ 59,386
-	-	65,701	-	-	-	65,701
-	4,389	203	-	9,450	2,350	80,149
-	-	257,418	-	-	-	257,418
-	4,389	323,322	-	9,450	2,350	403,268
-	(4,389)	(263,936)	-	(9,450)	(2,350)	(343,882)
3,598	2,703	105	56	300	474	1,733
3,598	(1,686)	(263,831)	56	(9,150)	(1,876)	(342,149)
7,159	-	-	-	-	-	20,459
-	-	-	-	1,500	3,500	30,000
-	-	(5,000)	-	-	-	(5,000)
10,757	(1,686)	(268,831)	56	(7,650)	1,624	(296,690)
366,793	514,919	2,088,283	10,657	55,681	86,591	4,181,530
\$ 377,550	\$ 513,233	\$ 1,819,452	\$ 10,713	\$ 48,031	\$ 88,215.00	\$ 3,884,840

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	\$ -	\$ -	\$ -
Paid to suppliers	-	-	(71,548)
Paid to employees	-	-	-
	-	-	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	-	-	(71,548)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	25,000
Transfers out	-	-	-
	-	-	-
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	-	-	25,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution of capital	58,500	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	(9,178)	592	3,083
	-	-	-
<i>Increase (Decrease) in Cash and Investments</i>	49,322	592	(43,465)
CASH AND INVESTMENTS, Beginning of year	255,009	110,881	608,089
CASH AND INVESTMENTS, End of year	<u>\$ 304,331</u>	<u>\$ 111,473</u>	<u>\$ 564,624</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ -	\$ -	\$ (63,757)
Depreciation	-	-	-
Accounts receivable	-	-	-
Accounts payable and accrued liabilities	-	-	(7,791)
	-	-	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,548)</u>

<i>Wastewater SDC</i>	<i>Wastewater Capital</i>	<i>Storm water</i>	<i>Storm water SDC</i>	<i>Storm water Capital</i>	<i>Storm water Depreciation</i>	<i>Totals</i>
\$ -	\$ -	\$ 58,478	\$ -	\$ -	\$ -	\$ 58,478
-	-	7	-	-	(2,349)	(73,890)
-	-	(65,700)	-	-	-	(65,700)
-	-	(7,215)	-	-	(2,349)	(81,112)
-	-	-	-	1,500	3,500	30,000
-	-	(5,000)	-	-	-	(5,000)
-	-	(5,000)	-	1,500	3,500	25,000
5,386	-	-	-	-	-	63,886
3,598	2,703	104	56	300	473	1,731
8,984	2,703	(13,998)	56	1,800	1,624	7,618
334,430	514,919	21,733	10,657	55,681	86,591	1,997,990
<u>\$ 343,414</u>	<u>\$ 517,622</u>	<u>\$ 7,735</u>	<u>\$ 10,713</u>	<u>\$ 57,481</u>	<u>\$ 88,215</u>	<u>\$2,005,608</u>
\$ -	\$ (4,389)	\$ (263,935)	\$ -	\$ (9,450)	\$ (2,349)	\$ (343,880)
-	-	257,418	-	-	-	257,418
-	-	(908)	-	-	-	(908)
-	4,389	210	-	9,450	-	6,258
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,215)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,349)</u>	<u>\$ (81,112)</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,536,018	\$ 1,536,018	\$ 1,694,206	\$ 158,188
Miscellaneous	7,723	7,723	9,660	1,937
<i>Total Revenues</i>	1,543,741	1,543,741	1,703,866	160,125
EXPENDITURES				
Operations	1,143,221	1,143,221	1,122,760	20,461
Debt service				
Principal	426,809	282,506	282,506	-
Interest	189,287	333,590	333,588	2
Capital outlay	-	15,620	9,077	6,543
Contingency	259,684	101,884	-	101,884
<i>Total Disbursements</i>	2,019,001	1,876,821	1,747,931	128,890
REVENUES OVER (UNDER)				
EXPENDITURES	(475,260)	(333,080)	(44,065)	289,015
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(157,800)	(157,800)	-
NET CHANGE IN FUND BALANCE	(475,260)	(490,880)	(201,865)	289,015
FUND BALANCE, beginning of year	490,880	490,880	576,864	85,984
FUND BALANCE, end of year	\$ 15,620	\$ -	\$ 374,999	\$ 374,999

