



City of
Sweet Home, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2017

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017



PATRICIA GRAY, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
TABLE OF CONTENTS

	<i>Page</i>
<i>INTRODUCTORY SECTION</i>	
City Officials	1
Letter of Transmittal	2-6
Organizational Chart	7
<i>FINANCIAL SECTION</i>	
Independent Auditor's Report	8-10
Management's Discussion and Analysis	11-19
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Fund Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Notes to Basic Financial Statements	30-51
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	52
Police Levy Fund	53
State Gas Tax Fund	54
Schedule of the City's Proportionate Share of the Net Pension Liability – Oregon Public Employees Retirement System	55
Schedule of the City's Contributions – Oregon Public Employees Retirement System	56
Other Supplementary Information	
Nonmajor Governmental Funds - Statements and Schedules	
Combining Balance Sheet	57-58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59-60
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Building Reserve Fund	61
Narcotics Enforcement Fund	62
Library Levy Fund	63
Parks and Recreation Program Fund	64
Path Program Reserve Fund	65
Street Maintenance Improvement Fund	66
Housing Rehabilitation Loan Fund	67
Community Center Operating Fund	68
Special Assessments Fund	69
Public Transit Grant Fund	70
Weddle Bridge Fund	71
Special Events Fund	72
Project/Equipment Reserve Fund	73
Police Facilities Fund	74

CITY OF SWEET HOME
TABLE OF CONTENTS (Continued)

<i>FINANCIAL SECTION (Continued)</i>	<u>Page</u>
Other Supplementary Information (Continued)	
Proprietary Funds - Statements and Schedules	
Combining Statement of Fund Net Position - Nonmajor Funds	75
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Funds	76
Combining Statement of Cash Flows - Nonmajor Funds	77-78
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	
Water Fund	79
Wastewater Fund	80
Wastewater Depreciation Fund	81
Water SDC Fund	82
Water Capital Fund	83
Water Depreciation Fund	84
Wastewater SDC Fund	85
Wastewater Capital Fund	86
Storm Water Drainage Fund	87
Storm Water SDC Fund	88
Storm Water Capital Fund	89
Storm Water Depreciation Fund	90
 <i>COMPLIANCE SECTION</i>	
Independent Auditor's Report Required by Oregon State Regulations	91-92

CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2017

MAYOR

Term Expires

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

December 31, 2018

CITY COUNCIL MEMBERS

Dave Trask, President Pro-Tem
1276 2nd Avenue
Sweet Home, Oregon 97386

December 31, 2020

Susan Coleman
411 Nandina
Sweet Home, Oregon 97386

December 31, 2018

Diane Gerson
4949 Mimosa Circle
Sweet Home, Oregon 97386

December 31, 2018

James Goble
1096 29th Avenue
Sweet Home, Oregon 97386

December 31, 2020

Lisa Gourley
3441 Juniper Street
Sweet Home, Oregon 97386

December 31, 2020

Ryan Underwood
4590 Airport Lane
Sweet Home, Oregon 97386

December 31, 2018

CITY ADMINISTRATION

Ray Towry, City Manager

Robert Snyder, City Attorney

MAILING ADDRESS

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



December 18, 2017

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, 2017.

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, 2017 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, 2017 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

New Vision Statement, Mission Statement and Goals

Following a two-day goal setting session February 2017, work session in March 2017 and a Public Hearing in April 2017, City Council adopted a new Vision Statement, updated its Mission Statement and established four goals at the April 11, 2017 City Council meeting.

Vision Statement

The Sweet Home community members have elected the City Council to represent their collective best interests. WE have been entrusted to make decisions that do the most good, for the most people, for the longest period of time.

- I. WE ASPIRE to make Sweet Home a community people find desirable to live in.
- II. WE ASPIRE to have an effective and efficient local government.
- III. WE ASPIRE to provide viable and sustainable infrastructure.
- IV. WE ASPIRE to provide viable and sustainable essential services.
- V. WE ASPIRE to create an economically strong environment in which businesses prosper.

Mission Statement

The City of Sweet Home will work to build an economically strong community with an efficient and effective local government that will provide infrastructure and essential services to the citizens we serve. As efficient stewards of the valuable assets available, we will be responsive to the community while planning and preparing for the future.

Goals

INFRASTRUCTURE

1. Develop specific steps for implementation of the adopted infrastructure master plans.
 - a. Water
 - b. Sewer
 - c. Streets
 - d. Parks
 - e. Property
2. Increase community awareness of infrastructure needs and appropriate planning documents.
 - a. Water
 - b. Sewer
 - c. Streets
 - d. Parks
 - e. Property

BE AN EFFECTIVE AND EFFICIENT GOVERNMENT

1. Update and streamline processes
2. Develop continuity in planning and permitting processes.
3. Invest in long-term staff stability & training.
4. Develop transparency in all communication.
5. Continue to implement strong financial practices.
6. Employ sound technology to maximize efficiency.

