



City of
Sweet Home, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2016

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



PATRICIA GRAY, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
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CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2016

MAYOR

Term Expires

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

December 31, 2016

CITY COUNCIL MEMBERS

Greg Mahler, President
700 4th Avenue
Sweet Home, Oregon 97386

December 31, 2018

Dave Trask
1276 2nd Avenue
Sweet Home, Oregon 97386

December 31, 2016

James Goble
1096 29th Avenue
Sweet Home, Oregon 97386

December 31, 2016

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

December 31, 2018

Ryan Underwood
4590 Airport Lane
Sweet Home, Oregon 97386

December 31, 2018

CITY ADMINISTRATION

Christy Wurster, Interim City Manager

Robert Snyder, City Attorney

MAILING ADDRESS

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



December 7, 2016

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, 2016.

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, 2016 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, 2016 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 9,090. 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 50 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 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 met the weekend of January 22, 2016 for the purpose of reviewing City Council Goals and accomplishments since 2013. Current and anticipated issues were discussed, with a compilation of ideas and options for goals narrowed down to a final list that was adopted by City Council August 23, 2016.

- **Healthy Economy**
 - Create an economic development function in City Hall to lead and implement economic development.
 - Create a comprehensive City economic development plan combining what already exists.
 - Continue partnerships with other agencies and groups to further the redevelopment of the County mill properties
- **Effective Government**
 - Create a technology assessment and plan to leverage existing resources and meet public expectations and better communicate with the public.
 - Create a community and/or a city government Strategic Plan
 - Develop stable, long term funding for Police and Library operations

- **Livability**
 - Establish a Healthcare committee and follow through to systems improvements
 - Create local policy and codes that support the provision of housing to meet the needs of all citizens
 - Expand City Code Enforcement Program and Services
 - Improve opportunities and service levels of city parks, recreation and open spaces.

- **Infrastructure**
 - Develop a City Facilities Building Master Plan
 - Review pedestrian Safety along Highway 20 in the City.
 - Include an operational plan addressing operations, maintenance, staffing, and other resource needs over time

In November 2015 Sweet Home voters were asked to renew the Police and Library operating levies for another five years. City Council had approved a significant increase to the rates in the hopes of gaining a larger portion of the \$10/\$1,000 general government rate as limited by Measure 5. Both measures passed with the Police Levy rate increasing from \$6.40 to \$7.85/\$1,000 and the Library Levy rate increasing from .82 to \$1.17/\$1,000 on July 1, 2016.

While these rate increases were significant, compression was also anticipated to increase, reducing any large amount of increase in property tax revenues. Staff budgeted for a 32% increase in compression, which actually came in at 38% when the County assessed properties and applied the new rates. Compression increased from a combined \$918,426 to \$1,525,220 loss in revenues.

Both the Police and General employees' union contracts expired June 30, 2016. Negotiations began with the AFSCME General unit in February 2016 with a new three contract ratified and approved by City Council in September. General employees will receive 2.5% wage increases each year and a change in medical insurance coverage. The Police unit wanted to break from AFSCME and had to wait until 60 days prior to their contract expiration date to make this change. The Employment Relations Board approved their Certification of Representation from AFSCME to the Sweet Home Police Employees Association on May 3, 2016. Police negotiations began in July and are still in process as of this date.

With the retirement of the City Manager in April 2016, City Council began recruiting for a replacement with the assistance of interim City Manager Christy Wurster. An application packet was distributed nationwide during the summer. Nine applicants were interviewed by City Council in August with two singled out as finalists. Ray Towry from Ephrata, Washington was hired in October to start November 14, 2016 as the new City Manager.

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, 2016, 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 2015-2016 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.

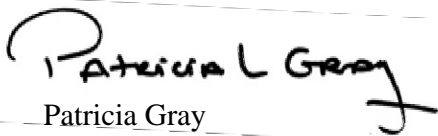
Oregon budget law allows for amendments to the City budget for reasons unforeseen at the time of the adoption of the original budget. Management is allowed to adjust budget numbers within adopted appropriations. Changes in appropriations, transfers outside of funds, appropriation of unexpected revenues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

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

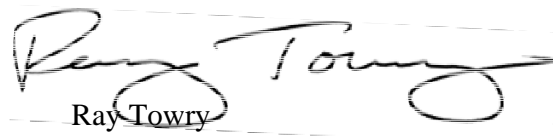
Acknowledgments

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

Respectfully submitted,



Patricia Gray
Finance Director

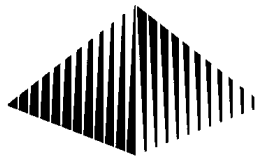


Ray Towry
City Manager

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 12th 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 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 schedule) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management discussion and analysis 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.

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 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 7, 2016, 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 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

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,
(in thousands)

	<i>June 30,</i>		<i>change</i>
	<u>2016</u>	<u>2015</u>	
Net position	\$ 31,989	\$ 31,605	\$ 384
Change in net position	384	316	68
Governmental activities net position	20,324	20,257	67
Business-type activities net position	11,665	11,348	317
Change in governmental net assets	67	192	(125)
Change in proprietary net assets	317	142	175

The City's net position increased by \$384 thousand (or 1%) due to revenues exceeding expenses.

Governmental activities revenues increased by \$732 thousand (or 8%) due to increases in charges for services, operating grants, property taxes, and other income.

Charges for services in the business-type activities increased \$148 thousand (4%) 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.

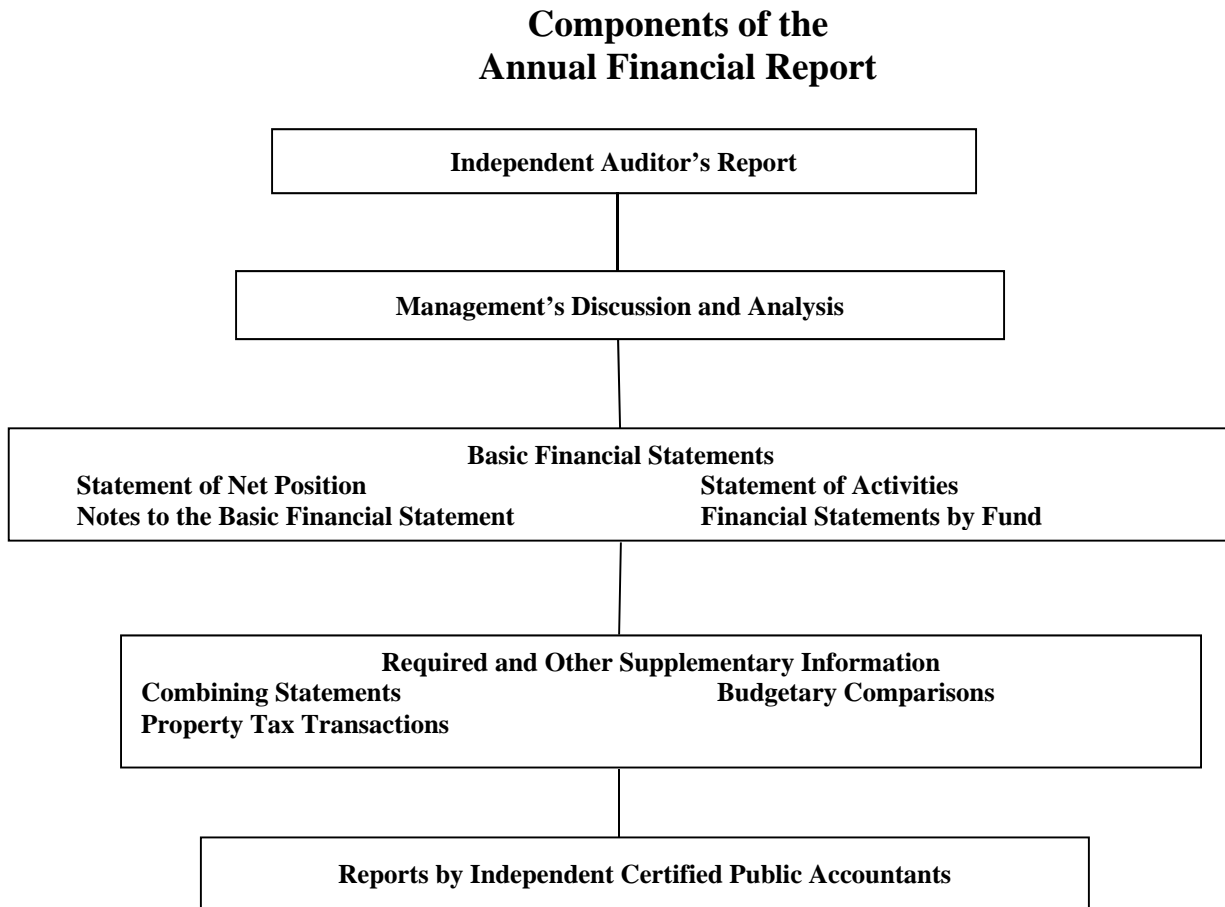
The Wastewater Fund represents 51% of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Road.

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 increased by \$732 thousand and business-type activities program costs increased by \$148 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.