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,821,397	\$ 1,821,397	\$ 1,921,093	\$ 99,696
Miscellaneous	7,890	7,890	9,071	1,181
<i>Total Revenues</i>	1,829,287	1,829,287	1,930,164	100,877
EXPENDITURES				
Operations	1,185,219	1,185,219	1,131,558	53,661
Debt service				
Principal	743,048	743,048	677,333	65,715
Interest	336,512	336,512	260,285	76,227
Capital outlay	16,867	17,367	10,889	6,478
<i>Total Disbursements</i>	2,281,646	2,282,146	2,080,065	202,081
REVENUES OVER (UNDER)				
EXPENDITURES	(452,359)	(452,859)	(149,901)	302,958
OTHER FINANCING SOURCES (USES)				
Transfers out	(111,300)	(111,300)	(111,300)	-
NET CHANGE IN FUND BALANCE	(563,659)	(564,159)	(261,201)	302,958
FUND BALANCE, beginning of year	564,159	564,159	621,715	57,556
FUND BALANCE, end of year	\$ 500	\$ -	\$ 360,514	\$ 360,514

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ -	\$ -	\$ 3,743	\$ 3,743
Miscellaneous	8,132	8,132	8,629	497
<i>Total Revenues</i>	8,132	8,132	12,372	4,240
EXPENDITURES				
Materials and services	500,000	500,000	138,629	361,371
Capital outlay	4,650,000	4,650,000	406,636	4,243,364
<i>Total Disbursements</i>	5,150,000	5,150,000	545,265	4,604,735
REVENUES OVER (UNDER)				
EXPENDITURES	(5,141,868)	(5,141,868)	(532,893)	4,608,975
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	3,500,000	3,500,000	175,249	(3,324,751)
NET CHANGE IN FUND BALANCE	(1,641,868)	(1,641,868)	(357,644)	1,284,224
FUND BALANCE, beginning of year	1,642,811	1,642,811	1,898,044	255,233
FUND BALANCE, end of year	\$ 943	\$ 943	\$ 1,540,400	\$ 1,539,457

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 47,583	\$ 37,583
Miscellaneous	1,082	1,082	1,739	657
<i>Total Revenues</i>	11,082	11,082	49,322	38,240
EXPENDITURES				
Materials and services	200,000	200,000	-	200,000
Capital outlay	55,000	55,000	-	55,000
<i>Total Expenditures</i>	255,000	255,000	-	255,000
NET CHANGE IN FUND BALANCE	(243,918)	(243,918)	49,322	293,240
FUND BALANCE, beginning of year	244,734	244,734	255,009	10,275
FUND BALANCE, end of year	\$ 816	\$ 816	\$ 304,331	\$ 303,515

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 492	\$ 492	\$ 592	\$ 100
EXPENDITURES				
Materials and services	6,323	6,323	-	6,323
Capital outlay	105,000	105,000	-	105,000
<i>Total Expenditures</i>	111,323	111,323	-	111,323
NET CHANGE IN FUND BALANCE	(110,831)	(110,831)	592	111,423
FUND BALANCE, beginning of year	110,831	110,831	110,881	50
FUND BALANCE, end of year	\$ -	\$ -	\$ 111,473	\$ 111,473

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 3,084	\$ 1,084
EXPENDITURES				
Materials and services	125,000	125,000	43,046	81,954
Capital outlay	273,000	273,000	20,712	252,288
<i>Total Expenditures</i>	398,000	398,000	63,758	334,242
REVENUES OVER (UNDER)				
EXPENDITURES	(396,000)	(396,000)	(60,674)	335,326
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
NET CHANGE IN FUND BALANCE				
	(371,000)	(371,000)	(35,674)	335,326
FUND BALANCE, beginning of year				
	636,000	636,000	600,298	(35,702)
FUND BALANCE, end of year				
	\$ 265,000	\$ 265,000	\$ 564,624	\$ 299,624

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 7,051	\$ (7,949)
Miscellaneous	1,456	1,456	1,933	477
<i>Total Revenues</i>	16,456	16,456	8,984	(7,472)
EXPENDITURES				
Materials and services	125,000	125,000	-	125,000
Capital outlay	210,000	210,000	-	210,000
<i>Total Expenditures</i>	335,000	335,000	-	335,000
NET CHANGE IN FUND BALANCE	(318,544)	(318,544)	8,984	327,528
FUND BALANCE, beginning of year	328,333	328,333	334,430	6,097
FUND BALANCE, end of year	\$ 9,789	\$ 9,789	\$ 343,414	\$ 333,625