ESSENTIAL SERVICES

1. Increase access to quality healthcare services in Sweet Home.
2. Look for methods to improve community safety.
3. Develop partnerships w/ regional services and work to connect them w/ the appropriate members of the public

ECONOMIC STRENGTH

1. Implement a business vitalization program
2. Support future economic development efforts within City Hall
3. Develop economic opportunities with regional partners

Staff Changes

The City experienced a major change in management staff during 2016-2017. With the long-time City Manager having left in April 2016, the Planner/Community Development Director gone in May 2016 and the Public Director gone in March 2017, the City was without some key management personnel during the fiscal year.

An interim City Manager was hired in May 2016 and tasked with the responsibility of hiring a new City Manager, who came on in November 2016. The Planner/Community Development Director and Public Works Director positions remained unfilled during the fiscal year. The loss of these positions put many major projects on hold until the positions could be filled in the 2017-2018 fiscal year.

Personnel Costs

While the General employees' contract was renewed with 7.5% cost of living spread over three years in late 2015-2016, the Police unit just started their contract negotiations in July 2016. When contract negotiations ended in April 2017, union employees received a 6% increase over 3 years, an additional 5% step at the top of the wage scale and incentive pay for specific duties. These costs carried into the non-represented positions.

With PERS rates continuing to increase, in addition to the contracted wage increases, the police department will need to be looking at cost containing measures in the future as their funding source continues to be limited by a renewable five year levy and a 32% compression rate.

Property Upgrades and Purchases

In January 2016, City Council directed staff to negotiate the purchase of the old abandoned Forest Service Building on Highway 20 for a future City Hall. The purchase of the building was finalized in July 2016 in the amount of \$750,000. Staff worked during the 2016-2017 fiscal year to bring on an architect and develop some conceptual designs for council approval.

Following some minor remodeling in the interior of the Police Department building, Municipal Court was able to move from the Annex behind City Hall to a more permanent and secure area inside the Police Building in November 2016.

The old water treatment plant property at the end of 9th Avenue was surplus by City Council in the fall of 2016 and put on the real estate market in the hopes of selling it for funds to refurbish the building purchased by the City for a new City Hall. As of the end of the fiscal year in June, the property had not yet sold.

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, 2017, 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 2016-2017 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,

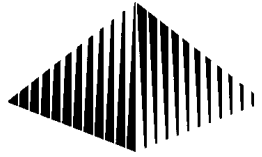
Patricia Gray
Finance Director

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 Greg Mahler, 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, 2017, 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, 2017, 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 11 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 52 through 54) (“the budgetary schedules”), the schedule of the City's proportionate share of the net pension liability – Oregon public employees retirement system, and the schedule of the City's contributions – Oregon public employees retirement system (PERS schedules) 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 schedules 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 18, 2017, 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 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2017

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 6) 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>		
	<u>2017</u>	<u>2016</u>	<u>change</u>
Net position	\$ 32,742	\$ 31,989	\$ 753
Change in net position	753	384	369
Governmental activities net position	20,459	20,324	135
Business-type activities net position	12,283	11,665	618
Change in governmental net assets	135	67	68
Change in proprietary net assets	618	317	301

The City's net position increased by \$753 thousand (or 2%) due to revenues exceeding expenses.

Governmental activities revenues decreased by \$152 thousand (or 3%) due to decreases in operating grants and other income.

Charges for services in the business-type activities increased \$257 thousand (5%) due to an increase in billing rates.

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 52% of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Road.