Statements of Net Position						
June 30,						
(in thousands)						
	2016			2015		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Cash and investments	\$ 6,360	\$ 3,066	\$ 9,426	\$ 6,057	\$ 2,998	\$ 9,055
Other assets	943	787	1,730	923	744	1,667
Capital assets	13,185	26,824	40,009	13,478	27,574	41,052
<i>Total Assets</i>	<u>20,488</u>	<u>30,677</u>	<u>51,165</u>	<u>20,458</u>	<u>31,316</u>	<u>51,774</u>
Deferred outflows	30	-	30	21	-	21
Other liabilities	72	268	340	98	242	340
Long-term liabilities	122	18,744	18,866	124	19,726	19,850
<i>Total Liabilities</i>	<u>194</u>	<u>19,012</u>	<u>19,206</u>	<u>222</u>	<u>19,968</u>	<u>20,190</u>
Net position:						
Net investment in capital assets	13,185	8,127	21,312	13,478	7,895	21,373
Restricted	2,361	1,455	3,816	1,705	1,386	3,091
Unrestricted	4,778	2,083	6,861	5,074	2,067	7,141
<i>Total Net Position</i>	<u>\$ 20,324</u>	<u>\$ 11,665</u>	<u>\$ 31,989</u>	<u>\$ 20,257</u>	<u>\$ 11,348</u>	<u>\$ 31,605</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.

Statements of Activities						
June 30,						
(in thousands)						
2016			2015			
Governmental	Business-		Governmental	Business-		
Activities	type	Total	Activities	type	Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 556	\$ 4,170	\$ 4,726	\$ 420	\$ 4,033	\$ 4,453
Operating grants and contributions	1,066	-	1,066	713	-	713
Taxes and assessments	2,647	-	2,647	2,468	-	2,468
Other	1,243	103	1,346	1,179	92	1,271
Total Revenues	5,512	4,273	9,785	4,780	4,125	8,905
Expenses						
Programs	5,697	3,704	9,401	4,834	3,755	8,589
Transfers	252	(252)	-	228	(228)	-
Change in Net Position	67	317	384	174	142	316
Beginning Net Position	20,257	11,348	31,605	20,083	11,206	31,289
Ending Net Position	\$ 20,324	\$ 11,665	\$ 31,989	\$ 20,257	\$ 11,348	\$ 31,605

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 \$1,440 thousand at year end. The fund balance decreased by \$255 thousand during the current fiscal year. The fund had revenues in excess of expenditures of \$16 thousand, and net transfers out of \$270 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 76% of total General Fund expenditures.

Police Levy Fund. The Police 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 \$1,292 thousand at year end. The fund balance increased by \$263 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 \$239 thousand at year end. The fund balance increased by \$43 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 \$1,132 thousand at year end. The fund net position increased by \$223 thousand during the current fiscal year. The fund had operating revenues in excess of \$1,481 thousand in operating expenses, interest expense of roughly \$167 thousand and net transfers to other funds of \$149 thousand.

Wastewater. The Wastewater Fund is used to account for the operation of the City’s sewer utility. The fund net position was \$1,698 thousand at year end. The fund net position decreased by \$343 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 \$5,588 thousand at year end. The fund net position increased by \$556 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.

<u>Major Funds</u>	June 30, (in thousands)				Compared to Prior Year	
	2016		2015		Change	%
	Amount	%	Amount	%		
General	\$ 1,440	22%	\$ 1,695	32%	\$ (255)	-15%
Police Levy	1,292	20%	1,029	17%	263	26%
State Gas Tax	239	4%	195	3%	44	23%
Other Governmental Funds	3,532	54%	3,269	53%	263	8%
Total fund balances	<u>\$ 6,503</u>	<u>100%</u>	<u>\$ 6,188</u>	<u>105%</u>	<u>\$ 315</u>	<u>5%</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)

<u>Major Funds</u>	June 30, (in thousands)				Compared to Prior Year	
	2016		2015		Change	%
	Amount	%	Amount	%		
Water	\$ 240	7%	\$ 159	5%	\$ 81	51%
Wastewater	92	3%	148	4%	(56)	-38%
Wastewater Depreciation	1,065	30%	1,164	34%	(99)	-8%
Other Business-type Funds	2,138	57%	1,998	53%	140	7%
Total fund net assets	<u>\$ 3,535</u>	<u>97%</u>	<u>\$ 3,469</u>	<u>96%</u>	<u>\$ 66</u>	<u>2%</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 two changes to the adopted budget during the 2015-2016 fiscal year. Supplemental budget adjustments totaling \$110,566 were adopted by City Council on June 14, 2016 to recognize additional fund balance of \$14,756 in the Community Center fund to cover unanticipated repair and maintenance expenditures, and \$95,870 in revenues from forfeitures to release forfeited funds to the U.S. Marshall’s Office. City Council also approved a transfer resolution authorizing the transfer of funds from General Fund contingency to executive department personnel services of \$100,000.

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 \$40 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 \$1 million (a \$293 thousand decrease for governmental activities and a \$749 thousand decrease in for business-type activities.)

**Capital Assets at June 30, 2016 and 2015
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 3,147	\$ 3,147	\$ -	\$ -	\$ 3,147	\$ 3,147
Buildings	9,221	9,192	21,539	21,437	30,760	30,629
Equipment	1,474	1,445	610	607	2,084	2,052
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
CIP	-	-	14,366	14,366	14,366	14,366
Accumulated depreciation	<u>(26,393)</u>	<u>(26,042)</u>	<u>(19,988)</u>	<u>(19,134)</u>	<u>(46,381)</u>	<u>(45,176)</u>
Net capital assets	<u>\$ 13,185</u>	<u>\$ 13,478</u>	<u>\$ 26,824</u>	<u>\$ 27,573</u>	<u>\$ 40,009</u>	<u>\$ 41,051</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)**

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 13,478	\$ 27,573	\$ 41,051
Additions	82	105	187
Retirements	(1)	-	(1)
Depreciation	<u>(374)</u>	<u>(854)</u>	<u>(1,228)</u>
Ending balance	<u>\$ 13,185</u>	<u>\$ 26,824</u>	<u>\$ 40,009</u>

Long-term Debt

The City’s long-term debt at June 30, 2016 and 2015 is summarized below.

City of Sweet Home			
General Obligation Debt			
June 30,			
(in thousands)			
	Business-type Activities		Change
	<u>2016</u>	<u>2015</u>	<u>2014-2015</u>
Loans	\$ 18,697	\$ 19,678	\$ (981)

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

MAJOR INITIATIVES

Property Taxes

In November 2015 Sweet Home voters were asked to renew the Police and Library operating levies for another five years. City Council approved a significant increase to the rates in the hopes of gaining a larger portion of the \$10/\$1,000 general government rate as limited by Measure 5. Both measures passed with the Police Levy rate increasing from \$6.40 to \$7.85/\$1,000 and the Library Levy rate increasing from .82 to \$1.17/\$1,000 on July 1, 2016.

While these rate increases were significant, compression was also anticipated to increase, reducing any large amount of increase in property tax revenues. Staff budgeted for a 32% increase in compression, which actually came in at 38% when the County assessed properties and applied the new rates. Compression increased from a combined \$918,426 to \$1,525,220 loss in revenues. Staff expects property values to continue increasing more than the statutory 3% which will reduce compression and increase property tax revenues for the Police and Library operations for the remainder of the Levies.

Personnel Costs

Both the Police and General employees’ union contracts expired June 30, 2016. Negotiations began with the AFSCME General unit in February 2016 with a new three contract ratified and approved by City Council in September. General employees will receive 2.5% wage increases each year and a change in medical insurance coverage.

The Police unit wanted to break from AFSCME and had to wait until 60 days prior to their contract expiration date to make this change. The Employment Relations Board approved their Certification of Representation from AFSCME to the Sweet Home Police Employees Association on May 3, 2016. Police negotiations began in July and are still in process. The final costs of the Police contract are unknown at this time.

