



City of  
Sweet Home, Oregon  
Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2015

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015



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***

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	<b><i>Page</i></b>
<b><i>INTRODUCTORY SECTION</i></b>	
City Officials	1
Letter of Transmittal	2-5
Organizational Chart	6
<b><i>FINANCIAL SECTION</i></b>	
Independent Auditor's Report	7-9
Management's Discussion and Analysis	10-19
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	30-52
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	53
Public Safety Local Option Levy Fund	54
State Gas Tax Fund	55
Schedule of the City's Contributions – Oregon Public Employees Retirement System	56
Other Supplementary Information	
Nonmajor Governmental Funds - Statements and Schedules	
Combining Balance Sheet	57-58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59-60
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Narcotics Enforcement Fund	61
Library Local Option Levy Fund	62
Parks and Recreation Program Fund	63
Path Program Reserve Fund	64
Street Maintenance Improvement Fund	65
Housing Rehabilitation Loan Fund	66
Community Center Operating Fund	67
Special Assessments Fund	68
Public Transit Grant Fund	69
911 Tax Fund	70
Weddle Bridge Fund	71
Special Events Fund	72
Building Reserve Fund	73
Equipment Reserve Fund	74
Police Facilities Fund	75

**CITY OF SWEET HOME**  
**TABLE OF CONTENTS (Continued)**

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<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	76
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Funds	77
Combining Statement of Cash Flows - Nonmajor Funds	78-79
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	
Water Fund	80
Wastewater Fund	81
Wastewater Depreciation Fund	82
Water SDC Fund	83
Water Capital Fund	84
Water Depreciation Fund	85
Wastewater SDC Fund	86
Wastewater Capital Fund	87
Storm Water Drainage Fund	88
Storm Water SDC Fund	89
Storm Water Capital Fund	90
Storm Water Depreciation Fund	91
Other Financial Schedules	
Schedule of Property Tax Transactions	92
 <i>COMPLIANCE SECTION</i>	
Independent Auditor's Report Required by Oregon State Regulations	93-94

***CITY OF SWEET HOME***  
***CITY OFFICIALS***  
***JUNE 30, 2015***

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**MAYOR**

Term Expires

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

December 31, 2016

**CITY COUNCIL MEMBERS**

Greg Mahler, President  
700 4<sup>th</sup> Avenue  
Sweet Home, Oregon 97386

December 31, 2018

Dave Trask  
1276 2<sup>nd</sup> Avenue  
Sweet Home, Oregon 97386

December 31, 2016

Jeffrey Goodwin  
675 4<sup>th</sup> Avenue/P.O. Box 447  
Sweet Home, Oregon 97386

December 31, 2018

Marybeth Angulo  
4513 Long Street  
Sweet Home, Oregon 97386

December 31, 2016

Bruce Hobbs  
2030 Ames Creek  
Sweet Home, Oregon 97386

December 31, 2016

Ryan Underwood  
4590 Airport Lane  
Sweet Home, Oregon 97386

December 31, 2018

**CITY ADMINISTRATION**

Craig M. Martin, City Manager

Robert Snyder, City Attorney

**MAILING ADDRESS**

City Hall  
1140 12<sup>th</sup> Avenue  
Sweet Home, Oregon 97386  
(541) 367-5128



December 31, 2015

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, 2015.

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, 2015 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, 2015 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 9,065. 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 58 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 Weyerhaeuser 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 new medical college, a Lowe's distribution center and a regional Veteran's Administration hospital 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 did not meet for its annual goal setting sessions in February 2015 with the understanding that the strategic direction established for 2013 was still appropriate and that several of the projects were in the process of being completed. The Charter Review and Parks Master Plan were both completed in 2014-2105.

## **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

### **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, 2014, 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 2014-2015 the City maintained a total of 29 funds, of which 17 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.

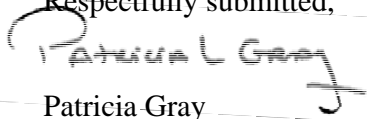
Oregon budget law allows for amendments to the City budget for reasons unforeseen at the time of the adoption of the original budget. Management is allowed to adjust budget numbers within adopted appropriations. Changes in appropriations, transfers outside of funds, appropriation of unexpected revenues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

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

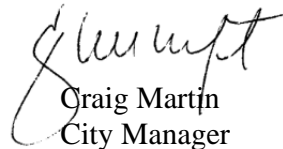
**Acknowledgments**

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

Respectfully submitted,



Patricia Gray  
Finance Director

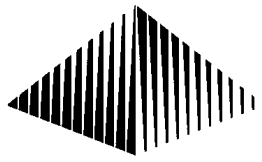


Craig Martin  
City Manager

CITY OF SWEET HOME, OREGON  
ORGANIZATION CHART

# City of Sweet Home





## 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 Jim Gourley, Mayor  
and Members of the City Council  
1140 12<sup>th</sup> Avenue  
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 the City of Sweet Home, Oregon as of and for the year ended June 30, 2015, 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 the City of Sweet Home, Oregon as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in the notes to the financial statements, the City adopted the accounting requirements of Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which resulted in the restatement of the beginning balances for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 10 through 19, the schedules of revenues, expenditures and changes in fund balance – budget to actual for the General, Public Safety Local Option Levy and State Gas Tax funds (pages 53 through 56) (“the budgetary schedules”), and the schedule of the City's contributions – Oregon public employees retirement system (PERS) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the MD&A and PERS schedule described in the preceding paragraph 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary schedules described above were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Supplementary Information***

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

The supplementary information is the responsibility of management and was 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, the supplementary information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

*Other 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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.

***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 31, 2015, 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.

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

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
December 31, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2015

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 5) and the City's financial statements (beginning on page 20).

## FINANCIAL HIGHLIGHTS

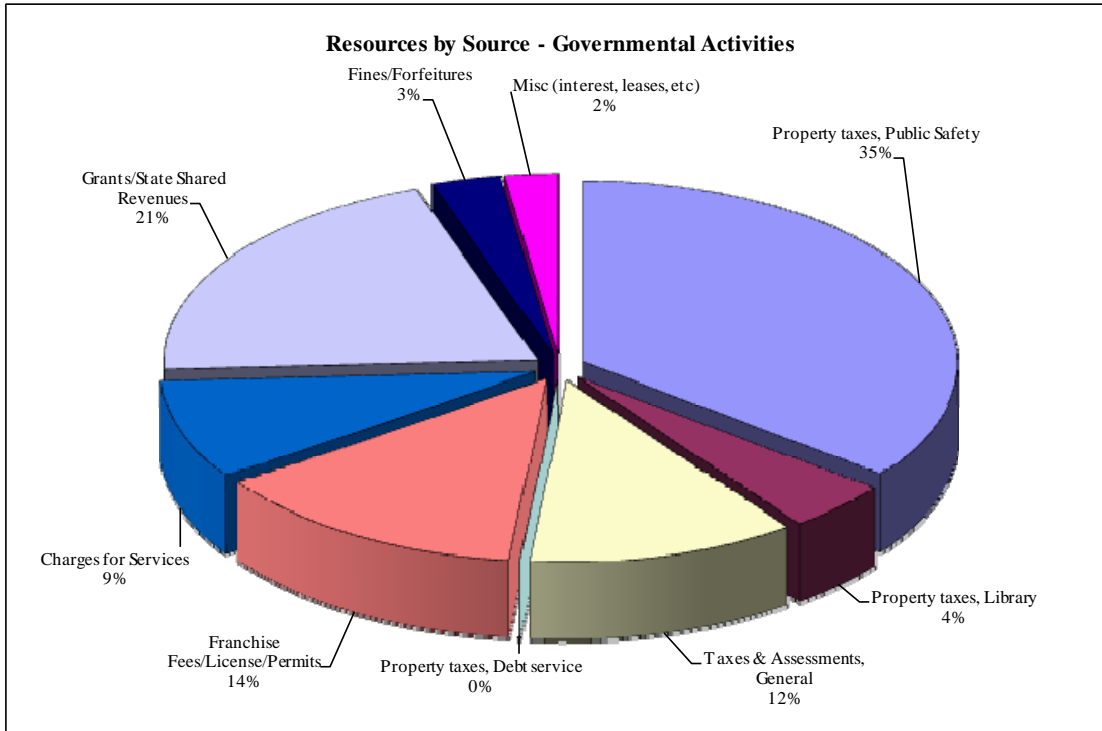
**City of Sweet Home**  
**Statement of Net Position (GAAP Basis)**  
**June 30,**

	<i>June 30,</i>		<i>change</i>
	<u>2015</u>	<u>2014</u>	
Net position	\$ 31,605	\$ 31,271	\$ 334
Change in net position	334	(953)	1,287
Governmental activities net position	20,257	20,065	192
Business-type activities net position	11,348	11,206	142
Change in governmental net assets	192	(510)	702
Change in proprietary net assets	142	(443)	585

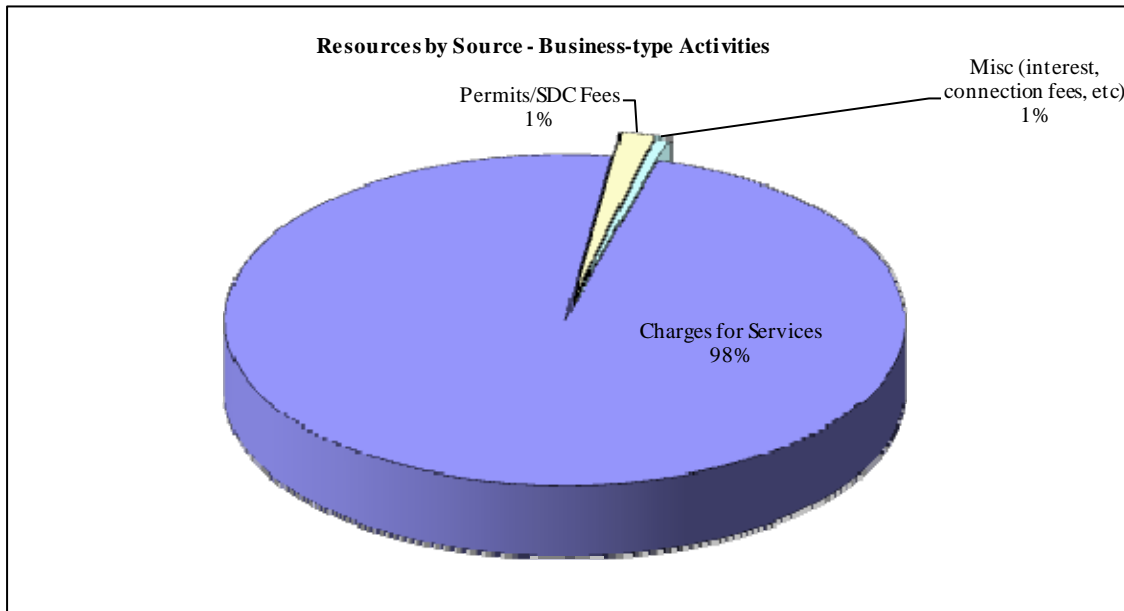
The City's net position increased by \$334 thousand (or 1%) due to revenues exceeding expenses.