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER CAPITAL FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,272	\$ 2,272	\$ 2,703	\$ 431
EXPENDITURES				
Materials and services	150,000	150,000	4,389	145,611
Capital outlay	360,000	360,000	-	360,000
<i>Total Expenditures</i>	510,000	510,000	4,389	505,611
NET CHANGE IN FUND BALANCE	(507,728)	(507,728)	(1,686)	506,042
FUND BALANCE, beginning of year	514,686	514,686	514,919	233
FUND BALANCE, end of year	\$ 6,958	\$ 6,958	\$ 513,233	\$ 506,275

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER DRAINAGE FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 66,000	\$ 66,000	\$ 59,386	\$ (6,614)
Miscellaneous	230	230	103	(127)
<i>Total Revenues</i>	66,230	66,230	59,489	(6,741)
EXPENDITURES				
Materials and services	81,782	81,782	67,233	14,549
Capital outlay	1,300	1,300	-	1,300
Contingency	10,000	10,000	-	10,000
<i>Total Expenditures</i>	93,082	93,082	67,233	25,849
REVENUES OVER (UNDER)				
EXPENDITURES	(26,852)	(26,852)	(7,744)	19,108
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE	(31,852)	(31,852)	(12,744)	19,108
FUND BALANCE, beginning of year	32,216	32,216	29,490	(2,726)
FUND BALANCE, end of year	\$ 364	\$ 364	\$ 16,746	\$ 16,382

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER SDC FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 47	\$ 47	\$ 56	\$ 9
EXPENDITURES				
Materials and services	10,699	10,699	-	10,699
NET CHANGE IN FUND BALANCE	(10,652)	(10,652)	56	10,708
FUND BALANCE, beginning of year	10,652	10,652	10,657	5
FUND BALANCE, end of year	\$ -	\$ -	\$ 10,713	\$ 10,713

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 246	\$ 246	\$ 300	\$ 54
EXPENDITURES				
Materials and services	22,000	22,000	9,450	12,550
Capital outlay	35,000	35,000	-	35,000
<i>Total Expenditures</i>	<u>57,000</u>	<u>57,000</u>	<u>9,450</u>	<u>47,550</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(56,754)	(56,754)	(9,150)	47,604
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500	1,500	1,500	-
NET CHANGE IN FUND BALANCE	(55,254)	(55,254)	(7,650)	47,604
FUND BALANCE, beginning of year	<u>55,656</u>	<u>55,656</u>	<u>55,681</u>	<u>25</u>
FUND BALANCE, end of year	<u>\$ 402</u>	<u>\$ 402</u>	<u>\$ 48,031</u>	<u>\$ 47,629</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 394	\$ 394	\$ 473	\$ 79
EXPENDITURES				
Materials and services	10,000	10,000	2,349	7,651
Capital outlay	83,146	83,146	-	83,146
<i>Total Expenditures</i>	93,146	93,146	2,349	90,797
REVENUES OVER (UNDER)				
EXPENDITURES	(92,752)	(92,752)	(1,876)	90,876
OTHER FINANCING SOURCES (USES)				
Transfers in	3,500	3,500	3,500	-
NET CHANGE IN FUND BALANCE	(89,252)	(89,252)	1,624	90,876
FUND BALANCE, beginning of year	89,252	89,252	86,591	(2,661)
FUND BALANCE, end of year	\$ -	\$ -	\$ 88,215	\$ 88,215

OTHER FINANCIAL SCHEDULES

CITY OF SWEET HOME, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2013

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2012</i>	<i>2012-2013 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2013</i>
2012-2013	\$ -	\$ 2,388,687	\$ 2,767	\$ (80,123)	\$ (2,219,380)	\$ 91,951
2011-2012	98,875	-	-	(2,267)	(44,265)	52,343
2010-2011	71,090	-	-	(4,719)	(24,665)	41,706
2009-2010	38,721	-	-	(629)	(20,934)	17,158
2008-2009	18,157	-	-	(372)	(14,949)	2,836
2007-2008	1,462	-	-	(149)	(619)	694
2006-2007	1,383	-	-	(251)	(558)	574
Prior Years	3,222	-	-	(22)	(238)	2,962
Total	\$ 232,910	\$ 2,388,687	\$ 2,767	\$ (88,532)	\$ (2,325,608)	\$ 210,224

CITY OF SWEET HOME, OREGON
SCHEDULE OF DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2013