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, 2016

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 6,359,980	\$ 3,065,931	\$ 9,425,911
Accounts receivable	226,770	641,049	867,819
Property taxes receivable	269,672	-	269,672
Assessment liens receivable	38,890	63,840	102,730
Loans receivable	407,693	-	407,693
Inventories	-	81,753	81,753
Non-depreciable capital assets	3,146,500	14,365,536	17,512,036
Other capital assets, net of depreciation	10,038,504	12,458,684	22,497,188
<i>Total Assets</i>	<u>20,488,009</u>	<u>30,676,793</u>	<u>51,164,802</u>
DEFERRED OUTFLOWS			
Deferred outflows - contributions to PERS	30,422	-	30,422
LIABILITIES			
Accounts payable	72,604	29,138	101,742
Deposits payable	-	129,388	129,388
Accrued interest payable	-	109,165	109,165
Due within one year:			
Long-term debt	-	1,000,762	1,000,762
Accrued compensated absences	121,889	47,160	169,049
Due in more than one year:			
Long-term debt	-	17,696,455	17,696,455
<i>Total Liabilities</i>	<u>194,493</u>	<u>19,012,068</u>	<u>19,206,561</u>
NET POSITION			
Net investment in capital assets	13,185,004	8,127,003	21,312,007
Restricted for:			
Public safety	1,478,404	-	1,478,404
Construction	-	864,795	864,795
Community development	673,751	-	673,751
Library	208,635	-	208,635
Debt service	-	589,633	589,633
Unrestricted	4,778,144	2,083,294	6,861,438
<i>Total Net Position</i>	<u>\$ 20,323,938</u>	<u>\$ 11,664,725</u>	<u>\$ 31,988,663</u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
UNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 1,408,654	\$ 212,212	\$ 726	\$ -
Library	231,102	7,924	12,100	-
Parks	306,572	1,192	854	-
Community development	1,313,034	3,402	1,010,550	224,376
Public safety	2,398,512	331,660	3,049	-
Community center	39,910	-	38,500	-
<i>Total Governmental activities</i>	5,697,784	556,390	1,065,779	224,376
Business-type activities:				
Water	1,667,313	2,010,525	-	40,021
Sewer	1,768,439	2,098,657	-	23,625
Stormwater	267,861	60,420	-	-
<i>Total Business-type activities</i>	3,703,613	4,169,602	-	63,646
<i>Total Activities</i>	<u>\$ 9,401,397</u>	<u>\$ 4,725,992</u>	<u>\$ 1,065,779</u>	<u>\$ 288,022</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Gain on disposition of assets				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net Position - beginning of year				
Net Position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (1,195,716)	\$ -	\$ (1,195,716)
(211,078)	-	(211,078)
(304,526)	-	(304,526)
(74,706)	-	(74,706)
(2,063,803)	-	(2,063,803)
(1,410)	-	(1,410)
(3,851,239)	-	(3,851,239)
-	383,233	383,233
-	353,843	353,843
-	(207,441)	(207,441)
-	529,635	529,635
(3,851,239)	529,635	(3,321,604)
2,647,182	-	2,647,182
658,363	-	658,363
251,780	-	251,780
1,641	-	1,641
106,687	39,642	146,329
3,665,653	39,642	3,705,295
252,192	(252,192)	-
66,606	317,085	383,691
20,257,332	11,347,640	31,604,972
\$ 20,323,938	\$ 11,664,725	\$ 31,988,663

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Special Revenue</u>		
	<u>General</u>	<u>Police Levy</u>	<u>State Gas Tax</u>
ASSETS			
Cash and investments	\$ 1,339,243	\$ 1,300,244	\$ 194,251
Accounts receivable	146,735	-	47,657
Property taxes receivable	53,341	186,641	-
Assessment liens receivable	15,940	-	-
Loans receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,555,259</u>	<u>\$ 1,486,885</u>	<u>\$ 241,908</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 34,681	\$ 8,481	\$ 2,771
 Deferred Inflows			
Unavailable revenue	80,848	186,641	-
 Fund Balance:			
Restricted for:			
Public safety	-	1,291,763	-
Community development	-	-	239,137
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Community center	-	-	-
Unrestricted	1,439,730	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	<u>1,439,730</u>	<u>1,291,763</u>	<u>239,137</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	<u>\$ 1,555,259</u>	<u>\$ 1,486,885</u>	<u>\$ 241,908</u>

<i>Other Governmental Funds</i>	<i>Total</i>
3,526,242	\$ 6,359,980
32,378	226,770
29,690	269,672
22,950	38,890
407,693	407,693
<u>\$ 4,018,953</u>	<u>\$ 7,303,005</u>
\$ 26,671	\$ 72,604
460,333	727,822
-	1,291,763
429,007	668,144
190,270	190,270
92,348	92,348
44,215	44,215
1,326,337	1,326,337
1,436,394	1,436,394
13,378	13,378
-	1,439,730
<u>3,531,949</u>	<u>6,502,579</u>
<u>\$ 4,018,953</u>	<u>\$ 7,303,005</u>

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, 2016

<i>Fund Balances</i>	\$ 6,502,579
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.	727,822
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	30,422
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.	
Cost	39,577,789
Accumulated depreciation	(26,392,785)
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	(121,889)
	<hr/>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 20,323,938</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, 2016**

	<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Police Levy</u>	<u>State Gas Tax</u>
REVENUES			
Taxes and assessments	\$ 600,542	\$ 1,822,507	\$ -
Licenses and permits	807,555	567	-
Charges for services	29,420	-	-
Intergovernmental	231,103	45,434	536,990
Fines and forfeitures	165,435	-	-
Miscellaneous	73,827	45,597	1,373
<i>Total Revenues</i>	<u>1,907,882</u>	<u>1,914,105</u>	<u>538,363</u>
EXPENDITURES			
Current			
General government	1,195,686	-	-
Library	-	-	-
Parks	131,392	-	-
Community development	344,937	-	328,186
Public safety	220,055	2,134,356	-
Community center	-	-	-
Capital outlay	-	17,776	625
<i>Total Expenditures</i>	<u>1,892,070</u>	<u>2,152,132</u>	<u>328,811</u>
REVENUES OVER (UNDER) EXPENDITURES	15,812	(238,027)	209,552
OTHER FINANCING SOURCES (USES)			
Transfers in	277,611	500,753	-
Transfers out	(548,253)	-	(165,836)
<i>Total Other Financing Sources (Uses)</i>	<u>(270,642)</u>	<u>500,753</u>	<u>(165,836)</u>
NET CHANGE IN FUND BALANCE	(254,830)	262,726	43,716
FUND BALANCE, beginning of year	1,694,560	1,029,037	195,421
FUND BALANCE, end of year	<u>\$ 1,439,730</u>	<u>\$ 1,291,763</u>	<u>\$ 239,137</u>

<i>Other Governmental Funds</i>	<i>Total</i>
233,517	\$ 2,656,566
-	808,122
-	29,420
694,776	1,508,303
100,977	266,412
89,375	210,172
<u>1,118,645</u>	<u>5,478,995</u>
1,600	1,197,286
231,102	231,102
1,347	132,739
672,456	1,345,579
53,680	2,408,091
39,910	39,910
74,059	92,460
<u>1,074,154</u>	<u>5,447,167</u>
44,491	31,828
247,130	1,025,494
(28,753)	(742,842)
<u>218,377</u>	<u>282,652</u>
262,868	314,480
3,269,081	6,188,099
<u>\$ 3,531,949</u>	<u>\$ 6,502,579</u>

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, 2016**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 314,480
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.	33,972
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.	1,625
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	82,080
Depreciation	(374,360)
Net book value of assets disposed	(770)
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.	9,579
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 66,606</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, 2016

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
ASSETS			
Current Assets			
Cash and investments	\$ 63,102	\$ -	\$ 859,278
Accounts receivable	321,235	311,951	-
Inventories	79,301	2,452	-
Due from other funds	-	-	215,930
<i>Total Current Assets</i>	463,638	314,403	1,075,208
Noncurrent Assets			
Assessment liens receivable	-	-	-
Nondepreciable capital assets	-	-	14,365,536
Other capital assets, net of depreciation	9,796,811	1,630,884	-
<i>Total Noncurrent Assets</i>	9,796,811	1,630,884	14,365,536
<i>Total Assets</i>	10,260,449	1,945,287	15,440,744
LIABILITIES			
Current Liabilities			
Accounts payable	15,381	3,872	9,744
Deposits payable	129,388	-	-
Accrued interest payable	95,988	-	13,177
Due to other funds	-	215,930	-
Current portion of long-term liabilities			
Long-term debt	335,228	-	665,534
Accrued compensated absences	19,919	27,241	-
<i>Total Current Liabilities</i>	595,904	247,043	688,455
Noncurrent Liabilities			
Long-term debt	8,532,729	-	9,163,726
<i>Total Liabilities</i>	9,128,633	247,043	9,852,181
FUND NET POSITION			
Net investment in capital assets	928,854	1,630,884	4,536,276
Restricted for debt service	-	-	589,633
Restricted for construction	-	-	-
Unrestricted	202,962	67,360	462,654
<i>Total Fund Net Position</i>	\$ 1,131,816	\$ 1,698,244	\$ 5,588,563

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 2,143,551	\$ 3,065,931
7,863	641,049
-	81,753
-	215,930
2,151,414	4,004,663
63,840	63,840
-	14,365,536
1,030,989	12,458,684
1,094,829	26,888,060
3,246,243	30,892,723
141	29,138
-	129,388
-	109,165
-	215,930
-	1,000,762
-	47,160
141	1,531,543
-	17,696,455
141	19,227,998
1,030,989	8,127,003
-	589,633
864,795	864,795
1,350,318	2,083,294
\$ 3,246,102	\$ 11,664,725