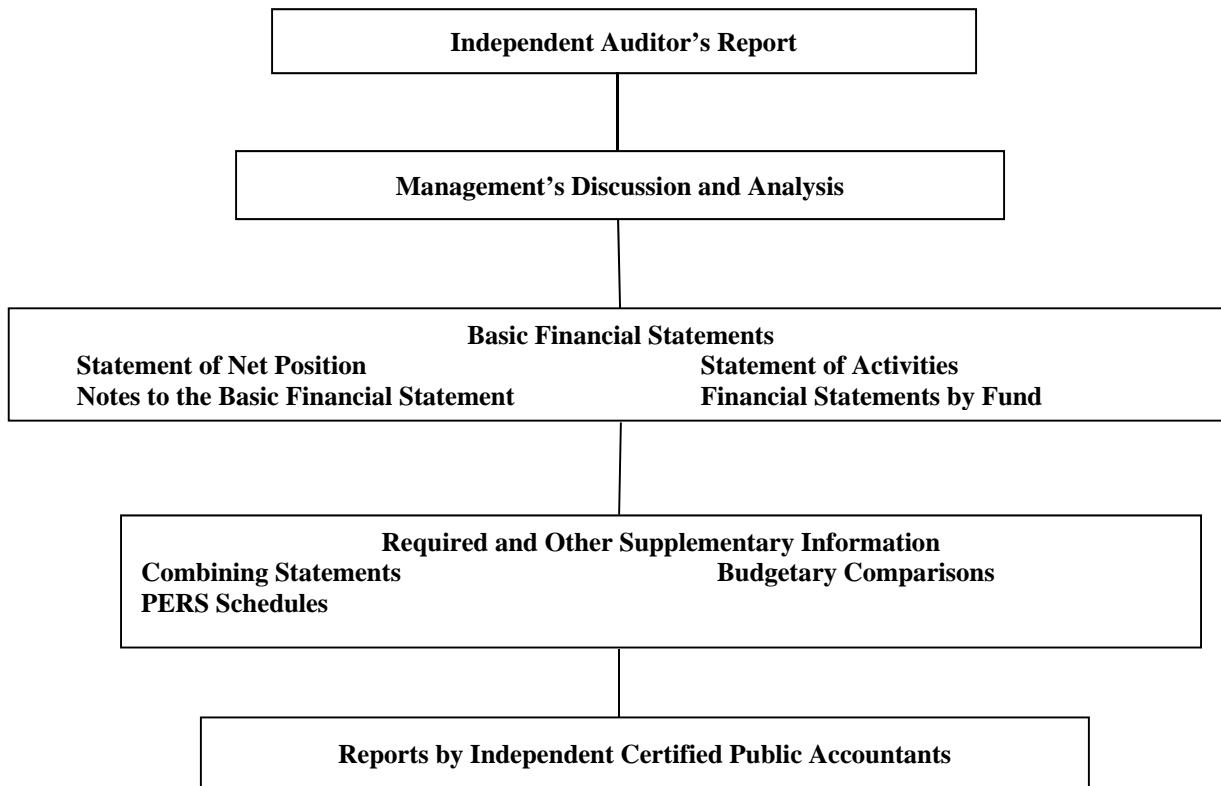
The Stormwater Fund represents 1% of all utility revenues for the City. These revenues are dedicated to storm drainage projects throughout the City.

Governmental activities program costs decreased by \$233 thousand and business-type activities program costs decreased by \$31 thousand.

REPORT LAYOUT

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

Components of the Annual Financial Report



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, State Gas Tax and Building Reserve 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.
- PERS Schedules. Schedules that reflect the City's proportionate share of the net pension liability and the City's contributions are presented as required supplementary information.

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)					
	2017			2016		
	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>
	<i>Activities</i>	<i>Activities</i>		<i>Activities</i>	<i>Activities</i>	
Cash and investments	\$ 6,232	\$ 3,344	\$ 9,576	\$ 6,360	\$ 3,066	\$ 9,426
Other assets	890	853	1,743	943	787	1,730
Capital assets	13,583	26,228	39,811	13,185	26,824	40,009
<i>Total Assets</i>	<u>20,705</u>	<u>30,425</u>	<u>51,130</u>	<u>20,488</u>	<u>30,677</u>	<u>51,165</u>
Deferred outflows	369	-	369	30	-	30
Other liabilities	94	402	496	72	268	340
Long-term liabilities	521	17,740	18,261	122	18,744	18,866
<i>Total Liabilities</i>	<u>615</u>	<u>18,142</u>	<u>18,757</u>	<u>194</u>	<u>19,012</u>	<u>19,206</u>
Net position:						
Net investment in capital assets	13,583	8,532	22,115	13,185	8,127	21,312
Restricted	2,753	1,541	4,294	2,361	1,455	3,816
Unrestricted	4,123	2,210	6,333	4,778	2,083	6,861
<i>Total Net Position</i>	<u>\$ 20,459</u>	<u>\$ 12,283</u>	<u>\$ 32,742</u>	<u>\$ 20,324</u>	<u>\$ 11,665</u>	<u>\$ 31,989</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)						
2017			2016			
Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total	
Revenues						
Program Revenues						
Charges for service	\$ 542	\$ 4,397	\$ 4,939	\$ 556	\$ 4,170	\$ 4,726
Operating grants and contributions	695	-	695	1,066	-	1,066
General Revenues						
Taxes and assessments	3,027	-	3,027	2,647	-	2,647
Other	1,096	133	1,229	1,243	103	1,346
Total Revenues	5,360	4,530	9,890	5,512	4,273	9,785
Expenses						
Programs	5,464	3,673	9,137	5,697	3,704	9,401
Transfers						
	239	(239)	-	252	(252)	-
Change in Net Position						
	135	618	753	67	317	384
Beginning Net Position						
	20,324	11,665	31,989	20,257	11,348	31,605
Ending Net Position						
	\$ 20,459	\$ 12,283	\$ 32,742	\$ 20,324	\$ 11,665	\$ 31,989