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
DEBT PRINCIPAL TRANSACTIONS			
<i>Governmental activities</i>			
Capital leases	3.750 - 6.000%	1999	2013-2014
<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, 2013)	2.90%	2005	2026-27
Wastewater Improvement note R89752	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, 2012</u>
DEBT INTEREST TRANSACTIONS			
<i>Governmental activities</i>			
Capital leases	3.750 - 6.000%	1999	\$ 7,031
<i>Business-type activities</i>			
Water System Improvements note	6.13%	1992	6,845
Wastewater Treatment Plant Improvements note	5.19%	1993	8,972
Wastewater Improvement note R89750	3.14%	2002	645,223
Wastewater Improvement note R89751	2.90%	2005	1,525,365
Wastewater Improvement note R89752	0.00%	2012	-
Water Treatment Facility note S04002	1.00%	2007	1,034,799
Water Treatment Facility note G04003	3.56%	2007	1,652,908
			<u>\$ 4,881,143</u>

<i>Outstanding July 1, 2012</i>	<i>New Debt Issued</i>	<i>Principal Paid</i>	<i>Outstanding June 30, 2013</i>
\$ 54,983	\$ -	(21,274)	\$ 33,709
111,659	-	(111,659)	-
114,287	-	(55,698)	58,589
2,859,128	-	(181,199)	2,677,929
4,340,972	175,249	(190,436)	4,325,785
5,000,000	-	(250,000)	4,750,000
6,831,068	-	(212,613)	6,618,455
3,327,462	-	(102,536)	3,224,926
<u>\$ 22,639,559</u>	<u>\$ 175,249</u>	<u>\$ (1,125,415)</u>	<u>\$ 21,689,393</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Adjustments</i>	<i>Unmatured Interest June 30, 2013</i>
\$ -	\$ (3,849)	\$ -	\$ 3,182
-	(6,845)	-	-
-	(5,931)	-	3,041
-	(88,365)	-	556,858
-	(124,571)	(180,043)	1,220,751
-	-	-	-
-	(68,311)	-	966,488
-	(114,130)	29,584	1,568,362
<u>\$ -</u>	<u>\$ (412,002)</u>	<u>\$ (150,459)</u>	<u>\$ 4,318,682</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2013

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Vehicle Leases</i>			<i>Wastewater Treatment Plant Improvements Note, bearing 5.19% Interest, dated December 2, 1993</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
	2014	\$ 22,398	\$ 3,082	\$ 25,480	\$ 58,589	\$ 3,041
2015	11,311	100	11,411	-	-	-
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>\$ 33,709</u>	<u>\$ 3,182</u>	<u>\$ 36,891</u>	<u>\$ 58,589</u>	<u>\$ 3,041</u>	<u>\$ 61,630</u>

*Wastewater Improvement Note R89750,
bearing 3.14% Interest
dated November 26, 2002*

*Wastewater Improvement Note R89751,
bearing 2.90% Interest dated
dated April 1, 2005*

<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 186,934	\$ 82,630	\$ 269,564	\$ 192,884	\$ 124,060	\$ 316,944
192,848	76,716	269,564	198,519	118,425	316,944
198,952	70,612	269,564	204,317	112,627	316,944
205,248	64,316	269,564	210,286	106,658	316,944
211,743	57,821	269,564	216,428	100,516	316,944
218,444	51,120	269,564	222,750	94,194	316,944
225,357	44,207	269,564	229,256	87,688	316,944
232,489	37,075	269,564	235,953	80,991	316,944
239,846	29,718	269,564	242,846	74,098	316,944
247,437	22,127	269,564	249,939	67,005	316,944
255,267	14,297	269,564	257,240	59,704	316,944
263,364	6,219	269,583	264,754	52,190	316,944
-	-	-	272,487	44,457	316,944
-	-	-	280,447	36,497	316,944
-	-	-	288,639	28,305	316,944
-	-	-	297,070	19,874	316,944
-	-	-	305,747	11,197	316,944
-	-	-	156,223	2,265	158,488
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,677,929</u>	<u>\$ 556,858</u>	<u>\$ 3,234,787</u>	<u>\$ 4,325,785</u>	<u>\$ 1,220,751</u>	<u>\$ 5,546,536</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2013

<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>
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	250,000	-	250,000	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	2,782	280,925
	<u>\$ 4,750,000</u>	<u>\$ -</u>	<u>\$ 4,750,000</u>	<u>\$ 6,618,455</u>	<u>\$ 966,488</u>	<u>\$ 7,584,943</u>