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, 2016**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ 2,010,525	\$ 2,098,657	\$ -
Miscellaneous	7,756	900	-
<i>Total Operating Revenues</i>	2,018,281	2,099,557	-
OPERATING EXPENSES			
Personal services	509,485	548,354	-
Materials and services	662,658	593,972	104,883
Depreciation	308,782	287,704	-
<i>Total Operating Expenses</i>	1,480,925	1,430,030	104,883
OPERATING INCOME (LOSS)	537,356	669,527	(104,883)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	1,306	680	6,283
Interest expense	(167,091)	(233,526)	-
<i>Total Nonoperating Revenues (Expenses)</i>	(165,785)	(232,846)	6,283
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	371,571	436,681	(98,600)
Capital contributions	-	-	-
Transfers in	-	-	654,276
Non-cash transfers in	100,995	-	-
Transfers out	(249,488)	(779,852)	-
Non-cash transfers out	-	-	-
CHANGE IN FUND NET POSITION	223,078	(343,171)	555,676
FUND NET POSITION, beginning of year	908,738	2,041,415	5,032,887
FUND NET POSITION, end of year	\$ 1,131,816	\$ 1,698,244	\$ 5,588,563

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 60,420	\$ 4,169,602
9,330	17,986
69,750	4,187,588
7,191	1,065,030
22,361	1,383,874
257,606	854,092
287,158	3,302,996
(217,408)	884,592
13,387	21,656
-	(400,617)
13,387	(378,961)
(204,021)	505,631
63,646	63,646
100,412	754,688
-	100,995
(8,000)	(1,037,340)
(70,535)	(70,535)
(118,498)	317,085
3,364,600	11,347,640
\$ 3,246,102	\$ 11,664,725

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, 2016

	<u>Water</u>	<u>Wastewater</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collected from customers	\$ 2,017,014	\$ 2,109,796
Paid to suppliers	(664,886)	(591,246)
Paid to employees	(508,995)	(549,548)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	843,133	969,002
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Received from (paid to) other funds	(30,853)	43,697
Transfers in	-	-
Transfers out	(249,488)	(779,852)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(280,341)	(736,155)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(3,705)	-
Principal paid on long-term debt	(327,666)	-
Contribution of capital	-	-
Interest paid	(169,625)	(233,527)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(500,996)	(233,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,306	680
	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	63,102	-
CASH AND INVESTMENTS, Beginning of year	<hr/>	<hr/>
	-	-
CASH AND INVESTMENTS, End of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 63,102	\$ -

<i>Wastewater Depreciation</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ -	\$ 69,941	\$ 4,196,751
(97,285)	(22,503)	(1,375,920)
-	(7,191)	(1,065,734)
(97,285)	40,247	1,755,097
(43,697)	-	(30,853)
654,276	100,412	754,688
-	(8,000)	(1,037,340)
610,579	92,412	(313,505)
-	(70,535)	(74,240)
(653,269)	-	(980,935)
-	64,423	64,423
(1,008)	-	(404,160)
(654,277)	(6,112)	(1,394,912)
6,283	13,387	21,656
(134,700)	139,934	68,336
993,978	2,003,617	2,997,595
\$ 859,278	\$ 2,143,551	\$ 3,065,931

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, 2016

	<u>Water</u>	<u>Wastewater</u>
RECONCILIATION OF OPERATING INCOME TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 537,356	\$ 669,527
Depreciation	308,782	287,704
Change in assets and liabilities:		
Accounts receivable	(6,950)	10,239
Inventory	(16,631)	1,079
Accounts payable and accrued liabilities	20,086	1,647
Accrued vacation payable	490	(1,194)
	<u>\$ 843,133</u>	<u>\$ 969,002</u>
 <i>Net Cash Provided by (Used in) Operating Activities</i>		
 <i>Noncash Transactions</i>		
Transfer of capital assets	<u>\$ 100,995</u>	<u>\$ -</u>

<i>Wastewater Depreciation</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ (104,882)	(217,408)	\$ 884,593
-	257,606	854,092
-	191	3,480
-	-	(15,552)
7,597	(142)	29,188
-	-	(704)
<u>\$ (97,285)</u>	<u>\$ 40,247</u>	<u>\$ 1,755,097</u>
<u>\$ -</u>	<u>\$ (70,535)</u>	<u>\$ 30,460</u>

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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, 2016

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

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

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

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

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

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

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, 2016

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, 2016. 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, 2015 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, 2016

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, 2016:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
Cash		
Cash on hand	\$ 2,683	\$ 2,683
Deposits with financial institutions	868,240	868,240
Certificates of deposit	138,034	138,034
Investments		
Local Government Investment Pool	8,416,954	8,416,954
	<u>\$ 9,425,911</u>	<u>\$ 9,425,911</u>

Deposits

The book balance of the City's bank deposits with various financial institutions was \$1,006,274 and the bank balance was \$1,084,352 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, 2016, \$584,352 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, 2016

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, 2016, 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, 2016, was as follows:

Business-type Activities

	<i>Balances</i> <i>July 1,</i> <i>2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances</i> <i>June 30,</i> <i>2016</i>
NON-DEPRECIABLE				
Construction in progress-sewer	\$ 14,365,536	\$ -	\$ -	\$ 14,365,536
DEPRECIABLE				
Equipment-water	173,765	3,706	-	177,471
Equipment-sewer	431,473	-	-	431,473
Equipment - stormwater	1,886	-	-	1,886
Water facilities	11,656,201	100,995	-	11,757,196
Sewer facilities	9,782,260	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	10,296,700
<i>Total depreciable</i>	32,342,285	104,701	-	32,446,986

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS (Continued)

Business-type Activities (Continued)

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
ACCUMULATED DEPRECIATION				
Equipment-water	\$ (110,451)	\$ (17,377)	\$ -	\$ (127,828)
Equipment-sewer	(316,051)	(43,147)	-	(359,198)
Equipment - stormwater	(378)	(189)	-	(567)
Water facilities	(1,718,620)	(291,404)	-	(2,010,024)
Sewer facilities	(7,979,096)	(244,557)	-	(8,223,653)
Stormwater Infrastructure	(9,009,614)	(257,418)	-	(9,267,032)
<i>Total accumulated depreciation</i>	<u>(19,134,210)</u>	<u>(854,092)</u>	<u>-</u>	<u>(19,988,302)</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 27,573,611</u>	<u>\$ (749,391)</u>	<u>\$ -</u>	<u>\$ 26,824,220</u>

Governmental Activities

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
NON-DEPRECIABLE				
Land and improvements	\$ 3,146,500	\$ -	\$ -	\$ 3,146,500
DEPRECIABLE				
Buildings	9,191,945	29,570	-	9,221,515
Equipment	1,445,610	52,510	(24,354)	1,473,766
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	<u>36,373,563</u>	<u>82,080</u>	<u>(24,354)</u>	<u>36,431,289</u>
ACCUMULATED DEPRECIATION				
Buildings	(4,708,604)	(229,799)	-	(4,938,403)
Equipment	(1,593,044)	(144,561)	23,584	(1,714,021)
Infrastructure	(19,740,361)	-	-	(19,740,361)
<i>Total accumulated depreciation</i>	<u>(26,042,009)</u>	<u>(374,360)</u>	<u>23,584</u>	<u>(26,392,785)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 13,478,054</u>	<u>(292,280)</u>	<u>\$ (770)</u>	<u>\$ 13,185,004</u>

Depreciation expense in the amount of \$374,360 was charged to general government on the statement of activities. Depreciation of \$854,092 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, 2016

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2015</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2016</u>	<u>Due Within One Year</u>
<i>Business-type Activities</i>					
Water treatment facility note, estimated annual payments of \$289,310 including interest at 1%	\$ 6,186,829	\$ -	\$ (219,056)	\$ 5,967,773	\$ 221,246
Water treatment facility note, due two years after project completion including interest at 3.56%	3,008,794	-	(108,610)	2,900,184	113,982
Wastewater Depreciation Fund Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	2,298,147	-	(198,952)	2,099,195	205,248
Wastewater improvement note, variable annual payments including interest at 2.90%	3,934,382	-	(204,317)	3,730,065	210,286
Wastewater improvement note, semi-annual payments of \$125,000 including 0% interest. Annual fees at 0.5% are charged.	4,250,000	-	(250,000)	4,000,000	250,000
	<u>\$ 19,678,152</u>	<u>\$ -</u>	<u>\$ (980,935)</u>	<u>\$ 18,697,217</u>	<u>\$ 1,000,762</u>

Business-type activity debt requirements are shown below for the full amount of the Water Treatment Facility loans.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,000,762	\$ 336,236	\$ 1,336,998
2018	1,015,991	319,107	1,335,098
2019	1,036,733	300,991	1,337,724
2020	1,053,004	281,720	1,334,724
2021	1,074,726	261,998	1,336,724
2022-2026	5,420,772	988,338	6,409,110
2026-2030	4,650,121	514,801	5,164,922
2031-2035	2,348,952	174,808	2,523,760
2036-2040	1,096,156	27,541	1,123,697
	<u>\$ 18,697,217</u>	<u>\$ 3,205,540</u>	<u>\$ 21,902,757</u>

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

LONG-TERM DEBT *(Continued)*

Business-type Activities (Continued)

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, 2016. 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%.

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, 2016, 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, 2016, 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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

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.

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.

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.

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Benefits Provided (Continued)

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.