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 \$1,871 thousand at year end. The fund balance increased by \$431 thousand during the current fiscal year. The fund had revenues in excess of expenditures of \$276 thousand, and net transfers in of \$156 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 100% 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 \$1,213 thousand at year end. The fund balance decreased by \$79 thousand during the current fiscal year primarily due to an increase in police operations expenditures.

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 \$229 thousand at year end. The fund balance decreased by \$10 thousand during the current fiscal year as expenditures were in excess of revenues.

Building Reserve Fund. The Building Reserve Fund was established as a reserve for constructing a new City Hall. The fund balance was \$304 thousand at year end. The fund balance decreased by \$739 thousand due to the purchase of land and building for the new City Hall.

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 \$1,365 thousand at year end. The fund net position increased by \$234 thousand during the current fiscal year. The fund had \$591 thousand of operating revenues in excess of operating expenses, interest expense of roughly \$163 thousand and net transfers to other funds of \$196 thousand.

Wastewater. The Wastewater Fund is used to account for the operation of the City’s sewer utility. The fund net position was \$1,332 thousand at year end. The fund net position decreased by \$367 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 \$6,454 thousand at year end. The fund net position increased by \$865 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 22.

<u>Major Funds</u>	June 30, (in thousands)				Compared to	
	2017		2016		Prior Year	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Change</u>	<u>%</u>
General	\$ 1,871	30%	\$ 1,440	22%	\$ 431	30%
Police Levy	1,213	19%	1,292	20%	(79)	-6%
State Gas Tax	229	4%	239	4%	(10)	-4%
Building Reserve	304	5%	1,042	16%	(738)	-71%
Other Governmental Funds	2,717	42%	2,490	38%	227	9%
Total fund balances	<u>\$ 6,334</u>	<u>100%</u>	<u>\$ 6,503</u>	<u>100%</u>	<u>\$ (169)</u>	<u>-3%</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 79.

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

<u>Major Funds</u>	June 30, (in thousands)				Compared to	
	2017		2016		Prior Year	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Water	\$ 200	5%	\$ 240	7%	\$ (40)	-17%
Wastewater	(37)	-1%	92	3%	(129)	-140%
Wastewater Depreciation	1,264	34%	1,065	30%	199	19%
Other Business-type Funds	2,280	62%	2,138	57%	142	7%
Total fund net assets	<u>\$ 3,708</u>	<u>100%</u>	<u>\$ 3,535</u>	<u>97%</u>	<u>\$ 173</u>	<u>5%</u>

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

BUDGETARY HIGHLIGHTS

City Council approved two changes to the adopted budget during the 2016-2017 fiscal year. City Council approved a transfer resolution authorizing the transfer of funds from General Fund contingency to legislative department materials and services, executive department materials and services, and finance department personnel services of \$2,600, \$10,000, and \$6,000, respectively. Another transfer resolution was authorized by City Council to transfer funds from municipal court personnel services to municipal court materials and services and to transfer funds from community development personnel services to community development materials and services in the amounts of \$20,000 and \$40,000, respectively.

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 \$198 thousand (a \$398 thousand increase for governmental activities and a \$596 thousand decrease for business-type activities.)

Capital Assets at June 30, 2017 and 2016 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 3,536	\$ 3,147	\$ -	\$ -	\$ 3,536	\$ 3,147
Buildings	9,617	9,221	21,795	21,539	31,412	30,760
Equipment	1,433	1,474	612	610	2,045	2,084
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
Construction in progress	-	-	14,366	14,366	14,366	14,366
Accumulated depreciation	(26,739)	(26,393)	(20,842)	(19,988)	(47,581)	(46,381)
Net capital assets	<u>\$ 13,583</u>	<u>\$ 13,185</u>	<u>\$ 26,228</u>	<u>\$ 26,824</u>	<u>\$ 39,811</u>	<u>\$ 40,009</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	\$ 13,185	\$ 26,824	\$ 40,009
Additions	798	261	1,059
Retirements	(22)	-	(22)
Depreciation	(378)	(857)	(1,235)
Ending balance	<u>\$ 13,583</u>	<u>\$ 26,228</u>	<u>\$ 39,811</u>

Long-term Debt

The City's long-term debt at June 30, 2017 and 2016 is summarized below.