Governmental activities revenues increased by \$389 thousand (or 8%) due to increases in operating grants, 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 \$419 thousand (10%) due to an increase in customer usage.



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

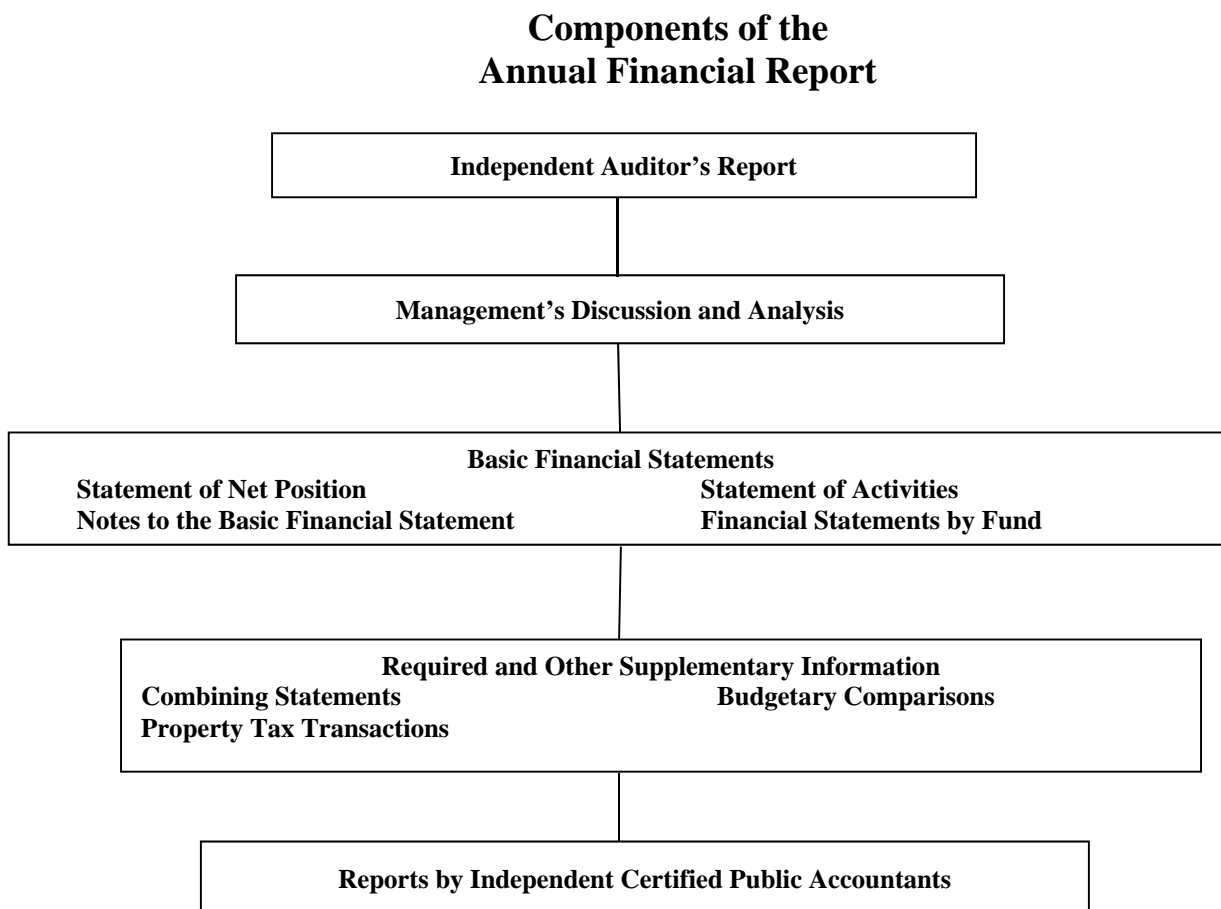
The Wastewater Fund represents 51% of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Road.

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

Governmental activities program costs decreased by \$212 thousand and business-type activities program costs decreased by \$221 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:



**Independent Auditor’s Report** - Auditor’s opinion regarding the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.



**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.
- The 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." 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 City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." 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 City's major proprietary funds are presented in their own column and the remaining funds are combined into a column titled "Other Enterprise Funds."
- 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.

**Required Supplementary and Other Supplementary Information** - Required Supplementary Information includes budgetary comparison statements for the General, Public Safety Local Option Levy, and State Gas Tax Funds.

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.
- Property Tax Transactions. A schedule of property tax transactions completes 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.

<b>Statements of Net Position</b>						
<b>June 30,</b>						
<b>(in thousands)</b>						
	<b>2015</b>			<b>2014</b>		
	<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Total</i></b>	<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Total</i></b>
Cash and investments	\$ 6,057	\$ 2,998	\$ 9,055	\$ 5,645	\$ 3,263	\$ 8,908
Other assets	923	744	1,667	904	733	1,637
Capital assets	13,478	27,574	41,052	13,768	28,205	41,973
<i>Total Assets</i>	<u>20,458</u>	<u>31,316</u>	<u>51,774</u>	<u>20,317</u>	<u>32,201</u>	<u>52,518</u>
Deferred outflows	21	-	21	-	-	-
Other liabilities	98	242	340	113	305	418
Long-term liabilities	124	19,726	19,850	139	20,690	20,829
<i>Total Liabilities</i>	<u>222</u>	<u>19,968</u>	<u>20,190</u>	<u>252</u>	<u>20,995</u>	<u>21,247</u>
Net position:						
Net investment in capital assets	13,478	7,895	21,373	13,756	7,561	21,317
Restricted	1,705	1,386	3,091	1,276	1,320	2,596
Unrestricted	5,074	2,067	7,141	5,033	2,325	7,358
<i>Total Net Position</i>	<u>\$ 20,257</u>	<u>\$ 11,348</u>	<u>\$ 31,605</u>	<u>\$ 20,065</u>	<u>\$ 11,206</u>	<u>\$ 31,271</u>

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.

<b>Statements of Activities</b>						
<b>June 30,</b>						
<b>(in thousands)</b>						
	<b>2015</b>			<b>2014</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Revenues</b>						
Program Revenues						
Charges for service	\$ 420	\$ 4,033	\$ 4,453	\$ 446	\$ 3,614	\$ 4,060
Operating grants and contributions	713	-	713	629	-	629
Taxes and assessments	2,468	-	2,468	2,314	-	2,314
Other	1,179	92	1,271	1,002	64	1,066
<i>Total Revenues</i>	4,780	4,125	8,905	4,391	3,678	8,069
<b>Expenses</b>						
Programs	4,834	3,755	8,589	5,046	3,976	9,022
<b>Transfers</b>	228	(228)	-	145	(145)	-
<b>Change in Net Position</b>	174	142	316	(510)	(443)	(953)
<b>Beginning Net Position</b>	20,065	11,206	31,271	20,575	11,649	32,224
<b>Restatement</b>	18	-	18	-	-	-
<b>Beginning Net Position, restated</b>	20,083	11,206	31,289	-	-	-
<b>Ending Net Position</b>	\$ 20,257	\$ 11,348	\$ 31,605	\$ 20,065	\$ 11,206	\$ 31,271

## **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 \$1,694 thousand at year end. The fund balance decreased by \$136 thousand during the current fiscal year. The fund had revenues in excess of expenditures of \$142 thousand, and net transfers out of \$279 thousand. As a measure of the fund's liquidity, it may be useful to compare total fund balances to total fund expenditures. Fund balance represents 95% of total General Fund expenditures.

*Public Safety 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 \$1,029 thousand at year end. The fund balance increased by \$346 thousand during the current fiscal year primarily due to transfers in from the General Fund.

*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 \$195 thousand at year end. The fund balance increased by \$10 thousand during the current fiscal year as revenues were in excess of expenditures.

**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 \$909 thousand at year end. The fund net position increased by \$243 thousand during the current fiscal year. The fund had operating revenues in excess of \$1,466 thousand in operating expenses, interest expense of roughly \$171 thousand and net transfers to other funds of \$32 thousand.

*Wastewater.* The Wastewater Fund is used to account for the operation of the City’s sewer utility. The fund net position was \$2,041 thousand at year end. The fund net position decreased by \$338 thousand during the current fiscal year, primarily due to 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 \$5,033 thousand at year end. The fund net position increased by \$464 thousand during the current fiscal year, primarily due to 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 24.

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

<u>Major Funds</u>	<u>2015</u>		<u>2014</u>		<u>Compared to Prior Year</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Change</u>	<u>%</u>
General	\$ 1,695	27%	\$ 1,831	32%	\$ (136)	-7%
Public Safety Serial Levy	1,029	17%	683	12%	346	51%
State Gas Tax	195	3%	185	3%	10	5%
Other Governmental Funds	3,269	53%	3,030	53%	239	8%
Total fund balances	<u>\$ 6,188</u>	<u>100%</u>	<u>\$ 5,729</u>	<u>100%</u>	<u>\$ 459</u>	<u>8%</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 80.

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

<u>Major Funds</u>	<u>2015</u>		<u>2014</u>		<u>Compared to Prior Year</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Water	\$ 159	5%	\$ 131	4%	\$ 28	21%
Wastewater	148	4%	205	6%	(57)	-28%
Wastewater Depreciation	1,164	34%	1,342	37%	(178)	-13%
Other Business-type Funds	1,998	57%	1,965	53%	33	2%
Total fund net assets	<u>\$ 3,469</u>	<u>100%</u>	<u>\$ 3,643</u>	<u>100%</u>	<u>\$ (174)</u>	<u>-5%</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 one change to the adopted budget during the 2014-2015 fiscal year:

A supplemental budget adjustment in the amount of \$10,000 was adopted by City Council on June 23, 2015 to recognize revenue from Sweetheart Run in the Special Event Fund to cover expenses for the summer recreation program and event expenses.

**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 \$41 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 \$921 thousand (a \$290 thousand decrease for governmental activities and a \$631 thousand decrease in for business-type activities.)

**Capital Assets at June 30, 2015 and 2014  
(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land and improvements	\$ 3,147	\$ 3,147	\$ -	\$ -	\$ 3,147	\$ 3,147
Buildings	9,192	9,177	21,437	21,240	30,629	30,417
Equipment	1,445	1,393	607	588	2,052	1,981
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
CIP	-	-	14,366	14,366	14,366	14,366
Accumulated depreciation	(26,042)	(25,685)	(19,134)	(18,287)	(45,176)	(43,972)
Net capital assets	<u>\$ 13,478</u>	<u>\$ 13,768</u>	<u>\$ 27,573</u>	<u>\$ 28,204</u>	<u>\$ 41,051</u>	<u>\$ 41,972</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.