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 legislative changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. The City's contribution rates for the period were 6.61% for Tier One/Tier Two members, .45% for OPSRP General Service members, and .81% for OPSRP Police and Fire members. The City's total contributions exclusive of the 6% "pick-up" were \$30,422.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Contributions (Continued)

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 \$59,834 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, 2016, the City reported a liability of \$-0- for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Because of UAL credit carryovers, at June 30, 2015, the City’s proportion was 0.00%, which is unchanged from its proportion measured as of June 30, 2014.

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, 2015, and has not been included in the net pension asset/liability proportionate shares calculated by OPERS.

For the year ended June 30, 2016, the City recognized pension expense of \$9,579. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Contributions subsequent to measurement date	\$ 30,422	\$ -

Deferred outflows of resources related to pensions of \$30,422 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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2013 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
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 experience study which reviewed experience for the four-year period ending on December 31, 2013.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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.

<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.

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)
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</u> <u>(6.75%)</u>	<u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
Proportionate share of the net pension liability	\$ -	\$ -	\$ -

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, 2016 totaled \$145,343 on \$1,211,188 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, 2016 was \$100,980 on \$751,260 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</u> <u>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, 2016

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 2015-2016 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 2015-2016, 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>
2014	\$ 37,266	\$ 114,244
2015	-	151,900
2016	-	152,260

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, 2016

TRANSFERS

Interfund transfers on a budgetary basis for the year ended June 30, 2016, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 277,611	\$ 548,253
Public Safety	500,753	-
State Gas Tax	-	165,836
Library Local Option Levy	-	3,000
Path Program Reserve	75,000	-
Street Maintenance	-	25,000
Equipment Reserve	172,130	-
Police Facilities	-	753
Water	-	249,488
Wastewater	-	125,576
Water Depreciation	97,412	-
Storm Water Drainage	-	8,000
Storm Water Capital	3,000	-
	<u>\$ 1,125,906</u>	<u>\$ 1,125,906</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.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

<u>Fund Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Transit Grant			
Operations	\$ 90,263	\$ 97,523	\$ (7,260)

NEW 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. This statement was implemented in the current year.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

NEW PRONOUNCEMENTS (Continued)

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. This statement was implemented in the current year.

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. This 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. 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. 77, “Tax Abatement Disclosures,” addresses the disclosure requirements for governments that have tax abated properties in their jurisdiction. It will require governments to disclose the a description of the tax abatement program, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. The statement is effective for fiscal years beginning after December 15, 2015.

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 568,095	\$ 568,095	\$ 600,542	\$ 32,447
Licenses and permits	773,115	773,115	807,555	34,440
Charges for services	24,245	24,245	29,420	5,175
Intergovernmental	237,567	237,567	231,103	(6,464)
Fines and forfeitures	189,577	189,577	165,435	(24,142)
Miscellaneous	48,209	48,209	73,827	25,618
<i>Total Revenues</i>	1,840,808	1,840,808	1,907,882	67,074
EXPENDITURES				
General government	19,025	19,025	16,960	2,065
Executive department	245,708	345,708	327,873	17,835
Municipal court	272,184	272,184	220,055	52,129
Building inspection program	181,236	181,236	167,779	13,457
Community development	193,293	193,293	160,358	32,935
Community services programs	18,300	18,300	18,300	-
Parks maintenance	171,177	171,177	132,392	38,785
Finance	209,132	209,132	205,030	4,102
Non-departmental	821,023	821,023	645,823	175,200
Capital outlay	100,000	100,000	-	100,000
Contingency	100,000	-	-	-
<i>Total Expenditures</i>	2,331,078	2,331,078	1,894,570	436,508
REVENUES OVER (UNDER) EXPENDITURES	(490,270)	(490,270)	13,312	503,582
OTHER FINANCING SOURCES (USES)				
Transfers in	277,611	277,611	277,611	-
Transfers out	(545,753)	(545,753)	(545,753)	-
<i>Total Other Financing Sources (Uses)</i>	(268,142)	(268,142)	(268,142)	-
NET CHANGE IN FUND BALANCE	(758,412)	(758,412)	(254,830)	503,582
FUND BALANCE, beginning of year	1,797,851	1,797,851	1,694,560	(103,291)
FUND BALANCE, end of year	\$ 1,039,439	\$ 1,039,439	\$ 1,439,730	\$ 400,291

Budgetary basis is same as GAAP.

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – POLICE LEVY FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,599,538	\$ 1,599,538	\$ 1,822,507	\$ 222,969
Licenses and permits	220	220	567	347
Intergovernmental	45,781	45,781	45,434	(347)
Miscellaneous	26,842	26,842	45,597	18,755
<i>Total Revenues</i>	1,672,381	1,672,381	1,914,105	241,724
EXPENDITURES				
Police operations	2,387,578	2,387,578	2,134,356	253,222
Capital outlay	17,820	17,820	17,776	44
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	2,455,398	2,455,398	2,152,132	303,266
REVENUES OVER (UNDER)				
EXPENDITURES	(783,017)	(783,017)	(238,027)	544,990
OTHER FINANCING SOURCES (USES)				
Transfers in	500,753	500,753	500,753	-
NET CHANGE IN FUND BALANCE	(282,264)	(282,264)	262,726	544,990
FUND BALANCE, beginning of year	873,895	873,895	1,029,037	155,142
FUND BALANCE, end of year	\$ 591,631	\$ 591,631	\$ 1,291,763	\$ 700,132

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 522,688	\$ 522,688	\$ 536,990	\$ 14,302
Miscellaneous	1,018	1,018	1,373	355
<i>Total Revenues</i>	523,706	523,706	538,363	14,657
EXPENDITURES				
Operations	477,837	477,837	328,186	149,651
Capital outlay	8,750	8,750	625	8,125
Contingency	19,535	19,535	-	19,535
<i>Total Expenditures</i>	506,122	506,122	328,811	177,311
REVENUES OVER (UNDER)				
EXPENDITURES	17,584	17,584	209,552	191,968
OTHER FINANCING SOURCES (USES)				
Transfers out	(165,836)	(165,836)	(165,836)	-
NET CHANGE IN FUND BALANCE	(148,252)	(148,252)	43,716	191,968
FUND BALANCE, beginning of year	197,920	197,920	195,421	(2,499)
FUND BALANCE, end of year	\$ 49,668	\$ 49,668	\$ 239,137	\$ 189,469

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, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 30,422	\$ 20,843	\$ 18,502
Contributions in relation to the contractually required contribution	<u>(30,422)</u>	<u>(20,843)</u>	<u>(18,502)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 935,590	\$ 859,981	\$ 763,360
Contributions as a percentage of covered-employee payroll	3.25%	2.42%	2.42%

¹ 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, 2016

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
ASSETS			
Cash and investments	\$ 92,059	\$ 192,521	\$ 45,909
Accounts receivable	-	-	-
Property taxes receivable	-	18,365	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
<i>Total Assets</i>	<u>\$ 92,059</u>	<u>\$ 210,886</u>	<u>\$ 45,909</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 2,251	\$ 1,694
Unavailable revenue	-	18,365	-
<i>Total Liabilities</i>	-	20,616	1,694
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	190,270	-
Committed to:			
Public safety	92,059	-	-
Parks	-	-	44,215
Community development	-	-	-
Captial outlay	-	-	-
Community center	-	-	-
<i>Total Fund Balance</i>	<u>92,059</u>	<u>190,270</u>	<u>44,215</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 92,059</u>	<u>\$ 210,886</u>	<u>\$ 45,909</u>

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvement</i>	<i>Housing Rehabilitation Loan</i>	<i>Community Center Operating</i>	<i>Special Assessment</i>
\$ 195,477	\$ 1,316,707	\$ 228,530	\$ 8,726	\$ 769
-	-	5,000	4,813	-
-	-	-	-	-
-	7,622	-	-	15,328
-	-	407,693	-	-
<u>\$ 195,477</u>	<u>\$ 1,324,329</u>	<u>\$ 641,223</u>	<u>\$ 13,539</u>	<u>\$ 16,097</u>
\$ -	\$ -	\$ -	\$ 161	\$ -
-	7,622	407,693	-	15,328
-	7,622	407,693	161	15,328
195,477	-	233,530	-	-
-	-	-	-	-
-	-	-	-	-
-	1,316,707	-	-	769
-	-	-	-	-
-	-	-	13,378	-
<u>195,477</u>	<u>1,316,707</u>	<u>233,530</u>	<u>13,378</u>	<u>769</u>
<u>\$ 195,477</u>	<u>\$ 1,324,329</u>	<u>\$ 641,223</u>	<u>\$ 13,539</u>	<u>\$ 16,097</u>

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

JUNE 30, 2016

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
ASSETS			
Cash and investments	\$ -	\$ 4,654	\$ 4,207
Accounts receivable	22,565	-	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
<i>Total Assets</i>	<u>\$ 22,565</u>	<u>\$ 4,654</u>	<u>\$ 4,207</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 22,565	\$ -	\$ -
Unavailable revenue	-	-	-
<i>Total Liabilities</i>	<u>22,565</u>	<u>-</u>	<u>-</u>
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	4,654	4,207
Capital outlay	-	-	-
Community center	-	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>4,654</u>	<u>4,207</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 22,565</u>	<u>\$ 4,654</u>	<u>\$ 4,207</u>