City of Sweet Home General Obligation Debt June 30, (in thousands)			
	Business-type Activities		Change
	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
Loans	\$ 17,696	\$ 18,697	\$ (1,001)

For more detailed information the City's debt and amortization terms refer to pages 41-42 of the notes.

MAJOR INITIATIVES

Staff Changes

The City experienced a major change in management staff during 2016-2017. With the long-time City Manager having left in April 2016, the Planner/Community Development Director gone in May 2016 and the Public Director gone in March 2017, the City was without some key management personnel during the fiscal year.

An interim City Manager was hired in May 2016 and tasked with the responsibility of hiring a new City Manager, who came on in November 2016. The Planner/Community Development Director and Public Works Director positions remained unfilled during the fiscal year. The loss of these positions put many major projects on hold until the positions could be filled in the 2017-2018 fiscal year.

Personnel Costs

While the General employees' contract was renewed with 7.5% cost of living spread over three years in late 2015-2016, the Police unit just started their contract negotiations in July 2016. When contract negotiations ended in April 2017, union employees received a 6% increase over 3 years, an additional 5% step at the top of the wage scale and incentive pay for specific duties. These costs carried into the non-represented positions.

With PERS rates continuing to increase, in addition to the contracted wage increases, the police department will need to be looking at cost containing measures in the future as their funding source continues to be limited by a renewable five year levy and a 32% compression rate.

Property Upgrades and Purchases

In January 2016, City Council directed staff to negotiate the purchase of the old abandoned Forest Service Building on Highway 20 for a future City Hall. The purchase of the building was finalized in July 2016 in the amount of \$750,000. Staff worked during the 2016-2017 fiscal year to bring on an architect and develop some conceptual designs for council approval.

Following some minor remodeling in the interior of the Police Department building, Municipal Court was able to move from the Annex behind City Hall to a more permanent and secure area inside the Police Building in November 2016.

The old water treatment plant property at the end of 9th Avenue was surplus by City Council in the fall of 2016 and put on the real estate market in the hopes of selling it for funds to refurbish the building purchased by the City for a new City Hall. As of the end of the fiscal year in June, the property had not yet sold.

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 6,231,793	\$ 3,343,506	\$ 9,575,299
Accounts receivable	207,133	674,669	881,802
Property taxes receivable	294,732	-	294,732
Assessment liens receivable	35,149	64,924	100,073
Loans receivable	353,091	-	353,091
Inventories	-	114,505	114,505
Non-depreciable capital assets	3,536,500	14,365,536	17,902,036
Other capital assets, net of depreciation	10,046,916	11,862,453	21,909,369
<i>Total Assets</i>	<u>20,705,314</u>	<u>30,425,593</u>	<u>51,130,907</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	369,206	-	369,206
LIABILITIES			
Accounts payable	93,434	161,076	254,510
Deposits payable	-	135,883	135,883
Accrued interest payable	-	105,518	105,518
Due within one year:			
Long-term debt	-	1,015,992	1,015,992
Accrued compensated absences	136,811	43,674	180,485
Due in more than one year:			
Long-term debt	-	16,680,463	16,680,463
Net pension liability	384,674	-	384,674
<i>Total Liabilities</i>	<u>614,919</u>	<u>18,142,606</u>	<u>18,757,525</u>
NET POSITION			
Net investment in capital assets	13,583,416	8,531,534	22,114,950
Restricted for:			
Public safety	1,417,084	-	1,417,084
Construction	-	951,788	951,788
Community development	1,091,610	-	1,091,610
Library	244,656	-	244,656
Debt service	-	589,633	589,633
Unrestricted	4,122,835	2,210,032	6,332,867
<i>Total Net Position</i>	<u>\$ 20,459,601</u>	<u>\$ 12,282,987</u>	<u>\$ 32,742,588</u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,480,822	\$ 277,970	\$ 205	\$ -
Library	276,376	9,154	2,758	-
Parks	237,260	729	31,526	-
Community development	900,913	3,429	624,695	-
Public safety	2,530,149	251,109	1,315	-
Community center	38,777	-	34,230	-
<i>Total Governmental activities</i>	5,464,297	542,391	694,729	-
Business-type activities:				
Water	1,649,511	2,064,498	-	48,732
Sewer	1,689,104	2,271,575	-	29,182
Stormwater	333,989	61,418	-	-
<i>Total Business-type activities</i>	3,672,604	4,397,491	-	77,914
<i>Total Activities</i>	\$ 9,136,901	\$ 4,939,882	\$ 694,729	\$ 77,914
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Loss 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>
\$ (1,202,647)	\$ -	\$ (1,202,647)
(264,464)	-	(264,464)
(205,005)	-	(205,005)
(272,789)	-	(272,789)
(2,277,725)	-	(2,277,725)
(4,547)	-	(4,547)
(4,227,177)	-	(4,227,177)
-	463,719	463,719
-	611,653	611,653
-	(272,571)	(272,571)
-	802,801	802,801
(4,227,177)	802,801	(3,424,376)
3,027,022	-	3,027,022
701,877	-	701,877
273,924	-	273,924
(15,458)	-	(15,458)
135,968	54,968	190,936
4,123,333	54,968	4,178,301
239,507	(239,507)	-
135,663	618,262	753,925
20,323,938	11,664,725	31,988,663
\$ 20,459,601	\$ 12,282,987	\$ 32,742,588