**Changes in Capital Assets  
(in thousands)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning balance	\$ 13,768	\$ 28,204	\$ 41,972
Additions	84	216	300
Retirements	(5)	-	(5)
Depreciation	(369)	(847)	(1,216)
Ending balance	<u>\$ 13,478</u>	<u>\$ 27,573</u>	<u>\$ 41,051</u>

**Long-term Debt**

The City’s long-term debt at June 30, 2015 and 2014 is summarized below.

<b>City of Sweet Home General Obligation Debt June 30, (in thousands)</b>			
	Governmental Activities		Change
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Capital lease	\$ -	\$ 11	\$ (11)
	Business-type Activities		Change
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Loans	\$ 19,678	\$ 20,645	\$ (967)

For more detailed information the City’s debt and amortization terms refer to pages 41-43 of the notes.

**MAJOR INITIATIVES**

**Debt**

Despite incurring over \$13 million in three low/no interest loans for the Wastewater Inflow and Infiltration (I & I) reduction program, 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 are expected to become a requirement in the near future so City staff is currently working on finding low/no interest funding for the \$20 - \$25 million needed to complete the project and meet current DEQ compliance. Negotiations continued during 2014-2015 in an attempt to develop a new time line with Oregon Department of Environmental Quality (DEQ) to spread the work and necessary funding over additional future years.

**Property Taxes**

During 2014-2015, property values in Sweet Home experienced a 7% increase in market values and a 4% increase in assessed values. These increases helped reduce compression losses in the Police and Library Local Option Levies from 35% during 2013-2014 to 32% in 2014-2015. The increase in value coupled with the reduction in compression losses helped bring in \$314,220 more in property tax revenues than what was budgeted for in the Police and Library budgets.

A transfer from the General Fund to Police Operating Fund was included in the 2015-2016 operating budget in order to continue police operations.

## **Personnel Costs**

Upon the completion of contract negotiations with General and Police union employees, new wage scales were developed July 2013 with the understanding that City employees would help offset the costs of these increases by moving from a copay insurance plan to a less costly high deductible plan and companion HSA/HRA effective January 1, 2014. The new compensation package also included a provision that future insurance premium increases during the life of the three year contract would be paid by reducing City contributions into the employees' HSA/HRA accounts. 2014-2015 was the second year of the contracts and as agreed when insurance rates increased 7%, employer contributions were reduced to compensate for the increase. For example, an employee with family coverage who received \$2,250 during 2014 received only \$1,216 during 2015.

While the costs of personnel benefits continue to increase, the City will not only have to continue evaluating various options to fund them, but will also have to watch how the Affordable Care Act will affect the type of health insurance plans the City will be allowed to offers its employees in the future.

## **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, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 6,057,381	\$ 2,997,595	\$ 9,054,976
Accounts receivable	617,344	644,529	1,261,873
Property taxes receivable	256,298	-	256,298
Assessment liens receivable	18,293	64,617	82,910
Internal balances	30,853	(30,853)	-
Inventories	-	66,201	66,201
Non-depreciable capital assets	3,146,500	14,365,536	17,512,036
Other capital assets, net of depreciation	10,331,554	13,208,075	23,539,629
<i>Total Assets</i>	20,458,223	31,315,700	51,773,923
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows - contributions to PERS	20,843	-	20,843
<b>LIABILITIES</b>			
Accounts payable	98,220	5,633	103,853
Deposits payable	-	123,705	123,705
Accrued interest payable	-	112,706	112,706
Due within one year:			
Long-term debt	-	980,935	980,935
Accrued compensated absences	123,514	47,864	171,378
Due in more than one year:			
Long-term debt	-	18,697,217	18,697,217
<i>Total Liabilities</i>	221,734	19,968,060	20,189,794
<b>NET POSITION</b>			
Net investment in capital assets	13,478,054	7,895,459	21,373,513
Restricted for:			
Public safety	1,204,486	-	1,204,486
Construction	-	796,686	796,686
Community development	315,067	-	315,067
Library	185,540	-	185,540
Debt service	-	589,633	589,633
Unrestricted	5,074,185	2,065,862	7,140,047
<i>Total Net Position</i>	\$ 20,257,332	\$ 11,347,640	\$ 31,604,972

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

**CITY OF SWEET HOME, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 1,359,787	\$ 177,850	\$ 183	\$ -
Library	213,458	7,985	7,079	-
Parks	184,696	880	36,361	-
Community development	874,665	9,082	637,591	143,227
Public safety	2,169,327	224,379	1,815	-
Community center	31,629	-	30,218	-
<i>Total Governmental activities</i>	4,833,562	420,176	713,247	143,227
<b>Business-type activities:</b>				
Water	1,649,322	1,902,345	-	39,997
Sewer	1,840,580	2,070,590	-	25,161
Stormwater	265,328	60,072	-	-
<i>Total Business-type activities</i>	3,755,230	4,033,007	-	65,158
<i>Total Activities</i>	\$ 8,588,792	\$ 4,453,183	\$ 713,247	\$ 208,385
<b>General Revenues:</b>				
Property taxes				
Franchise taxes				
Intergovernmental				
Loss on disposition of assets				
Miscellaneous				
<i>Total General Revenues</i>				
<b>Transfers</b>				
<b>Change in net position</b>				
<b>Net Position - beginning of year</b>				
<b>Restatement</b>				
<b>Net Position - beginning of year as restated</b>				
<b>Net Position - end of year</b>				

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

<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Totals</i></b>
\$ (1,181,754)	\$ -	\$ (1,181,754)
(198,394)	-	(198,394)
(147,455)	-	(147,455)
(84,765)	-	(84,765)
(1,943,133)	-	(1,943,133)
(1,411)	-	(1,411)
(3,556,912)	-	(3,556,912)
-	293,020	293,020
-	255,171	255,171
-	(205,256)	(205,256)
-	342,935	342,935
(3,556,912)	342,935	(3,213,977)
2,467,710	-	2,467,710
659,406	-	659,406
268,269	-	268,269
(4,889)	-	(4,889)
113,290	26,850	140,140
3,503,786	26,850	3,530,636
227,700	(227,700)	-
174,574	142,085	316,659
20,064,256	11,205,555	31,269,811
18,502	-	18,502
20,082,758	11,205,555	31,288,313
\$ 20,257,332	\$ 11,347,640	\$ 31,604,972

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

**CITY OF SWEET HOME, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<i>General</i>	<i>Special Revenue</i>	
		<i>Public Safety Local Option Levy</i>	<i>State Gas Tax</i>
<b>ASSETS</b>			
Cash and investments	\$ 1,602,682	\$ 1,037,857	\$ 151,366
Accounts receivable	126,589	-	48,689
Property taxes receivable	52,940	175,449	-
Assessment liens receivable	7,836	-	-
Due from other funds	30,853	-	-
<i>Total Assets</i>	<u>\$ 1,820,900</u>	<u>\$ 1,213,306</u>	<u>\$ 200,055</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 53,998	\$ 8,820	\$ 4,634
<b>Deferred Inflows</b>			
Unavailable revenue	72,342	175,449	-
<b>Fund Balance:</b>			
Restricted for:			
Public safety	-	1,029,037	-
Community development	-	-	195,421
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	-	-
Community center	-	-	-
Unrestricted	1,694,560	-	-
<i>Total Fund Balance</i>	<u>1,694,560</u>	<u>1,029,037</u>	<u>195,421</u>
<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	<u>\$ 1,820,900</u>	<u>\$ 1,213,306</u>	<u>\$ 200,055</u>

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<i>Other Governmental Funds</i>	<i>Total</i>
3,265,476	\$ 6,057,381
442,066	617,344
27,909	256,298
10,457	18,293
-	30,853
<u>3,745,908</u>	<u>\$ 6,980,169</u>

30,768	\$ 98,220
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446,059	693,850
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-	1,029,037
119,648	315,069
168,277	168,277

50,492	50,492
41,949	41,949
2,873,959	2,873,959
14,756	14,756
-	1,694,560

<u>3,269,081</u>	<u>6,188,099</u>
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<u>\$ 3,745,908</u>	<u>\$ 6,980,169</u>
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*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, 2015**

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**RECONCILIATION TO THE STATEMENT OF NET POSITION**

<i>Fund Balances</i>	\$ 6,188,099
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.	693,850
PERS deferred outflows of resources arising from contributions paid are not financial resources in governmental funds, but are reported in the Statement of Net Position	20,843
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.	
Cost	39,520,063
Accumulated depreciation	(26,042,009)
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.	
Accrued compensated absences	(123,514)
	<hr/>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 20,257,332</u></u>

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

**CITY OF SWEET HOME, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Special Revenue</b>	
		<b>Public Safety Local Option Levy</b>	<b>State Gas Tax</b>
<b>REVENUES</b>			
Taxes and assessments	\$ 591,353	\$ 1,696,676	\$ -
Licenses and permits	804,760	792	-
Charges for services	23,770	-	-
Intergovernmental	238,564	2,785	523,365
Fines and forfeitures	187,010	-	-
Miscellaneous	74,791	53,899	1,514
<i>Total Revenues</i>	1,920,248	1,754,152	524,879
<b>EXPENDITURES</b>			
Current			
General government	1,059,732	-	-
Library	-	-	-
Parks	110,616	-	-
Community development	342,345	-	354,154
Public safety	230,181	1,948,567	-
Community center	-	-	-
Capital outlay	35,434	5,808	3,736
<i>Total Expenditures</i>	1,778,308	1,954,375	357,890
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	141,940	(200,223)	166,989
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	269,809	546,518	-
Transfers out	(548,518)	-	(156,724)
<i>Total Other Financing Sources (Uses)</i>	(278,709)	546,518	(156,724)
<b>NET CHANGE IN FUND BALANCE</b>	(136,769)	346,295	10,265
<b>FUND BALANCE, beginning of year</b>	1,831,329	682,742	185,156
<b>FUND BALANCE, end of year</b>	\$ 1,694,560	\$ 1,029,037	\$ 195,421

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<i>Other Governmental Funds</i>	<i>Total</i>
217,605	\$ 2,505,634
-	805,552
-	23,770
263,165	1,027,879
4,967	191,977
113,103	243,307
598,840	4,798,119
-	1,059,732
216,486	216,486
1,679	112,295
157,161	853,660
-	2,178,748
31,629	31,629
97,121	142,099
504,076	4,594,649
94,764	203,470
166,050	982,377
(21,567)	(726,809)
144,483	255,568
239,247	459,038
3,029,834	5,729,061
\$ 3,269,081	\$ 6,188,099