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Project/ Equipment Reserve</i>	<i>Police Facilities</i>	<i>Total</i>
\$ 1,043,398	\$ 392,996	\$ 289	\$ 3,526,242
-	-	-	32,378
-	-	11,325	29,690
-	-	-	22,950
-	-	-	407,693
\$ 1,043,398	\$ 392,996	\$ 11,614	\$ 4,018,953
\$ -	\$ -	\$ -	\$ 26,671
-	-	11,325	460,333
-	-	11,325	487,004
-	-	-	429,007
-	-	-	190,270
-	-	289	92,348
-	-	-	44,215
-	-	-	1,326,337
1,043,398	392,996	-	1,436,394
-	-	-	13,378
1,043,398	392,996	289	3,531,949
\$ 1,043,398	\$ 392,996	\$ 11,614	\$ 4,018,953

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
REVENUES			
Taxes and assessments	\$ -	\$ 233,487	\$ -
Intergovernmental	-	-	-
Fines and forfeitures	95,810	5,167	-
Miscellaneous	446	17,441	3,613
<i>Total Revenues</i>	96,256	256,095	3,613
EXPENDITURES			
General government	-	-	-
Library	-	231,102	-
Parks	-	-	1,347
Community development	-	-	-
Public safety	53,680	-	-
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	53,680	231,102	1,347
REVENUES OVER (UNDER) EXPENDITURES	42,576	24,993	2,266
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(3,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	(3,000)	-
NET CHANGE IN FUND BALANCE	42,576	21,993	2,266
FUND BALANCE, beginning of year	49,483	168,277	41,949
FUND BALANCE, end of year	\$ 92,059	\$ 190,270	\$ 44,215

<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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	221,216	376,037	-	-
-	-	-	-	-
829	7,981	1,274	38,532	4
829	229,197	377,311	38,532	4
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	192,016	376,436	-	-
-	-	-	-	-
-	-	-	39,910	-
-	-	-	-	-
-	192,016	376,436	39,910	-
829	37,181	875	(1,378)	4
75,000	-	-	-	-
-	(25,000)	-	-	-
75,000	(25,000)	-	-	-
75,829	12,181	875	(1,378)	4
119,648	1,304,526	232,655	14,756	765
\$ 195,477	\$ 1,316,707	\$ 233,530	\$ 13,378	\$ 769

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
YEAR ENDED JUNE 30, 2016**

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	97,523	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	26	6,760
<i>Total Revenues</i>	97,523	26	6,760
EXPENDITURES			
General government	-	-	-
Library	-	-	-
Parks	-	-	-
Community development	97,523	-	6,481
Public safety	-	-	-
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	97,523	-	6,481
REVENUES OVER (UNDER) EXPENDITURES	-	26	279
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
NET CHANGE IN FUND BALANCE	-	26	279
FUND BALANCE, beginning of year	-	4,628	3,928
FUND BALANCE, end of year	\$ -	\$ 4,654	\$ 4,207

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Project/ Equipment Reserve</i>	<i>Police Facilities</i>	<i>Total</i>
\$ -	\$ -	\$ 30	\$ 233,517
-	-	-	694,776
-	-	-	100,977
8,199	4,267	3	89,375
8,199	4,267	33	1,118,645
1,600	-	-	1,600
-	-	-	231,102
-	-	-	1,347
-	-	-	672,456
-	-	-	53,680
-	-	-	39,910
33,170	40,889	-	74,059
34,770	40,889	-	1,074,154
(26,571)	(36,622)	33	44,491
-	172,130	-	247,130
-	-	(753)	(28,753)
-	172,130	(753)	218,377
(26,571)	135,508	(720)	262,868
1,069,969	257,488	1,009	3,269,081
\$ 1,043,398	\$ 392,996	\$ 289	\$ 3,531,949

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NARCOTICS ENFORCEMENT RESERVE FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ -	\$ 95,810	\$ 95,810	\$ -
Miscellaneous	234	234	446	212
<i>Total Revenues</i>	234	96,044	96,256	212
EXPENDITURES				
Operations	-	95,810	53,680	42,130
Capital outlay	49,723	49,723	-	49,723
<i>Total Expenditures</i>	49,723	145,533	53,680	91,853
NET CHANGE IN FUND BALANCE	(49,489)	(49,489)	42,576	92,065
FUND BALANCE, beginning of year	49,489	49,489	49,483	(6)
FUND BALANCE, end of year	\$ -	\$ -	\$ 92,059	\$ 92,059

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY LEVY FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 194,940	\$ 194,940	\$ 233,487	\$ 38,547
Fines and forfeitures	5,000	5,000	5,167	167
Miscellaneous	23,399	23,399	17,441	(5,958)
<i>Total Revenues</i>	223,339	223,339	256,095	32,756
EXPENDITURES				
Operations	273,918	273,918	231,102	42,816
Capital outlay	1,000	1,000	-	1,000
Contingency	2,000	2,000	-	2,000
<i>Total Expenditures</i>	276,918	276,918	231,102	45,816
REVENUES OVER (UNDER)				
EXPENDITURES	(53,579)	(53,579)	24,993	78,572
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,000)	(3,000)	(3,000)	-
NET CHANGE IN FUND BALANCE	(56,579)	(56,579)	21,993	78,572
FUND BALANCE, beginning of year	145,083	145,083	168,277	23,194
FUND BALANCE, end of year	\$ 88,504	\$ 88,504	\$ 190,270	\$ 101,766

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 33,054	\$ 33,054	\$ 3,613	\$ (29,441)
EXPENDITURES				
Operations	1,900	1,900	1,347	553
Capital outlay	41,561	41,561	-	41,561
<i>Total Expenditures</i>	43,461	43,461	1,347	42,114
NET CHANGE IN FUND BALANCE	(10,407)	(10,407)	2,266	12,673
FUND BALANCE, beginning of year	11,653	11,653	41,949	30,296
FUND BALANCE, end of year	\$ 1,246	\$ 1,246	\$ 44,215	\$ 42,969

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 233	\$ 233	\$ 829	\$ 596
EXPENDITURES				
Capital outlay	165,000	165,000	-	165,000
REVENUES OVER (UNDER)				
EXPENDITURES	(164,767)	(164,767)	829	165,596
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	(89,767)	(89,767)	75,829	165,596
FUND BALANCE, beginning of year	119,494	119,494	119,648	154
FUND BALANCE, end of year	\$ 29,727	\$ 29,727	\$ 195,477	\$ 165,750

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 125,000	\$ 125,000	\$ -	\$ (125,000)
Intergovernmental	395,934	395,934	221,216	(174,718)
Miscellaneous	6,301	6,301	7,981	1,680
<i>Total Revenues</i>	<i>527,235</i>	<i>527,235</i>	<i>229,197</i>	<i>(298,038)</i>
EXPENDITURES				
Operations	392,000	392,000	192,016	199,984
Capital outlay	640,000	640,000	-	640,000
REVENUES OVER (UNDER)				
EXPENDITURES	(504,765)	(504,765)	37,181	541,946
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCE	(529,765)	(529,765)	12,181	541,946
FUND BALANCE, beginning of year	1,330,959	1,330,959	1,304,526	(26,433)
FUND BALANCE, end of year	\$ 801,194	\$ 801,194	\$ 1,316,707	\$ 515,513

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 376,037	\$ (23,963)
Miscellaneous	1,047	1,047	1,274	227
<i>Total Revenues</i>	401,047	401,047	377,311	(23,736)
EXPENDITURES				
Operations	622,314	622,314	376,436	245,878
NET CHANGE IN FUND BALANCE	(221,267)	(221,267)	875	222,142
FUND BALANCE, beginning of year	221,267	221,267	232,655	11,388
FUND BALANCE, end of year	\$ -	\$ -	\$ 233,530	\$ 233,530

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 38,500	\$ 38,500	\$ 38,532	\$ 32
EXPENDITURES				
Operations	37,500	52,256	39,910	12,346
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	38,500	53,256	39,910	13,346
NET CHANGE IN FUND BALANCE	-	(14,756)	(1,378)	13,378
FUND BALANCE, beginning of year	-	14,756	14,756	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 13,378	\$ 13,378

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 4	\$ 4	\$ 4	\$ -
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	4	4	4	-
FUND BALANCE, beginning of year	764	764	765	1
FUND BALANCE, end of year	\$ 768	\$ 768	\$ 769	\$ 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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 90,263	\$ 90,263	\$ 97,523	\$ 7,260
EXPENDITURES				
Operations	90,263	90,263	97,523	(7,260)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – WEDDLE BRIDGE FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 22	\$ 22	\$ 26	\$ 4
EXPENDITURES				
Operations	4,650	4,650	-	4,650
NET CHANGE IN FUND BALANCE	(4,628)	(4,628)	26	4,654
FUND BALANCE, beginning of year	4,628	4,628	4,628	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,654	\$ 4,654