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>Special Revenue</u>		
	<u>General</u>	<u>Police Levy</u>	<u>State Gas Tax</u>
ASSETS			
Cash and investments	\$ 1,793,723	\$ 1,229,077	\$ 187,838
Accounts receivable	1,210,625	-	46,765
Property taxes receivable	58,298	203,985	-
Assessment liens receivable	12,228	-	-
Loans receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 3,074,874	\$ 1,433,062	\$ 234,603
	<hr/>	<hr/>	<hr/>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 47,635	\$ 15,978	\$ 5,470
Deferred Inflows			
Unavailable revenue	1,156,034	203,985	-
Fund Balance:			
Restricted for:			
Public safety	-	1,213,099	-
Community development	-	-	229,133
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Community center	-	-	-
Unrestricted	1,871,205	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	1,871,205	1,213,099	229,133
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities, Deferred Inflows, and Fund Balances</i>	\$ 3,074,874	\$ 1,433,062	\$ 234,603
	<hr/>	<hr/>	<hr/>

<i>Building Reserve</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 303,954	2,717,201	\$ 6,231,793
-	23,684	1,281,074
-	32,449	294,732
-	22,921	35,149
-	353,091	353,091
<hr/>	<hr/>	<hr/>
\$ 303,954	\$ 3,149,346	\$ 8,195,839
<hr/>	<hr/>	<hr/>
\$ -	\$ 24,351	\$ 93,434
-	408,461	1,768,480
-	-	1,213,099
-	509,386	738,519
-	224,585	224,585
-	93,252	93,252
-	51,304	51,304
-	1,287,837	1,287,837
303,954	541,301	845,255
-	8,869	8,869
-	-	1,871,205
<hr/>	<hr/>	<hr/>
303,954	2,716,534	6,333,925
<hr/>	<hr/>	<hr/>
\$ 303,954	\$ 3,149,346	\$ 8,195,839
<hr/>	<hr/>	<hr/>

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

CITY OF SWEET HOME, OREGON
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

<i>Fund Balances</i>	\$ 6,333,925
<p>The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.</p>	
Deferred revenues	1,768,480
Court receivables, net of allowance	(1,073,941)
<p>Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.</p>	
Cost	40,322,391
Accumulated depreciation	(26,738,975)
<p>All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.</p>	
Accrued compensated absences	(136,811)
<p>PERS net pension liability and deferred outflows/inflows related are not financial resources/requirements in governmental funds, but are reported in the Statement of Net Position.</p>	
Net pension liability	(384,674)
Deferred outflows	369,206
	<hr/>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 20,459,601</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, 2017**

	<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Police Levy</u>	<u>State Gas Tax</u>
REVENUES			
Taxes and assessments	\$ 637,237	\$ 2,082,851	\$ -
Licenses and permits	924,262	485	-
Charges for services	42,927	-	-
Intergovernmental	280,608	43,972	543,793
Fines and forfeitures	175,833	-	-
Miscellaneous	80,273	56,217	2,691
<i>Total Revenues</i>	<u>2,141,140</u>	<u>2,183,525</u>	<u>546,484</u>
EXPENDITURES			
Current			
General government	1,188,108	-	-
Library	-	-	-
Parks	115,713	-	-
Community development	317,603	-	390,079
Public safety	244,008	2,230,523	-
Community center	-	-	-
Capital outlay	-	11,666	573
<i>Total Expenditures</i>	<u>1,865,432</u>	<u>2,242,189</u>	<u>390,652</u>
REVENUES OVER (UNDER) EXPENDITURES	275,708	(58,664)	155,832
OTHER FINANCING SOURCES (USES)			
Transfers in	248,267	-	-
Transfers out	(92,500)	(20,000)	(165,836)
<i>Total Other Financing Sources (Uses)</i>	<u>155,767</u>	<u>(20,000)</u>	<u>(165,836)</u>
NET CHANGE IN FUND BALANCE	431,475	(78,664)	(10,004)
FUND BALANCE, beginning of year	1,439,730	1,291,763	239,137
FUND BALANCE, end of year	<u>\$ 1,871,205</u>	<u>\$ 1,213,099</u>	<u>\$ 229,133</u>