*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, 2015**

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<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 459,038
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.	(12,797)
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.	4,195
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	84,097
Depreciation	(368,724)
Net book value of assets disposed	(4,889)
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	11,313
Current year PERS pension expense related to the change in deferred outflows is reported as an expense in the Statement of Activities, but is not recorded as an expenditure in the governmental funds.	2,341
	<hr/>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 174,574</u>

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

**CITY OF SWEET HOME, OREGON**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ -	\$ -	\$ 993,978
Accounts receivable	314,285	322,190	-
Inventories	62,670	3,531	-
Due from other funds	-	-	172,233
<i>Total Current Assets</i>	<u>376,955</u>	<u>325,721</u>	<u>1,166,211</u>
<b>Noncurrent Assets</b>			
Assessment liens receivable	-	-	-
Nondepreciable capital assets	-	-	14,365,536
Other capital assets, net of depreciation	10,000,893	1,918,587	-
<i>Total Noncurrent Assets</i>	<u>10,000,893</u>	<u>1,918,587</u>	<u>14,365,536</u>
<i>Total Assets</i>	<u>10,377,848</u>	<u>2,244,308</u>	<u>15,531,747</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	978	2,225	2,147
Deposits payable	123,705	-	-
Accrued interest payable	98,522	-	14,184
Due to other funds	30,853	172,233	-
Current portion of long-term liabilities			
Long-term debt	327,666	-	653,269
Accrued compensated absences	19,429	28,435	-
<i>Total Current Liabilities</i>	<u>601,153</u>	<u>202,893</u>	<u>669,600</u>
<b>Noncurrent Liabilities</b>			
Long-term debt	8,867,957	-	9,829,260
<i>Total Liabilities</i>	<u>9,469,110</u>	<u>202,893</u>	<u>10,498,860</u>
<b>FUND NET POSITION</b>			
Net investment in capital assets	805,270	1,918,587	3,883,007
Restricted for debt service	-	-	589,633
Restricted for construction	-	-	-
Unrestricted	103,468	122,828	560,247
<i>Total Fund Net Position</i>	<u>\$ 908,738</u>	<u>\$ 2,041,415</u>	<u>\$ 5,032,887</u>

<i>Other Enterprise</i>		
<i>Funds</i>		<i>Total</i>
\$ 2,003,617	\$	2,997,595
8,054		644,529
-		66,201
-		172,233
<hr/>		
2,011,671		3,880,558
64,617		64,617
-		14,365,536
1,288,595		13,208,075
<hr/>		
1,353,212		27,638,228
<hr/>		
3,364,883		31,518,786
283		5,633
-		123,705
-		112,706
-		203,086
-		980,935
-		47,864
<hr/>		
283		1,473,929
-		18,697,217
<hr/>		
283		20,171,146
<hr/>		
1,288,595		7,895,459
-		589,633
796,686		796,686
1,279,319		2,065,862
<hr/>		
\$ 3,364,600	\$	11,347,640
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*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, 2015**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,902,345	\$ 2,070,590	\$ -
Miscellaneous	8,996	3,719	-
<i>Total Operating Revenues</i>	1,911,341	2,074,309	-
<b>OPERATING EXPENSES</b>			
Personal services	491,056	547,560	-
Materials and services	671,718	592,460	175,374
Depreciation	302,989	286,835	-
<i>Total Operating Expenses</i>	1,465,763	1,426,855	175,374
<b>OPERATING INCOME (LOSS)</b>	445,578	647,454	(175,374)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment revenue	709	831	5,825
Interest expense	(171,442)	(238,350)	-
<i>Total Nonoperating Revenues (Expenses)</i>	(170,733)	(237,519)	5,825
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	274,845	409,935	(169,549)
Capital contributions	-	-	-
Transfers in	-	-	642,343
Non-cash transfers in	206,664	8,694	-
Transfers out	(238,446)	(756,877)	-
Non-cash transfers out	-	-	(8,694)
<b>CHANGE IN FUND NET POSITION</b>	243,063	(338,248)	464,100
<b>FUND NET POSITION, beginning of year</b>	665,675	2,379,663	4,568,787
<b>FUND NET POSITION, end of year</b>	\$ 908,738	\$ 2,041,415	\$ 5,032,887

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<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 60,072	\$ 4,033,007
-	12,715
60,072	4,045,722
7,676	1,046,292
12,164	1,451,716
257,606	847,430
277,446	3,345,438
(217,374)	700,284
6,770	14,135
-	(409,792)
6,770	(395,657)
(210,604)	304,627
65,158	65,158
98,912	741,255
-	215,358
(1,500)	(996,823)
(178,796)	(187,490)
(226,830)	142,085
3,591,430	11,205,555
\$ 3,364,600	\$ 11,347,640

*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, 2015**

	<u>Water</u>	<u>Wastewater</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collected from customers	\$ 1,849,255	\$ 2,067,141
Paid to suppliers	(666,140)	(598,013)
Paid to employees	(491,428)	(544,751)
	<u>691,687</u>	<u>924,377</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Received from (paid to) other funds	30,853	70,019
Transfers in	-	-
Transfers out	(238,446)	(756,877)
	<u>(207,593)</u>	<u>(686,858)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(296)	-
Principal paid on long-term debt	(325,132)	-
Contribution of capital	-	-
Interest paid	(173,959)	(238,350)
	<u>(499,387)</u>	<u>(238,350)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	709	831
	<u>(14,584)</u>	<u>-</u>
<b>CASH AND INVESTMENTS, Beginning of year</b>	<u>14,584</u>	<u>-</u>
<b>CASH AND INVESTMENTS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>

<i><b>Wastewater Depreciation</b></i>	<i><b>Other Enterprise Funds</b></i>	<i><b>Totals</b></i>
\$ 178	\$ 60,574	\$ 3,977,148
(224,782)	(12,574)	(1,501,509)
-	(7,676)	(1,043,855)
(224,604)	40,324	1,431,784
(70,019)	-	30,853
642,343	98,912	741,255
-	(1,500)	(996,823)
572,324	97,412	(224,715)
(8,694)	(178,796)	(187,786)
(641,367)	-	(966,499)
-	81,293	81,293
(976)	-	(413,285)
(651,037)	(97,503)	(1,486,277)
5,825	6,770	14,135
(297,492)	47,003	(265,073)
1,291,470	1,956,614	3,262,668
\$ 993,978	\$ 2,003,617	\$ 2,997,595

*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, 2015**

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	<u>Water</u>	<u>Wastewater</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 445,578	\$ 647,454
Depreciation	302,989	286,835
Change in assets and liabilities:		
Accounts receivable	(72,644)	(7,168)
Inventory	23,057	(16)
Accounts payable and accrued liabilities	(6,921)	(5,537)
Accrued vacation payable	(372)	2,809
	<u>\$ 691,687</u>	<u>\$ 924,377</u>
 <i>Net Cash Provided by (Used in) Operating Activities</i>		
 <i>Noncash Transactions</i>		
Transfer of capital assets	<u>\$ 206,664</u>	<u>\$ 8,694</u>



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<i><b>Wastewater Depreciation</b></i>	<i><b>Other Enterprise Funds</b></i>	<i><b>Totals</b></i>
\$ (175,374)	(217,374)	\$ 700,284
-	257,606	847,430
178	502	(79,132)
-	-	23,041
(49,408)	(410)	(62,276)
-	-	2,437
\$ (224,604)	\$ 40,324	\$ 1,431,784
\$ (169,830)	\$ (169,830)	\$ (124,302)

*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, 2015**

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**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, 2015*

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**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 Funds*

*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.

**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.

*Weddle Bridge Fund* - this fund is used to account for donations received to restore the Weddle Bridge to a usable condition.

*Special Events Fund* - this fund is used to account for revenues received for events that are self-supporting and fund specific activities put on by the City.

*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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Presentation (Continued)*

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

*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.

**CITY OF SWEET HOME, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2015*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Definitions of Governmental Fund Types (Continued)*

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

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

*Measurement Focus and Basis of Accounting*

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

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of Net 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, 2015. Actual results may differ from such estimates.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

*Receivables and Unavailable 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 if they are collected within thirty days of fiscal year end. Uncollected property taxes are offset by unavailable 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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets (Continued)*

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.

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 and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed.

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*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The City reports deferred outflow of resources related to pensions for contributions made after the June 30, 2014 measurement date.



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 two items that qualify for reporting in this category. They arise only under a modified accrual basis of accounting. Accordingly, *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Accrued Compensated Absences*

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

*Encumbrances*

The City does not utilize encumbrances.

*Budget and Budgetary Accounting*

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

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

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in a local newspaper and approval by the City Council. City Council must authorize all appropriation transfers and supplementary budgetary appropriations. With the approval of the supplemental budget during the year, budget amounts shown in the general purpose financial statements have been revised since the original budget amounts were adopted. All annual appropriations lapse at fiscal year-end.

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Budget and Budgetary Accounting (Continued)*

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

**CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2015:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u>                    </u>	<u>                    </u>
<b>Cash</b>		
Cash on hand	\$ 2,684	\$ 2,684
Deposits with financial institutions	748,046	748,046
Certificates of deposit	137,007	137,007
<b>Investments</b>		
Local Government Investment Pool	8,167,239	8,167,239
	<u>\$ 9,054,976</u>	<u>\$ 9,054,976</u>

*Deposits*

The book balance of the City’s bank deposits with various financial institutions was \$885,053 and the bank balance was \$1,043,254 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, 2015, \$543,255 of the City's bank balances were covered by the PFCP.