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPECIAL EVENTS FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 6,760	\$ (3,240)
EXPENDITURES				
Operations	10,000	10,000	6,481	3,519
NET CHANGE IN FUND BALANCE	-	-	279	279
FUND BALANCE, beginning of year	-	-	3,928	3,928
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,207	\$ 4,207

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,558	\$ 8,558	\$ 8,199	\$ (359)
EXPENDITURES				
Operations	68,340	68,340	1,600	66,740
Capital outlay	500,000	500,000	33,170	466,830
<i>Total Expenditures</i>	568,340	568,340	34,770	533,570
NET CHANGE IN FUND BALANCE	(559,782)	(559,782)	(26,571)	533,211
FUND BALANCE, beginning of year	1,069,792	1,069,792	1,069,969	177
FUND BALANCE, end of year	\$ 510,010	\$ 510,010	\$ 1,043,398	\$ 533,388

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – PROJECT/EQUIPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,153	\$ 1,153	\$ 4,267	\$ 3,114
EXPENDITURES				
Capital outlay	113,800	113,800	40,889	72,911
REVENUES OVER (UNDER)				
EXPENDITURES	(112,647)	(112,647)	(36,622)	76,025
OTHER FINANCING SOURCES (USES)				
Transfers in	172,130	172,130	172,130	-
NET CHANGE IN FUND BALANCE	59,483	59,483	135,508	76,025
FUND BALANCE, beginning of year	133,794	133,794	257,488	123,694
FUND BALANCE, end of year	\$ 193,277	\$ 193,277	\$ 392,996	\$ 199,719

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 30	\$ 30
Miscellaneous	7	7	3	(4)
<i>Total Revenues</i>	7	7	33	26
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	7	7	33	26
OTHER FINANCING SOURCES (USES)				
Transfers out	(753)	(753)	(753)	-
NET CHANGE IN FUND BALANCE	(746)	(746)	(720)	26
FUND BALANCE, beginning of year	746	746	1,009	263
FUND BALANCE, end of year	\$ -	\$ -	\$ 289	\$ 289

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

JUNE 30, 2016

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater SDC</u>
ASSETS				
Current Assets				
Cash and investments	\$ 369,763	\$ 95,956	\$ 469,962	\$ 420,315
Accounts receivable	-	-	-	-
<i>Total Current Assets</i>	<u>369,763</u>	<u>95,956</u>	<u>469,962</u>	<u>420,315</u>
Noncurrent Assets				
Assessment liens receivable	36,941	-	-	26,899
Capital assets, net of depreciation	-	-	-	-
<i>Total Noncurrent Assets</i>	<u>36,941</u>	<u>-</u>	<u>-</u>	<u>26,899</u>
<i>Total Assets</i>	<u>406,704</u>	<u>95,956</u>	<u>469,962</u>	<u>447,214</u>
LIABILITIES				
Current Liabilities				
Accounts payable	-	-	-	-
FUND NET POSITION:				
Investment in capital assets	-	-	-	-
Restricted for:				
Construction	406,704	-	-	447,214
Unrestricted	-	95,956	469,962	-
<i>Total Fund Net Position</i>	<u>\$ 406,704</u>	<u>\$ 95,956</u>	<u>\$ 469,962</u>	<u>\$ 447,214</u>

<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ 521,090	\$ 145,542	\$ 10,877	\$ 25,588	\$ 84,458	\$ 2,143,551
-	7,863	-	-	-	7,863
521,090	153,405	10,877	25,588	84,458	2,151,414
-	-	-	-	-	63,840
-	1,030,989	-	-	-	1,030,989
-	1,030,989	-	-	-	1,094,829
521,090	1,184,394	10,877	25,588	84,458	3,246,243
-	141	-	-	-	141
-	1,030,989	-	-	-	1,030,989
-	-	10,877	-	-	864,795
521,090	153,264	-	25,588	84,458	1,350,318
<u>\$ 521,090</u>	<u>\$ 1,184,253</u>	<u>\$ 10,877</u>	<u>\$ 25,588</u>	<u>\$ 84,458</u>	<u>\$ 3,246,102</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater SDC</u>
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	9,330	-
<i>Total Operating Revenues</i>	-	-	9,330	-
OPERATING EXPENSES				
Personal services	-	-	-	-
Materials and services	1,278	6,800	11,219	-
Depreciation	-	-	-	-
<i>Total Expenses</i>	1,278	6,800	11,219	-
OPERATING INCOME (LOSS)	(1,278)	(6,800)	(1,889)	-
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	2,660	588	2,683	3,019
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,382	(6,212)	794	3,019
Capital contributions	40,021	-	-	23,625
Transfers in	-	-	97,412	-
Transfers out	-	-	-	-
Non-cash transfers out	-	(6,175)	(64,360)	-
CHANGE IN FUND NET POSITION	41,403	(12,387)	33,846	26,644
FUND NET POSITION, beginning of year	365,301	108,343	436,116	420,570
FUND NET POSITION, end of year	<u>\$ 406,704</u>	<u>\$ 95,956</u>	<u>\$ 469,962</u>	<u>\$ 447,214</u>

<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ -	\$ 60,420	\$ -	\$ -	\$ -	\$ 60,420
-	-	-	-	-	9,330
-	60,420	-	-	-	69,750
-	7,191	-	-	-	7,191
-	3,064	-	-	-	22,361
-	257,606	-	-	-	257,606
-	267,861	-	-	-	287,158
-	(207,441)	-	-	-	(217,408)
2,976	780	62	137	482	13,387
2,976	(206,661)	62	137	482	(204,021)
-	-	-	-	-	63,646
-	-	-	3,000	-	100,412
-	(8,000)	-	-	-	(8,000)
-	-	-	-	-	(70,535)
2,976	(214,661)	62	3,137	482	(118,498)
518,114	1,398,914	10,815	22,451	83,976	3,364,600
\$ 521,090	\$ 1,184,253	\$ 10,877	\$ 25,588	\$ 84,458	\$ 3,246,102

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	\$ -	\$ -	\$ 9,330
Paid to suppliers	(1,278)	(6,800)	(11,219)
Paid to employees	-	-	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	(1,278)	(6,800)	(1,889)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	97,412
Transfers out	-	-	-
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	-	-	97,412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(6,175)	(64,360)
Contribution of capital	41,374	-	-
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	41,374	(6,175)	(64,360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,660	588	2,683
<i>Increase (Decrease) in Cash and Investments</i>	42,756	(12,387)	33,846
CASH AND INVESTMENTS, Beginning of year	327,007	108,343	436,116
CASH AND INVESTMENTS, End of year	<u>\$ 369,763</u>	<u>\$ 95,956</u>	<u>\$ 469,962</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>
\$ -	\$ -	\$ 60,611	\$ -	\$ -	\$ -	\$ 69,941
-	-	(3,206)	-	-	-	(22,503)
-	-	(7,191)	-	-	-	(7,191)
-	-	50,214	-	-	-	40,247
-	-	-	-	3,000	-	100,412
-	-	(8,000)	-	-	-	(8,000)
-	-	(8,000)	-	3,000	-	92,412
-	-	-	-	-	-	(70,535)
23,049	-	-	-	-	-	64,423
23,049	-	-	-	-	-	(6,112)
3,019	2,976	780	62	137	482	13,387
26,068	2,976	42,994	62	3,137	482	139,934
394,247	518,114	102,548	10,815	22,451	83,976	2,003,617
\$ 420,315	\$ 521,090	\$ 145,542	\$ 10,877	\$ 25,588	\$ 84,458	\$ 2,143,551

CITY OF SWEET HOME, OREGON

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

YEAR ENDED JUNE 30, 2016

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,278)	\$ (6,800)	\$ (1,889)
Depreciation			
Change in assets and liabilities:			
Accounts receivable	-	-	-
Accounts payable and accrued liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ (1,278)</u>	<u>\$ (6,800)</u>	<u>\$ (1,889)</u>
 <i>Noncash Transactions</i>			
Transfer of capital assets	<u>\$ -</u>	<u>\$ (6,175)</u>	<u>\$ (64,360)</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>
\$ -	\$ -	\$ (207,441) 257,606	\$ -	\$ -	\$ -	\$ (217,408) 257,606
-	-	191	-	-	-	191
-	-	(142)	-	-	-	(142)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,247</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (70,535)</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,984,321	\$ 1,984,321	\$ 2,010,525	\$ 26,204
Miscellaneous	3,777	3,777	9,062	5,285
<i>Total Revenues</i>	1,988,098	1,988,098	2,019,587	31,489
EXPENDITURES				
Operations	1,238,853	1,238,853	1,185,646	53,207
Debt service				
Principal	327,666	327,666	327,666	-
Interest	169,626	169,626	169,625	1
Capital outlay	11,276	11,276	6,343	4,933
Contingency	44,913	44,913	-	44,913
<i>Total Expenditures</i>	1,792,334	1,792,334	1,689,280	103,054
REVENUES OVER (UNDER)				
EXPENDITURES	195,764	195,764	330,307	134,543
OTHER FINANCING SOURCES (USES)				
Transfers out	(249,488)	(249,488)	(249,488)	-
NET CHANGE IN FUND BALANCE	(53,724)	(53,724)	80,819	134,543
FUND BALANCE, beginning of year	169,100	169,100	158,749	(10,351)
FUND BALANCE, end of year	\$ 115,376	\$ 115,376	\$ 239,568	\$ 124,192