<i>Building Reserve</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 309,210	\$ 3,029,298
-	-	924,747
-	-	42,927
-	80,902	949,275
-	5,439	181,272
9,299	139,194	287,674
<hr/>	<hr/>	<hr/>
9,299	534,745	5,415,193
-	-	1,188,108
-	277,386	277,386
-	1,371	117,084
-	174,090	881,772
-	-	2,474,531
-	38,777	38,777
828,743	34,723	875,705
<hr/>	<hr/>	<hr/>
828,743	526,347	5,853,363
<hr/>	<hr/>	<hr/>
(819,444)	8,398	(438,170)
80,000	257,585	585,852
-	(38,000)	(316,336)
<hr/>	<hr/>	<hr/>
80,000	219,585	269,516
<hr/>	<hr/>	<hr/>
(739,444)	227,983	(168,654)
1,043,398	2,488,551	6,502,579
<hr/>	<hr/>	<hr/>
\$ 303,954	\$ 2,716,534	\$ 6,333,925
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

CITY OF SWEET HOME, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ (168,654)
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.	(33,285)
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.	(14,922)
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	797,785
Depreciation	(377,915)
Net book value of assets disposed	(21,457)
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.	338,785
Current year PERS pension expense related to change in net pension liability is reported as an expense in the Statement of Activities, but is not recorded as an expenditure in the governmental funds.	(384,674)
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 135,663</u></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, 2017

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
ASSETS			
Current Assets			
Cash and investments	\$ 33,394	\$ -	\$ 891,081
Accounts receivable	316,414	350,221	-
Inventories	67,729	46,776	-
Due from other funds	-	-	375,664
<i>Total Current Assets</i>	<u>417,537</u>	<u>396,997</u>	<u>1,266,745</u>
Noncurrent Assets			
Assessment liens receivable	-	-	-
Nondepreciable capital assets	-	-	14,365,536
Other capital assets, net of depreciation	9,745,890	1,343,180	-
<i>Total Noncurrent Assets</i>	<u>9,745,890</u>	<u>1,343,180</u>	<u>14,365,536</u>
<i>Total Assets</i>	<u>10,163,427</u>	<u>1,740,177</u>	<u>15,632,281</u>
LIABILITIES			
Current Liabilities			
Accounts payable	13,776	11,625	2,405
Deposits payable	135,883	-	-
Accrued interest payable	93,379	-	12,139
Due to other funds	-	375,664	-
Current portion of long-term liabilities			
Long-term debt	337,821	-	678,171
Accrued compensated absences	22,179	21,310	-
<i>Total Current Liabilities</i>	<u>603,038</u>	<u>408,599</u>	<u>692,715</u>
Noncurrent Liabilities			
Long-term debt	8,194,908	-	8,485,555
<i>Total Liabilities</i>	<u>8,797,946</u>	<u>408,599</u>	<u>9,178,270</u>
FUND NET POSITION			
Net investment in capital assets	1,213,161	1,343,180	5,201,810
Restricted for debt service	-	-	589,633
Restricted for construction	-	-	-
Unrestricted	152,320	(11,602)	662,568
<i>Total Fund Net Position</i>	<u>\$ 1,365,481</u>	<u>\$ 1,331,578</u>	<u>\$ 6,454,011</u>

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 2,419,031	\$ 3,343,506
8,034	674,669
-	114,505
-	375,664
2,427,065	4,508,344
64,924	64,924
-	14,365,536
773,383	11,862,453
838,307	26,292,913
3,265,372	30,801,257
133,270	161,076
-	135,883
-	105,518
-	375,664
-	1,015,992
185	43,674
133,455	1,837,807
-	16,680,463
133,455	18,518,270
773,383	8,531,534
-	589,633
951,788	951,788
1,406,746	2,210,032
\$ 3,131,917	\$ 12,282,987