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**CASH AND INVESTMENTS (Continued)**

*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, 2015, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

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

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

**CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

*Business-type Activities*

	<i>Balances</i> <i>July 1,</i> <i>2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances</i> <i>June 30,</i> <i>2015</i>
<b>NON-DEPRECIABLE</b>				
Construction in progress-sewer	\$ 14,365,536	\$ -	\$ -	\$ 14,365,536
<b>DEPRECIABLE</b>				
Equipment-water	165,519	8,246	-	173,765
Equipment-sewer	422,779	8,694	-	431,473
Equipment - stormwater	1,886	-	-	1,886
Water facilities	11,457,487	198,714	-	11,656,201
Sewer facilities	9,782,260	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	10,296,700
<i>Total depreciable</i>	32,126,631	215,654	-	32,342,285

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**CAPITAL ASSETS (Continued)**

*Business-type Activities (Continued)*

	<i>Balances July 1, 2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2015</i>
<b>ACCUMULATED DEPRECIATION</b>				
Equipment-water	\$ (93,899)	\$ (16,552)	\$ -	\$ (110,451)
Equipment-sewer	(273,773)	(42,278)	-	(316,051)
Equipment - stormwater	(189)	(189)	-	(378)
Water facilities	(1,432,184)	(286,436)	-	(1,718,620)
Sewer facilities	(7,734,539)	(244,557)	-	(7,979,096)
Stormwater Infrastructure	(8,752,196)	(257,418)	-	(9,009,614)
<i>Total accumulated depreciation</i>	<u>(18,286,780)</u>	<u>(847,430)</u>	<u>-</u>	<u>(19,134,210)</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 28,205,387</u>	<u>\$ (631,776)</u>	<u>\$ -</u>	<u>\$ 27,573,611</u>

*Governmental Activities*

	<i>Balances July 1, 2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2015</i>
<b>NON-DEPRECIABLE</b>				
Land and improvements	\$ 3,146,500	\$ -	\$ -	\$ 3,146,500
<b>DEPRECIABLE</b>				
Buildings	9,177,487	14,458	-	9,191,945
Equipment	1,392,869	69,639	(16,898)	1,445,610
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	<u>36,306,364</u>	<u>84,097</u>	<u>(16,898)</u>	<u>36,373,563</u>
<b>ACCUMULATED DEPRECIATION</b>				
Buildings	(4,479,167)	(229,437)	-	(4,708,604)
Equipment	(1,465,766)	(139,287)	12,009	(1,593,044)
Infrastructure	(19,740,361)	-	-	(19,740,361)
<i>Total accumulated depreciation</i>	<u>(25,685,294)</u>	<u>(368,724)</u>	<u>12,009</u>	<u>(26,042,009)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 13,767,570</u>	<u>(284,627)</u>	<u>\$ (4,889)</u>	<u>\$ 13,478,054</u>

Depreciation expense in the amount of \$368,724 was charged to general government on the statement of activities. Depreciation of \$847,430 was charged to business-type activities in the same amounts as shown.

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**LONG-TERM DEBT**

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

	<u>Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2015</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 2015	\$ 11,313	\$ -	\$ (11,313)	\$ -	\$ -
<i>Business-type Activities</i>					
Water treatment facility note, estimated annual payments of \$289,310 including interest at 1%	\$ 6,403,716	\$ -	\$ (216,887)	\$ 6,186,829	\$ 219,056
Water treatment facility note, due two years after project completion including interest at 3.56%	3,117,039	-	(108,245)	3,008,794	108,610
Wastewater Depreciation Fund					
Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	2,490,995	-	(192,848)	2,298,147	198,952
Wastewater improvement note, variable annual payments including interest at 2.90%	4,132,901	-	(198,519)	3,934,382	204,317
Wastewater improvement note, semi-annual payments of \$125,000 including 0% interest. Annual fees at 0.5% are charged.	4,500,000	-	(250,000)	4,250,000	250,000
	<u>\$ 20,644,651</u>	<u>\$ -</u>	<u>\$ (966,499)</u>	<u>\$ 19,678,152</u>	<u>\$ 980,935</u>

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**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.

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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
2021-2025	5,581,122	1,096,596	6,677,718
2026-2030	4,723,645	601,134	5,324,779
2031-2035	2,922,515	228,581	3,151,096
2036-2040	1,363,445	41,175	1,404,620
	<u>\$ 19,678,152</u>	<u>\$ 3,558,404</u>	<u>\$ 23,236,556</u>

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, 2015. 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.

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%.

**CITY OF SWEET HOME, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2015*

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***LONG-TERM DEBT (Continued)***

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 \$4,667,024. The loan requires a reserve balance of \$196,008. Funds will be disbursed from the State's Clean Water State Revolving Loan Fund. During the year ending June 30, 2015, the City 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, 2015, 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.

***PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM***

***Plan Description***

Some of the City's employees are members in the Oregon Public Employees Retirement System (OPERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS produces an independently audited CAFR which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

***Benefits Provided***

***Tier One/Tier Two Retirement Benefit***

***Pension Benefits.*** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

**Benefits Provided (Continued)**

*Tier One/Tier Two Retirement Benefit (Continued)*

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

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

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

*Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

*OPSRP Pension Program*

*Pension Benefits.* The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by formula for members who attain normal retirement age. For general service members, 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

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



**CITY OF SWEET HOME, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2015*

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**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

***Benefits Provided (Continued)***

*OPSRP Pension Program (Continued)*

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

***Contributions***

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The City's contribution rates for the period were 6.15% for Tier One/Tier Two members, .49% for OPSRP General Service members, and .49% for OPSRP Police and Fire members. The City's total contributions exclusive of the 6% "pick-up" were \$20,843.

Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6% "pick-up" or \$53,896 of the employees' contribution.

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

At June 30, 2015, the City reported an asset of \$-0- for its proportionate share of the OPERS net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Because of UAL credit carryovers, at June 30, 2014, the City's proportion was 0.00%, which is unchanged from its proportion measured as of June 30, 2013.

The Oregon Supreme Court (Court) ruled on April 30, 2015 that certain provisions of Senate Bill (SB) 861, signed into law in October 2013, were unconstitutional. SB 861 included provisions that limited post-retirement COLA on benefits accrued prior to the signing of the law. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension asset/liability proportionate shares calculated by OPERS.

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2015, the City recognized a credit to pension expense of \$2,341. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 20,843	\$ -

Deferred outflows of resources related to pensions of \$20,843 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2016.

**Actuarial Methods and Assumptions**

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75%
Investment Rate of Return	7.75%
Projected Salary Increases	3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

***Actuarial Methods and Assumptions***

Mortality

Healthy retirees and beneficiaries:

RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.

Active members:

Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.

Disabled retirees:

Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 experience study which reviewed experience for the four-year period ending on December 31, 2012.

***Long-Term Expected Rate of Return***

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

**Long-Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation - Mean		2.75

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate**

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ -	\$ -	\$ -

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

**Pension Plan Fiduciary Net Position**

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

**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, 2015 totaled \$146,587 on \$1,221,556 of covered payroll.

Under the ICMA IRC Section 401 defined contribution pension plan agreement for non-contractual employees the City’s contribution rate is 15.7% of the non-contractual employee’s salary. The non-contractual employees also have a mandatory 1.0% contribution based on their salary. The City’s contribution to the money purchase pension plan for the non-contractual employees for the fiscal year ended June 30, 2015 was \$105,499 on \$671,965 of covered non-contractual City payroll.

*Plan Description (Continued)*

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

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

**CITY OF SWEET HOME, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**DEFINED CONTRIBUTION PENSION PLAN (Continued)**

*Deferred Compensation*

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

**COMMITMENTS AND CONTINGENCIES**

The City purchases commercial insurance from the City/County Insurance Services Trust to cover all commonly insurable risks, which includes property damage, liability and employee bonds. This is a self-insurance pool set up for city and county entities in Oregon. For premiums paid by the city during the 2014-2015 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 2014-2015, the City incurred no claims with \$1,000 held in reserves for all open claims. No insurance claims settled in each of the prior three 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>
2013	\$ 57,358	\$ 101,881
2014	34,717	114,244
2015	-	151,900

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, 2015**

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**TRANSFERS**

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 269,809	\$ 548,518
Public Safety	546,518	-
State Gas Tax	-	156,724
Path Program Reserve	70,550	-
Street Maintenance	-	20,550
Equipment Reserve	95,500	-
Police Facilities	-	1,017
Water	-	238,446
Wastewater	-	756,877
Wastewater Depreciation	642,343	-
Water Depreciation	97,412	-
Storm Water Drainage	-	1,500
Storm Water Capital	1,500	-
	<u>\$ 1,723,632</u>	<u>\$ 1,723,632</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.

**BEGINNING BALANCE ADJUSTMENTS**

\$18,502 has been recorded on GAAP basis as an increase in net position as of July 1, 2014, to recognize the City’s deferred outflow of resources related to the implementation of GASB Statement No. 68 “Accounting and Reporting for Pension Plans” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date related the public safety employees participation in PERS.

**NEW 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 was implemented in the current year.

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 was implemented in the current year.

***NEW PRONOUNCEMENTS (Continued)***

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement was implemented in the current year.

The City will implement applicable 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 following pronouncements.

GASB Statement No. 72 “Fair Value Measurement and Application” addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. The statement is effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, completes the suite of pension standards. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The statement is generally effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. This statement replaces Statement No. 46, “Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans” as amended, and Statement 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, as amended, and Statement No. 50, “Pension Disclosures”. This statement is effective for financial statement periods beginning after June 15, 2016.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for fiscal years beginning after June 15, 2015.

***SUBSEQUENT EVENTS***

Management has evaluated subsequent events through December 31, 2015, 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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 537,534	\$ 537,534	\$ 591,353	\$ 53,819
Licenses and permits	689,073	689,073	804,760	115,687
Charges for services	25,085	25,085	23,770	(1,315)
Intergovernmental	284,674	284,674	238,564	(46,110)
Fines and forfeitures	177,842	177,842	187,010	9,168
Miscellaneous	45,430	45,430	74,791	29,361
<i>Total Revenues</i>	1,759,638	1,759,638	1,920,248	160,610
<b>EXPENDITURES</b>				
General government	18,692	18,692	16,681	2,011
Executive department	257,363	257,363	231,554	25,809
Municipal court	275,921	275,921	230,181	45,740
Building inspection program	176,743	176,743	167,542	9,201
Community development	198,450	198,450	156,503	41,947
Community services programs	18,300	18,300	18,300	-
Parks maintenance	152,905	152,905	110,616	42,289
Finance	207,650	207,650	202,553	5,097
Non-departmental	732,981	732,981	608,944	124,037
Capital outlay	50,000	50,000	35,434	14,566
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	2,189,005	2,189,005	1,778,308	410,697
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(429,367)	(429,367)	141,940	571,307
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	269,809	269,809	269,809	-
Transfers out	(548,518)	(548,518)	(548,518)	-
<i>Total Other Financing Sources (Uses)</i>	(278,709)	(278,709)	(278,709)	-
<b>NET CHANGE IN FUND BALANCE</b>	(708,076)	(708,076)	(136,769)	571,307
<b>FUND BALANCE, beginning of year</b>	1,626,584	1,626,584	1,831,329	204,745
<b>FUND BALANCE, end of year</b>	\$ 918,508	\$ 918,508	\$ 1,694,560	\$ 776,052

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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,417,822	\$ 1,417,822	\$ 1,696,676	\$ 278,854
Licenses and permits	220	220	792	572
Intergovernmental	3,800	3,800	2,785	(1,015)
Miscellaneous	28,315	28,315	53,899	25,584
<i>Total Revenues</i>	1,450,157	1,450,157	1,754,152	303,995
<b>EXPENDITURES</b>				
Police operations	2,216,018	2,216,018	1,948,567	267,451
Capital outlay	12,620	12,620	5,808	6,812
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	2,278,638	2,278,638	1,954,375	324,263
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(828,481)	(828,481)	(200,223)	628,258
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	546,518	546,518	546,518	-
<b>NET CHANGE IN FUND BALANCE</b>	(281,963)	(281,963)	346,295	628,258
<b>FUND BALANCE, beginning of year</b>	563,590	563,590	682,742	119,152
<b>FUND BALANCE, end of year</b>	\$ 281,627	\$ 281,627	\$ 1,029,037	\$ 747,410

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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 518,790	\$ 518,790	\$ 523,365	\$ 4,575
Miscellaneous	845	845	1,514	669
<i>Total Revenues</i>	519,635	519,635	524,879	5,244
<b>EXPENDITURES</b>				
Operations	453,596	453,596	354,154	99,442
Capital outlay	8,750	8,750	3,736	5,014
Contingency	18,572	18,572	-	18,572
<i>Total Expenditures</i>	480,918	480,918	357,890	123,028
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	38,717	38,717	166,989	128,272
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(156,724)	(156,724)	(156,724)	-
<b>NET CHANGE IN FUND BALANCE</b>	(118,007)	(118,007)	10,265	128,272
<b>FUND BALANCE, beginning of year</b>	129,700	129,700	185,156	55,456
<b>FUND BALANCE, end of year</b>	\$ 11,693	\$ 11,693	\$ 195,421	\$ 183,728

Budgetary basis is same as GAAP.