Water Treatment Facility loan G04003

bearing 3.56% Interest dated

September 1, 2004

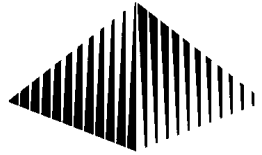
Total Proprietary Long-term Debt

September 1, 2004			Total Proprietary Long-term Debt		
Principal	Interest	Total	Principal	Interest	Total
\$ 107,887	\$ 112,080	\$ 219,967	\$ 1,011,033	\$ 387,996	\$ 1,399,029
108,245	109,922	218,167	966,499	369,100	1,335,599
108,610	107,757	216,367	980,935	352,864	1,333,799
113,982	105,585	219,567	1,000,762	336,236	1,336,998
114,362	103,305	217,667	1,015,991	319,107	1,335,098
119,846	100,446	220,292	1,036,733	300,991	1,337,724
120,441	96,851	217,292	1,053,004	281,720	1,334,724
126,054	93,238	219,292	1,074,726	261,998	1,336,724
126,791	88,826	215,617	1,092,015	241,034	1,333,049
132,554	84,388	216,942	1,114,787	219,587	1,334,374
138,230	80,411	218,641	1,137,943	198,130	1,336,073
143,956	76,092	220,048	1,161,651	175,847	1,337,498
149,915	70,333	220,248	914,376	153,740	1,068,116
150,911	64,337	215,248	925,751	137,365	1,063,116
156,948	58,300	215,248	942,424	120,692	1,063,116
163,026	52,022	215,048	959,402	103,514	1,062,916
174,147	45,501	219,648	981,692	85,823	1,067,515
180,312	38,535	218,847	840,852	67,407	908,259
186,487	31,548	218,035	693,347	55,612	748,959
192,747	24,089	216,836	452,175	45,584	497,759
199,056	16,379	215,435	461,079	35,280	496,359
210,419	8,417	218,836	475,062	24,698	499,760
-	-	-	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	2,782	280,925
<u>\$ 3,224,926</u>	<u>\$ 1,568,362</u>	<u>\$ 4,793,288</u>	<u>\$ 21,655,684</u>	<u>\$ 4,315,500</u>	<u>\$ 25,971,184</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2013

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 1,033,431	\$ 391,078	\$ 1,424,509
2015	977,810	369,200	1,347,010
2016	980,935	352,864	1,333,799
2017	1,000,762	336,236	1,336,998
2018	1,015,991	319,107	1,335,098
2019	1,036,733	300,991	1,337,724
2020	1,053,004	281,720	1,334,724
2021	1,074,726	261,998	1,336,724
2022	1,092,015	241,034	1,333,049
2023	1,114,787	219,587	1,334,374
2024	1,137,943	198,130	1,336,073
2025	1,161,651	175,847	1,337,498
2026	914,376	153,740	1,068,116
2027	925,751	137,365	1,063,116
2028	942,424	120,692	1,063,116
2029	959,402	103,514	1,062,916
2030	981,692	85,823	1,067,515
2031	840,852	67,407	908,259
2032	693,347	55,612	748,959
2033	452,175	45,584	497,759
2034	461,079	35,280	496,359
2035	475,062	24,698	499,760
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	2,782	280,925
	<u>\$ 21,689,393</u>	<u>\$ 4,318,682</u>	<u>\$ 26,008,075</u>

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 Jim Gourley, Mayor
and Members of the City Council
1140 12th Avenue
City of Sweet Home, Oregon 97386

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Sweet Home, Oregon as of and for the year ended June 30, 2013, and have issued our report thereon dated December 17, 2013

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 as follows:

1. The estimated beginning fund balance for the 2013-2014 Wastewater fund was too high, due to an inadvertent calculation error.
2. Beginning balance in the first preceding year did not equal the ending balance in the second preceding year for the Public Transit Grant fund.
3. The City was unable to document compliance with ORS 279B for an intermediate payment for the purchase of a public works vehicle.

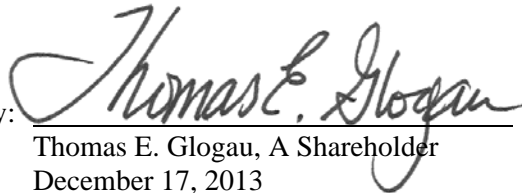
OAR 162-10-0230 - Internal Control

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

Restriction on Use

This report is intended solely for the information and use of the council members and management of the City 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: 
Thomas E. Glogau, A Shareholder
December 17, 2013