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,580,293	\$ 2,580,293	\$ 2,098,657	\$ (481,636)
Miscellaneous	6,005	6,005	1,580	(4,425)
<i>Total Revenues</i>	2,586,298	2,586,298	2,100,237	(486,061)
EXPENDITURES				
Operations	1,248,884	1,248,884	1,142,190	106,694
Debt service				
Principal	653,269	653,269	653,269	-
Interest	234,533	234,533	234,533	-
Capital outlay	7,200	7,200	251	6,949
Contingency	41,374	41,374	-	41,374
<i>Total Expenditures</i>	2,185,260	2,185,260	2,030,243	155,017
REVENUES OVER (UNDER)				
EXPENDITURES	401,038	401,038	69,994	(331,044)
OTHER FINANCING SOURCES (USES)				
Transfers out	(125,576)	(125,576)	(125,576)	-
NET CHANGE IN FUND BALANCE	275,462	275,462	(55,582)	(331,044)
FUND BALANCE, beginning of year	119,466	119,466	147,731	28,265
FUND BALANCE, end of year	\$ 394,928	\$ 394,928	\$ 92,149	\$ (302,779)

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 6,175	\$ 6,175	\$ 6,283	\$ 108
EXPENDITURES				
Operations	325,000	325,000	103,833	221,167
Capital outlay	600,000	600,000	1,050	598,950
<i>Total Expenditures</i>	925,000	925,000	104,883	820,117
NET CHANGE IN FUND BALANCE	(918,825)	(918,825)	(98,600)	820,225
FUND BALANCE, beginning of year	978,497	978,497	1,164,064	185,567
FUND BALANCE, end of year	\$ 59,672	\$ 59,672	\$ 1,065,464	\$ 1,005,792

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER SDC FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 41,374	\$ 39,874
Miscellaneous	1,371	1,371	2,660	1,289
<i>Total Revenues</i>	2,871	2,871	44,034	41,163
EXPENDITURES				
Operations	150,000	150,000	1,278	148,722
Capital outlay	60,000	60,000	-	60,000
<i>Total Expenditures</i>	210,000	210,000	1,278	208,722
NET CHANGE IN FUND BALANCE	(207,129)	(207,129)	42,756	249,885
FUND BALANCE, beginning of year	298,185	298,185	318,767	20,582
FUND BALANCE, end of year	\$ 91,056	\$ 91,056	\$ 361,523	\$ 270,467

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 533	\$ 533	\$ 588	\$ 55
EXPENDITURES				
Capital outlay	105,000	105,000	12,975	92,025
NET CHANGE IN FUND BALANCE	(104,467)	(104,467)	(12,387)	92,080
FUND BALANCE, beginning of year	112,559	112,559	108,343	(4,216)
FUND BALANCE, end of year	\$ 8,092	\$ 8,092	\$ 95,956	\$ 87,864

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,163	\$ 2,163	\$ 12,013	\$ 9,850
EXPENDITURES				
Operations	140,000	140,000	11,219	128,781
Capital outlay	300,000	300,000	64,360	235,640
<i>Total Expenditures</i>	440,000	440,000	75,579	364,421
REVENUES OVER (UNDER)				
EXPENDITURES	(437,837)	(437,837)	(63,566)	374,271
OTHER FINANCING SOURCES (USES)				
Transfers in	97,412	97,412	97,412	-
NET CHANGE IN FUND BALANCE				
	(340,425)	(340,425)	33,846	374,271
FUND BALANCE, beginning of year				
	445,395	445,395	436,116	(9,279)
FUND BALANCE, end of year				
	\$ 104,970	\$ 104,970	\$ 469,962	\$ 364,992

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER SDC FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 23,049	\$ 22,049
Miscellaneous	1,747	1,747	3,019	1,272
<i>Total Revenues</i>	2,747	2,747	26,068	23,321
EXPENDITURES				
Operations	100,000	100,000	-	100,000
Capital outlay	115,208	115,208	-	115,208
<i>Total Expenditures</i>	215,208	215,208	-	215,208
NET CHANGE IN FUND BALANCE	(212,461)	(212,461)	26,068	238,529
FUND BALANCE, beginning of year	375,874	375,874	388,987	13,113
FUND BALANCE, end of year	\$ 163,413	\$ 163,413	\$ 415,055	\$ 251,642

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER CAPITAL FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,452	\$ 2,452	\$ 2,976	\$ 524
EXPENDITURES				
Materials and services	150,000	150,000	-	150,000
Capital outlay	360,000	360,000	-	360,000
<i>Total Expenditures</i>	<u>510,000</u>	<u>510,000</u>	<u>-</u>	<u>510,000</u>
NET CHANGE IN FUND BALANCE	(507,548)	(507,548)	2,976	510,524
FUND BALANCE, beginning of year	<u>518,235</u>	<u>518,235</u>	<u>518,114</u>	<u>(121)</u>
FUND BALANCE, end of year	<u><u>\$ 10,687</u></u>	<u><u>\$ 10,687</u></u>	<u><u>\$ 521,090</u></u>	<u><u>\$ 510,403</u></u>

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 60,000	\$ 60,000	\$ 60,420	\$ 420
Miscellaneous	355	355	780	425
<i>Total Revenues</i>	60,355	60,355	61,200	845
EXPENDITURES				
Operations	88,327	88,327	8,712	79,615
Capital outlay	2,000	2,000	1,685	315
Contingency	2,955	2,955	-	2,955
<i>Total Expenditures</i>	93,282	93,282	10,397	82,885
REVENUES OVER (UNDER)				
EXPENDITURES	(32,927)	(32,927)	50,803	83,730
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,000)	(8,000)	(8,000)	-
NET CHANGE IN FUND BALANCE	(40,927)	(40,927)	42,803	83,730
FUND BALANCE, beginning of year	107,534	107,534	110,602	3,068
FUND BALANCE, end of year	\$ 66,607	\$ 66,607	\$ 153,405	\$ 86,798

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 51	\$ 51	\$ 62	\$ 11
EXPENDITURES				
Capital outlay	10,700	10,700	-	10,700
NET CHANGE IN FUND BALANCE	(10,649)	(10,649)	62	10,711
FUND BALANCE, beginning of year	10,816	10,816	10,815	(1)
FUND BALANCE, end of year	\$ 167	\$ 167	\$ 10,877	\$ 10,710

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 112	\$ 112	\$ 137	\$ 25
EXPENDITURES				
Operations	10,000	10,000	-	10,000
Capital outlay	15,000	15,000	-	15,000
<i>Total Expenditures</i>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(24,888)	(24,888)	137	25,025
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	3,000	3,000	-
NET CHANGE IN FUND BALANCE	(21,888)	(21,888)	3,137	25,025
FUND BALANCE, beginning of year	<u>22,692</u>	<u>22,692</u>	<u>22,451</u>	<u>(241)</u>
FUND BALANCE, end of year	<u>\$ 804</u>	<u>\$ 804</u>	<u>\$ 25,588</u>	<u>\$ 24,784</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 414	\$ 414	\$ 482	\$ 68
EXPENDITURES				
Operations	10,000	10,000	-	10,000
Capital outlay	60,000	60,000	-	60,000
<i>Total Expenditures</i>	70,000	70,000	-	70,000
NET CHANGE IN FUND BALANCE	(69,586)	(69,586)	482	70,068
FUND BALANCE, beginning of year	84,342	84,342	83,976	(366)
FUND BALANCE, end of year	\$ 14,756	\$ 14,756	\$ 84,458	\$ 69,702

OTHER FINANCIAL SCHEDULES

CITY OF SWEET HOME, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2016

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2015</i>	<i>2015-2016 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2016</i>
2015-2016	\$ -	\$ 2,752,908	\$ 693	\$ (75,176)	\$ (2,577,043)	\$ 101,382
2014-2015	94,986	-	3	(340)	(38,474)	56,175
2013-2014	57,462	-	-	(786)	(17,322)	39,354
2012-2013	43,092	-	-	(902)	(17,617)	24,573
2011-2012	25,130	-	-	(913)	(7,555)	16,662
2010-2011	17,752	-	-	(1,427)	(335)	15,990
2009-2010	14,368	-	-	(1,113)	(502)	12,753
Prior Years	3,508	-	-	(67)	(658)	2,783
Total	\$ 256,298	\$ 2,752,908	\$ 696	\$ (80,724)	\$ (2,659,506)	\$ 269,672

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Jim Gourley, Mayor
and Members of the City Council
1140 12th Avenue
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, 2016, and have issued our report thereon dated December 7, 2016.

Compliance and Other Matters

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

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

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

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

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.

Deficiencies in internal control were reported to management in a letter dated December 7, 2016.

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 7, 2016