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 20,843	\$ 18,502
Contributions in relation to the contractually required contribution	<u>(20,843)</u>	<u>(18,502)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 859,981	\$ 763,360
Contributions as a percentage of covered-employee payroll	2.42%	2.42%

<sup>1</sup> 10-year trend information required by GASB Statement 68 will be presented prospectively

***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF SWEET HOME, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Local Option Levy</i>	<i>Parks and Recreation Program</i>
<b>ASSETS</b>			
Cash and investments	\$ 49,483	\$ 170,109	\$ 44,003
Accounts receivable	-	-	-
Property taxes receivable	-	17,263	-
Assessment liens receivable	-	-	-
<i>Total Assets</i>	<u>\$ 49,483</u>	<u>\$ 187,372</u>	<u>\$ 44,003</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,832	\$ 2,054
Unavailable revenue	-	17,263	-
<i>Total Liabilities</i>	-	19,095	2,054
 <b>Fund Balance:</b>			
Restricted for:			
Community development	-	-	-
Library	-	168,277	-
Committed to:			
Public safety	49,483	-	-
Parks	-	-	41,949
Community development	-	-	-
Community center	-	-	-
<i>Total Fund Balance</i>	<u>49,483</u>	<u>168,277</u>	<u>41,949</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 49,483</u>	<u>\$ 187,372</u>	<u>\$ 44,003</u>

*Special Revenue*

<i>Path Program Reserve</i>	<i>Street Maintenance Improvement</i>	<i>Housing Rehabilitation Loan</i>	<i>Community Center Operating</i>	<i>Special Assessment</i>
\$ 119,648	\$ 1,304,526	\$ 232,655	\$ 7,265	\$ 765
-	-	407,693	7,554	-
-	-	-	-	-
-	4,462	-	-	5,995
<u>\$ 119,648</u>	<u>\$ 1,308,988</u>	<u>\$ 640,348</u>	<u>\$ 14,819</u>	<u>\$ 6,760</u>
\$ -	\$ -	\$ -	\$ 63	\$ -
-	4,462	407,693	-	5,995
-	4,462	407,693	63	5,995
119,648	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,304,526	232,655	-	765
-	-	-	14,756	-
<u>119,648</u>	<u>1,304,526</u>	<u>232,655</u>	<u>14,756</u>	<u>765</u>
<u>\$ 119,648</u>	<u>\$ 1,308,988</u>	<u>\$ 640,348</u>	<u>\$ 14,819</u>	<u>\$ 6,760</u>



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

JUNE 30, 2015

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 4,628	\$ 3,928
Accounts receivable	26,819	-	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
<i>Total Assets</i>	<u>\$ 26,819</u>	<u>\$ 4,628</u>	<u>\$ 3,928</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 26,819	\$ -	\$ -
Unavailable revenue	-	-	-
<i>Total Liabilities</i>	<u>26,819</u>	<u>-</u>	<u>-</u>
<b>Fund Balance:</b>			
Restricted for:			
Community development	-	-	-
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	4,628	3,928
Community center	-	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>4,628</u>	<u>3,928</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 26,819</u>	<u>\$ 4,628</u>	<u>\$ 3,928</u>

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Equipment Reserve</i>	<i>Police Facilities</i>	<i>Total</i>
\$ 1,069,969	\$ 257,488	\$ 1,009	\$ 3,265,476
-	-	-	442,066
-	-	10,646	27,909
-	-	-	10,457
<u>\$ 1,069,969</u>	<u>\$ 257,488</u>	<u>\$ 11,655</u>	<u>\$ 3,745,908</u>
\$ -	\$ -	\$ -	\$ 30,768
-	-	10,646	446,059
-	-	10,646	476,827
-	-	-	119,648
-	-	-	168,277
-	-	1,009	50,492
-	-	-	41,949
1,069,969	257,488	-	2,873,959
-	-	-	14,756
<u>1,069,969</u>	<u>257,488</u>	<u>1,009</u>	<u>3,269,081</u>
<u>\$ 1,069,969</u>	<u>\$ 257,488</u>	<u>\$ 11,655</u>	<u>\$ 3,745,908</u>

**CITY OF SWEET HOME, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Local Option Levy</i>	<i>Parks and Recreation Program</i>
<b>REVENUES</b>			
Taxes and assessments	\$ -	\$ 217,024	\$ -
Intergovernmental	-	-	-
Fines and forfeitures	-	4,967	-
Miscellaneous	228	12,552	33,114
<i>Total Revenues</i>	228	234,543	33,114
<b>EXPENDITURES</b>			
Current			
Library	-	216,486	-
Parks	-	-	1,679
Community development	-	-	-
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	-	216,486	1,679
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	228	18,057	31,435
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	228	18,057	31,435
<b>FUND BALANCE, beginning of year</b>	49,255	150,220	10,514
<b>FUND BALANCE, end of year</b>	\$ 49,483	\$ 168,277	\$ 41,949

<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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	143,226	23,963	-	-
-	-	-	-	-
386	6,282	12,434	30,240	4
386	149,508	36,397	30,240	4
-	-	-	-	-
-	-	-	-	-
-	38,011	23,963	-	-
-	-	-	31,629	-
250	-	-	-	-
250	38,011	23,963	31,629	-
136	111,497	12,434	(1,389)	4
70,550	-	-	-	-
-	(20,550)	-	-	-
70,550	(20,550)	-	-	-
70,686	90,947	12,434	(1,389)	4
48,962	1,213,579	220,221	16,145	761
\$ 119,648	\$ 1,304,526	\$ 232,655	\$ 14,756	\$ 765

**CITY OF SWEET HOME, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS (Continued)  
YEAR ENDED JUNE 30, 2015**

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
<b>REVENUES</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	90,263	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	21	8,852
<i>Total Revenues</i>	90,263	21	8,852
<b>EXPENDITURES</b>			
Current			
Library	-	-	-
Parks	-	-	-
Community development	90,263	-	4,924
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	90,263	-	4,924
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	21	3,928
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	21	3,928
<b>FUND BALANCE, beginning of year</b>	-	4,607	-
<b>FUND BALANCE, end of year</b>	\$ -	\$ 4,628	\$ 3,928

<i>Capital Projects</i>		<i>Debt Service</i>
<i>Building Reserve</i>	<i>Equipment Reserve</i>	<i>Police Facilities</i>
\$ -	\$ -	\$ 581
-	5,713	-
-	-	-
7,535	1,218	237
7,535	6,931	818
-	-	-
-	-	-
-	-	-
-	-	-
-	96,871	-
-	96,871	-
7,535	(89,940)	818
-	95,500	-
-	-	(1,017)
-	95,500	(1,017)
7,535	5,560	(199)
1,062,434	251,928	1,208
\$ 1,069,969	\$ 257,488	\$ 1,009

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - NARCOTICS ENFORCEMENT FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 235	\$ 235	\$ 228	\$ (7)
<b>EXPENDITURES</b>				
Capital outlay	49,488	49,488	-	49,488
<b>NET CHANGE IN FUND BALANCE</b>	(49,253)	(49,253)	228	49,481
<b>FUND BALANCE, beginning of year</b>	49,253	49,253	49,255	2
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 49,483	\$ 49,483

**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, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 181,658	\$ 181,658	\$ 217,024	\$ 35,366
Fines and forfeitures	5,000	5,000	4,967	(33)
Miscellaneous	20,740	20,740	12,552	(8,188)
<i>Total Revenues</i>	<u>207,398</u>	<u>207,398</u>	<u>234,543</u>	<u>27,145</u>
<b>EXPENDITURES</b>				
Operations	262,667	262,667	216,486	46,181
Capital outlay	1,000	1,000	-	1,000
Contingency	2,000	2,000	-	2,000
<i>Total Expenditures</i>	<u>265,667</u>	<u>265,667</u>	<u>216,486</u>	<u>49,181</u>
<b>NET CHANGE IN FUND BALANCE</b>	(58,269)	(58,269)	18,057	76,326
<b>FUND BALANCE, beginning of year</b>	<u>144,854</u>	<u>144,854</u>	<u>150,220</u>	<u>5,366</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 86,585</u>	<u>\$ 86,585</u>	<u>\$ 168,277</u>	<u>\$ 81,692</u>



**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 2,728	\$ 2,728	\$ 33,114	\$ 30,386
<b>EXPENDITURES</b>				
Operations	1,787	1,787	1,679	108
Capital outlay	11,353	11,353	-	11,353
<i>Total Expenditures</i>	13,140	13,140	1,679	11,461
<b>NET CHANGE IN FUND BALANCE</b>	(10,412)	(10,412)	31,435	41,847
<b>FUND BALANCE, beginning of year</b>	10,412	10,412	10,514	102
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 41,949	\$ 41,949

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 405	\$ 405	\$ 386	\$ (19)
<b>EXPENDITURES</b>				
Capital outlay	150,000	150,000	250	149,750
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(149,595)	(149,595)	136	149,731
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	70,550	70,550	70,550	-
<b>NET CHANGE IN FUND BALANCE</b>	(79,045)	(79,045)	70,686	149,731
<b>FUND BALANCE, beginning of year</b>	90,015	90,015	48,962	(41,053)
<b>FUND BALANCE, end of year</b>	\$ 10,970	\$ 10,970	\$ 119,648	\$ 108,678

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 125,000	\$ 125,000	\$ -	\$ (125,000)
Intergovernmental	301,778	301,778	143,226	(158,552)
Miscellaneous	6,560	6,560	6,282	(278)
<i>Total Revenues</i>	433,338	433,338	149,508	(283,830)
<b>EXPENDITURES</b>				
Operations	192,000	192,000	38,011	153,989
Capital outlay	740,000	740,000	-	740,000
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(498,662)	(498,662)	111,497	610,159
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(20,550)	(20,550)	(20,550)	-
<b>NET CHANGE IN FUND BALANCE</b>	(519,212)	(519,212)	90,947	610,159
<b>FUND BALANCE, beginning of year</b>	1,294,735	1,294,735	1,213,579	(81,156)
<b>FUND BALANCE, end of year</b>	\$ 775,523	\$ 775,523	\$ 1,304,526	\$ 529,003

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 23,963	\$ (376,037)
Miscellaneous	1,040	1,040	12,434	11,394
<i>Total Revenues</i>	401,040	401,040	36,397	(364,643)
<b>EXPENDITURES</b>				
Operations	618,406	618,406	23,963	594,443
<b>NET CHANGE IN FUND BALANCE</b>	(217,366)	(217,366)	12,434	229,800
<b>FUND BALANCE, beginning of year</b>	217,366	217,366	220,221	2,855
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 232,655	\$ 232,655

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 30,254	\$ 30,254	\$ 30,240	\$ (14)
<b>EXPENDITURES</b>				
Operations	42,000	42,000	31,629	10,371
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	43,000	43,000	31,629	11,371
<b>NET CHANGE IN FUND BALANCE</b>	(12,746)	(12,746)	(1,389)	11,357
<b>FUND BALANCE, beginning of year</b>	12,746	12,746	16,145	3,399
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 14,756	\$ 14,756

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 4	\$ 4	\$ 4	\$ -
<b>EXPENDITURES</b>	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	4	4	4	-
<b>FUND BALANCE, beginning of year</b>	760	760	761	1
<b>FUND BALANCE, end of year</b>	\$ 764	\$ 764	\$ 765	\$ 1

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 93,749	\$ 93,749	\$ 90,263	\$ (3,486)
<b>EXPENDITURES</b>				
Operations	93,749	93,749	90,263	3,486
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – 911 FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 43,240	\$ 43,240	\$ -	\$ (43,240)
<b>EXPENDITURES</b>				
Operations	43,240	43,240	-	43,240
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ -	\$ -



**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – WEDDLE BRIDGE FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 21	\$ 21
<b>EXPENDITURES</b>				
Operations	4,597	4,597	-	4,597
<b>NET CHANGE IN FUND BALANCE</b>	(4,597)	(4,597)	21	4,618
<b>FUND BALANCE, beginning of year</b>	4,597	4,597	4,607	10
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 4,628	\$ 4,628

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – SPECIAL EVENTS FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ 10,000	\$ 8,852	\$ (1,148)
<b>EXPENDITURES</b>				
Operations	-	10,000	4,924	5,076
<b>NET CHANGE IN FUND BALANCE</b>	-	-	3,928	3,928
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 3,928	\$ 3,928

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BUILDING RESERVE FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 8,592	\$ 8,592	\$ 7,535	\$ (1,057)
<b>EXPENDITURES</b>				
Operations	5,000	5,000	-	5,000
<b>NET CHANGE IN FUND BALANCE</b>	3,592	3,592	7,535	3,943
<b>FUND BALANCE, beginning of year</b>	1,057,044	1,057,044	1,062,434	5,390
<b>FUND BALANCE, end of year</b>	\$ 1,060,636	\$ 1,060,636	\$ 1,069,969	\$ 9,333

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - EQUIPMENT RESERVE FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 5,713	\$ 5,713
Miscellaneous	1,165	1,165	1,218	53
<i>Total Revenues</i>	1,165	1,165	6,931	5,766
<b>EXPENDITURES</b>				
Capital outlay	220,500	220,500	96,871	123,629
<b>REVENUES OVER (UNDER)</b> <b>EXPENDITURES</b>	(219,335)	(219,335)	(89,940)	129,395
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	95,500	95,500	95,500	-
<b>NET CHANGE IN FUND BALANCE</b>	(123,835)	(123,835)	5,560	129,395
<b>FUND BALANCE, beginning of year</b>	250,846	250,846	251,928	1,082
<b>FUND BALANCE, end of year</b>	\$ 127,011	\$ 127,011	\$ 257,488	\$ 130,477

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - POLICE FACILITIES FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ -	\$ -	\$ 581	\$ 581
Miscellaneous	-	-	237	237
<i>Total Revenues</i>	-	-	818	818
<b>EXPENDITURES</b>	-	-	-	-
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	818	818
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,017)	(1,017)	(1,017)	-
<b>NET CHANGE IN FUND BALANCE</b>	(1,017)	(1,017)	(199)	818
<b>FUND BALANCE, beginning of year</b>	1,017	1,017	1,208	191
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 1,009	\$ 1,009

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

JUNE 30, 2015

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater SDC</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 327,007	\$ 108,343	\$ 436,116	\$ 394,247
Accounts receivable	-	-	-	-
<i>Total Current Assets</i>	<u>327,007</u>	<u>108,343</u>	<u>436,116</u>	<u>394,247</u>
<b>Noncurrent Assets</b>				
Assessment liens receivable	38,294	-	-	26,323
Capital assets, net of depreciation	-	-	-	-
<i>Total Noncurrent Assets</i>	<u>38,294</u>	<u>-</u>	<u>-</u>	<u>26,323</u>
<i>Total Assets</i>	<u>365,301</u>	<u>108,343</u>	<u>436,116</u>	<u>420,570</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	-	-	-	-
<b>FUND NET POSITION:</b>				
Investment in capital assets	-	-	-	-
Restricted for:				
Construction	365,301	-	-	420,570
Unrestricted	-	108,343	436,116	-
<i>Total Fund Net Position</i>	<u>\$ 365,301</u>	<u>\$ 108,343</u>	<u>\$ 436,116</u>	<u>\$ 420,570</u>

<i><b>Wastewater Capital</b></i>	<i><b>Storm Water Drainage</b></i>	<i><b>Storm Water SDC</b></i>	<i><b>Storm Water Capital</b></i>	<i><b>Storm Water Depreciation</b></i>	<i><b>Total</b></i>
\$ 518,114	\$ 102,548	\$ 10,815	\$ 22,451	\$ 83,976	\$ 2,003,617
-	8,054	-	-	-	8,054
518,114	110,602	10,815	22,451	83,976	2,011,671
-	-	-	-	-	64,617
-	1,288,595	-	-	-	1,288,595
-	1,288,595	-	-	-	1,353,212
518,114	1,399,197	10,815	22,451	83,976	3,364,883
-	283	-	-	-	283
-	1,288,595	-	-	-	1,288,595
-	-	10,815	-	-	796,686
518,114	110,319	-	22,451	83,976	1,279,319
\$ 518,114	\$ 1,398,914	\$ 10,815	\$ 22,451	\$ 83,976	\$ 3,364,600

**CITY OF SWEET HOME, OREGON****COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater SDC</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>				
Personal services	-	-	-	-
Materials and services	-	4,200	7,917	-
Depreciation	-	-	-	-
<i>Total Expenses</i>	-	4,200	7,917	-
<b>OPERATING INCOME (LOSS)</b>	-	(4,200)	(7,917)	-
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment revenue	(29)	523	2,079	850
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(29)	(3,677)	(5,838)	850
Capital contributions	39,997	-	-	25,161
Transfers in	-	-	97,412	-
Transfers out	-	-	-	-
Non-cash transfers out	-	-	(169,830)	-
<b>CHANGE IN FUND NET POSITION</b>	39,968	(3,677)	(78,256)	26,011
<b>FUND NET POSITION, beginning of year</b>	325,333	112,020	514,372	394,559
<b>FUND NET POSITION, end of year</b>	\$ 365,301	\$ 108,343	\$ 436,116	\$ 420,570



<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>
\$ -	\$ 60,072	\$ -	\$ -	\$ -	\$ 60,072
-	7,676	-	-	-	7,676
-	47	-	-	-	12,164
-	257,606	-	-	-	257,606
-	265,329	-	-	-	277,446
-	(205,257)	-	-	-	(217,374)
2,391	402	50	107	397	6,770
2,391	(204,855)	50	107	397	(210,604)
-	-	-	-	-	65,158
-	-	-	1,500	-	98,912
-	(1,500)	-	-	-	(1,500)
-	-	-	(3,903)	(5,063)	(178,796)
2,391	(206,355)	50	(2,296)	(4,666)	(226,830)
515,723	1,605,269	10,765	24,747	88,642	3,591,430
\$ 518,114	\$ 1,398,914	\$ 10,815	\$ 22,451	\$ 83,976	\$ 3,364,600

**CITY OF SWEET HOME, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<i>Water SDC</i>	<i>Water Capital</i>	<i>Water Depreciation</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collected from customers	\$ -	\$ -	\$ -
Paid to suppliers	-	(4,200)	(7,917)
Paid to employees	-	-	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	-	(4,200)	(7,917)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	-	97,412
Transfers out	-	-	-
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	-	-	97,412
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	-	(169,830)
Contribution of capital	49,697	-	-
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	49,697	-	(169,830)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	(29)	523	2,079
<i>Increase (Decrease) in Cash and Investments</i>	49,668	(3,677)	(78,256)
<b>CASH AND INVESTMENTS, Beginning of year</b>	277,339	112,020	514,372
<b>CASH AND INVESTMENTS, End of year</b>	\$ 327,007	\$ 108,343	\$ 436,116

<i>Wastewater SDC</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>Totals</i>
\$ -	\$ -	\$ 60,574	\$ -	\$ -	\$ -	\$ 60,574
-	-	(457)	-	-	-	(12,574)
-	-	(7,676)	-	-	-	(7,676)
-	-	52,441	-	-	-	40,324
-	-	-	-	1,500	-	98,912
-	-	(1,500)	-	-	-	(1,500)
-	-	(1,500)	-	1,500	-	97,412
-	-	-	-	(3,903)	(5,063)	(178,796)
31,596	-	-	-	-	-	81,293
31,596	-	-	-	(3,903)	(5,063)	(97,503)
850	2,391	402	50	107	397	6,770
32,446	2,391	51,343	50	(2,296)	(4,666)	47,003
361,801	515,723	51,205	10,765	24,747	88,642	1,956,614
\$ 394,247	\$ 518,114	\$ 102,548	\$ 10,815	\$ 22,451	\$ 83,976	\$ 2,003,617

**CITY OF SWEET HOME, OREGON**

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

**YEAR ENDED JUNE 30, 2014**

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ -	\$ (4,200)	\$ (7,917)
Depreciation			
Change in assets and liabilities:			
Accounts receivable	-	-	-
Deferred outflows	-	-	-
Accounts payable and accrued liabilities	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Noncash Transactions</i>			
Transfer of capital assets	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>

<i>Wastewater SDC</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>Totals</i>
\$ -	\$ -	\$ (205,257) 257,606	\$ -	\$ -	\$ -	\$ (217,374) 257,606
-	-	502	-	-	-	502
-	-	-	-	-	-	-
-	-	(410)	-	-	-	(410)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,324</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,903)</u>	<u>\$ (5,063)</u>	<u>\$ (178,796)</u>

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WATER FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,749,599	\$ 1,749,599	\$ 1,902,345	\$ 152,746
Miscellaneous	4,411	4,411	9,705	5,294
<i>Total Revenues</i>	1,754,010	1,754,010	1,912,050	158,040
<b>EXPENDITURES</b>				
Operations	1,200,779	1,200,779	1,135,112	65,667
Debt service				
Principal	325,132	325,132	325,132	-
Interest	173,960	173,960	173,959	1
Capital outlay	11,944	11,944	5,272	6,672
Contingency	43,536	43,536	-	43,536
<i>Total Expenditures</i>	1,755,351	1,755,351	1,639,475	115,876
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(1,341)	(1,341)	272,575	273,916
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(238,446)	(238,446)	(238,446)	-
<b>NET CHANGE IN FUND BALANCE</b>	(239,787)	(239,787)	34,129	273,916
<b>FUND BALANCE, beginning of year</b>	242,907	242,907	124,620	(118,287)
<b>FUND BALANCE, end of year</b>	\$ 3,120	\$ 3,120	\$ 158,749	\$ 155,629

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WASTEWATER FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,301,469	\$ 2,301,469	\$ 2,070,590	\$ (230,879)
Miscellaneous	6,501	6,501	4,550	(1,951)
<i>Total Revenues</i>	2,307,970	2,307,970	2,075,140	(232,830)
<b>EXPENDITURES</b>				
Operations	1,216,513	1,216,513	1,131,752	84,761
Debt service				
Principal	641,367	641,367	641,367	-
Interest	239,326	239,326	239,326	-
Capital outlay	16,530	16,530	5,476	11,054
Contingency	40,427	40,427	-	40,427
<i>Total Expenditures</i>	2,154,163	2,154,163	2,017,921	136,242
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	153,807	153,807	57,219	(96,588)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(114,534)	(114,534)	(114,534)	-
<b>NET CHANGE IN FUND BALANCE</b>	39,273	39,273	(57,315)	(96,588)
<b>FUND BALANCE, beginning of year</b>	19,613	19,613	205,046	185,433
<b>FUND BALANCE, end of year</b>	\$ 58,886	\$ 58,886	\$ 147,731	\$ 88,845

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WASTEWATER DEPRECIATION FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 7,169	\$ 7,169	\$ 5,825	\$ (1,344)
<b>EXPENDITURES</b>				
Operations	500,000	500,000	169,335	330,665
Capital outlay	700,000	700,000	14,734	685,266
<i>Total Expenditures</i>	1,200,000	1,200,000	184,069	1,015,931
<b>NET CHANGE IN FUND BALANCE</b>	(1,192,831)	(1,192,831)	(178,244)	1,014,587
<b>FUND BALANCE, beginning of year</b>	1,362,618	1,362,618	1,342,308	(20,310)
<b>FUND BALANCE, end of year</b>	\$ 169,787	\$ 169,787	\$ 1,164,064	\$ 994,277



**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WATER SDC FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 39,451	\$ 37,951
Miscellaneous	1,499	1,499	1,977	478
<i>Total Revenues</i>	2,999	2,999	41,428	38,429
<b>EXPENDITURES</b>				
Operations	95,000	95,000	-	95,000
Capital outlay	200,000	200,000	-	200,000
<i>Total Expenditures</i>	295,000	295,000	-	295,000
<b>NET CHANGE IN FUND BALANCE</b>	(292,001)	(292,001)	41,428	333,429
<b>FUND BALANCE, beginning of year</b>	320,330	320,330	277,339	(42,991)
<b>FUND BALANCE, end of year</b>	\$ 28,329	\$ 28,329	\$ 318,767	\$ 290,438

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WATER CAPITAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 536	\$ 536	\$ 523	\$ (13)
<b>EXPENDITURES</b>				
Capital outlay	100,000	100,000	4,200	95,800
<b>NET CHANGE IN FUND BALANCE</b>	(99,464)	(99,464)	(3,677)	95,787
<b>FUND BALANCE, beginning of year</b>	112,015	112,015	112,020	5
<b>FUND BALANCE, end of year</b>	\$ 12,551	\$ 12,551	\$ 108,343	\$ 95,792

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WATER DEPRECIATION FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 2,715	\$ 2,715	\$ 2,079	\$ (636)
<b>EXPENDITURES</b>				
Operations	140,000	140,000	7,259	132,741
Capital outlay	545,000	545,000	170,488	374,512
<i>Total Expenditures</i>	<u>685,000</u>	<u>685,000</u>	<u>177,747</u>	<u>507,253</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(682,285)	(682,285)	(175,668)	506,617
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	97,412	97,412	97,412	-
<b>NET CHANGE IN FUND BALANCE</b>	(584,873)	(584,873)	(78,256)	506,617
<b>FUND BALANCE, beginning of year</b>	592,624	592,624	514,372	(78,252)
<b>FUND BALANCE, end of year</b>	<u>\$ 7,751</u>	<u>\$ 7,751</u>	<u>\$ 436,116</u>	<u>\$ 428,365</u>

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WASTEWATER SDC FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 25,107	\$ 24,107
Miscellaneous	1,670	1,670	2,079	409
<i>Total Revenues</i>	2,670	2,670	27,186	24,516
<b>EXPENDITURES</b>				
Operations	100,000	100,000	-	100,000
Capital outlay	115,000	115,000	-	115,000
<i>Total Expenditures</i>	215,000	215,000	-	215,000
<b>NET CHANGE IN FUND BALANCE</b>	(212,330)	(212,330)	27,186	239,516
<b>FUND BALANCE, beginning of year</b>	352,531	352,531	361,801	9,270
<b>FUND BALANCE, end of year</b>	\$ 140,201	\$ 140,201	\$ 388,987	\$ 248,786

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - WASTEWATER CAPITAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 2,468	\$ 2,468	\$ 2,391	\$ (77)
<b>EXPENDITURES</b>				
Materials and services	150,000	150,000	-	150,000
Capital outlay	360,000	360,000	-	360,000
<i>Total Expenditures</i>	510,000	510,000	-	510,000
<b>NET CHANGE IN FUND BALANCE</b>	(507,532)	(507,532)	2,391	509,923
<b>FUND BALANCE, beginning of year</b>	515,701	515,701	515,723	22
<b>FUND BALANCE, end of year</b>	\$ 8,169	\$ 8,169	\$ 518,114	\$ 509,945

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 60,000	\$ 60,000	\$ 60,072	\$ 72
Miscellaneous	153	153	402	249
<i>Total Revenues</i>	60,153	60,153	60,474	321
<b>EXPENDITURES</b>				
Operations	84,921	84,921	8,120	76,801
Capital outlay	250	250	-	250
Contingency	2,605	2,605	-	2,605
<i>Total Expenditures</i>	87,776	87,776	8,120	79,656
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(27,623)	(27,623)	52,354	79,977
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,500)	(1,500)	(1,500)	-
<b>NET CHANGE IN FUND BALANCE</b>	(29,123)	(29,123)	50,854	79,977
<b>FUND BALANCE, beginning of year</b>	60,000	60,000	59,748	(252)
<b>FUND BALANCE, end of year</b>	\$ 30,877	\$ 30,877	\$ 110,602	\$ 79,725

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 52	\$ 52	\$ 50	\$ (2)
<b>EXPENDITURES</b>				
Capital outlay	10,700	10,700	-	10,700
<b>NET CHANGE IN FUND BALANCE</b>	(10,648)	(10,648)	50	10,698
<b>FUND BALANCE, beginning of year</b>	10,765	10,765	10,765	-
<b>FUND BALANCE, end of year</b>	\$ 117	\$ 117	\$ 10,815	\$ 10,698

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 231	\$ 231	\$ 107	\$ (124)
<b>EXPENDITURES</b>				
Operations	10,000	10,000	-	10,000
Capital outlay	40,000	40,000	3,903	36,097
<i>Total Expenditures</i>	50,000	50,000	3,903	46,097
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(49,769)	(49,769)	(3,796)	45,973
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,500	1,500	1,500	-
<b>NET CHANGE IN FUND BALANCE</b>	(48,269)	(48,269)	(2,296)	45,973
<b>FUND BALANCE, beginning of year</b>	49,762	49,762	24,747	(25,015)
<b>FUND BALANCE, end of year</b>	\$ 1,493	\$ 1,493	\$ 22,451	\$ 20,958



**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 424	\$ 424	\$ 397	\$ (27)
<b>EXPENDITURES</b>				
Operations	10,000	10,000	-	10,000
Capital outlay	60,000	60,000	5,063	54,937
<i>Total Expenditures</i>	70,000	70,000	5,063	64,937
<b>NET CHANGE IN FUND BALANCE</b>	(69,576)	(69,576)	(4,666)	64,910
<b>FUND BALANCE, beginning of year</b>	88,460	88,460	88,642	182
<b>FUND BALANCE, end of year</b>	\$ 18,884	\$ 18,884	\$ 83,976	\$ 65,092

***OTHER FINANCIAL SCHEDULES***

**CITY OF SWEET HOME, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2015**

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2014</i>	<i>2014-2015 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts &amp; Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2015</i>
2014-2015	\$ -	\$ 2,527,668	\$ 421	\$ (70,308)	\$ (2,362,795)	\$ 94,986
2013-2014	98,016	-	8,539	(687)	(48,406)	57,462
2012-2013	63,346	-	9,188	(733)	(28,709)	43,092
2011-2012	43,270	-	-	(786)	(17,354)	25,130
2010-2011	32,479	-	-	(826)	(13,901)	17,752
2009-2010	15,992	-	-	(494)	(1,130)	14,368
2008-2009	1,482	-	-	(180)	(692)	610
Prior Years	3,381	-	-	(92)	(391)	2,898
<b>Total</b>	<b>\$ 257,966</b>	<b>\$ 2,527,668</b>	<b>\$ 18,148</b>	<b>\$ (74,106)</b>	<b>\$ (2,473,378)</b>	<b>\$ 256,298</b>

***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 12<sup>th</sup> Avenue  
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, 2015, and have issued our report thereon dated December 31, 2015.

#### ***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.

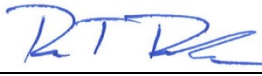
***Internal Control Over Financial Reporting***

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:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
December 31, 2015