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, 2017**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ 2,064,498	\$ 2,271,575	\$ -
Miscellaneous	12,430	5,106	-
<i>Total Operating Revenues</i>	2,076,928	2,276,681	-
OPERATING EXPENSES			
Personal services	439,039	480,447	-
Materials and services	735,612	675,230	27,777
Depreciation	311,677	287,704	-
<i>Total Operating Expenses</i>	1,486,328	1,443,381	27,777
OPERATING INCOME (LOSS)	590,600	833,300	(27,777)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	2,318	512	11,526
Interest expense	(162,653)	(217,948)	-
Gain (loss) on sale of assets	(529)	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	(160,864)	(217,436)	11,526
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	429,736	615,864	(16,251)
Capital contributions	-	-	-
Transfers in	-	-	881,699
Non-cash transfers in	261,285	-	-
Transfers out	(457,356)	(976,848)	-
Non-cash transfers out	-	(5,682)	-
CHANGE IN FUND NET POSITION	233,665	(366,666)	865,448
FUND NET POSITION, beginning of year	1,131,816	1,698,244	5,588,563
FUND NET POSITION, end of year	\$ 1,365,481	\$ 1,331,578	\$ 6,454,011

<i>Other Enterprise</i>			
<i>Funds</i>		<i>Total</i>	
\$ 61,418		\$ 4,397,491	
-		17,536	
61,418		4,415,027	
73,520		993,006	
2,863		1,441,482	
257,606		856,987	
333,989		3,291,475	
(272,571)		1,123,552	
23,076		37,432	
-		(380,601)	
-		(529)	
23,076		(343,698)	
(249,495)		779,854	
77,914		77,914	
396,990		1,278,689	
-		261,285	
(114,000)		(1,548,204)	
(225,594)		(231,276)	
(114,185)		618,262	
3,246,102		11,664,725	
\$ 3,131,917		\$ 12,282,987	

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, 2017

	<u>Water</u>	<u>Wastewater</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collected from customers	\$ 2,088,244	\$ 2,238,412
Paid to suppliers	(725,645)	(711,802)
Paid to employees	(436,779)	(486,378)
	<u>925,820</u>	<u>1,040,232</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Received from (paid to) other funds	-	159,734
Transfers in	-	-
Transfers out	(457,356)	(976,848)
	<u>(457,356)</u>	<u>(817,114)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(5,682)
Principal paid on long-term debt	(335,228)	-
Contribution of capital	-	-
Interest paid	(165,262)	(217,948)
	<u>(500,490)</u>	<u>(223,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,318	512
	<u>(29,708)</u>	<u>-</u>
CASH AND INVESTMENTS, Beginning of year	<u>63,102</u>	<u>-</u>
CASH AND INVESTMENTS, End of year	<u><u>\$ 33,394</u></u>	<u><u>\$ -</u></u>

<i>Wastewater Depreciation</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ -	\$ 61,247	\$ 4,387,903
(35,115)	130,451	(1,342,111)
-	(73,520)	(996,677)
(35,115)	118,178	2,049,115
(159,734)	-	-
881,699	396,990	1,278,689
-	(114,000)	(1,548,204)
721,965	282,990	(269,515)
-	(225,594)	(231,276)
(665,534)	-	(1,000,762)
-	76,830	76,830
(1,039)	-	(384,249)
(666,573)	(148,764)	(1,539,457)
11,526	23,076	37,432
31,803	275,480	277,575
859,278	2,143,551	3,065,931
<u>\$ 891,081</u>	<u>\$ 2,419,031</u>	<u>\$ 3,343,506</u>

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

CITY OF SWEET HOME, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)

YEAR ENDED JUNE 30, 2017

	<u>Water</u>	<u>Wastewater</u>
RECONCILIATION OF OPERATING INCOME TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 590,600	\$ 833,300
Depreciation	311,677	287,704
Change in assets and liabilities:		
Accounts receivable	4,822	(38,269)
Inventory	11,573	(44,325)
Accounts payable and accrued liabilities	(1,606)	7,753
Customer deposits	6,494	-
Accrued vacation payable	2,260	(5,931)
	<u>\$ 925,820</u>	<u>\$ 1,040,232</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>		
<i>Noncash Transactions</i>		
Transfer of capital assets	<u>\$ (261,285)</u>	<u>\$ (5,682)</u>

<i>Wastewater Depreciation</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ (27,777)	(272,571)	\$ 1,123,552
-	257,606	856,987
-	(171)	(33,618)
-	-	(32,752)
(7,338)	133,314	132,123
-	-	6,494
-	-	(3,671)
<u>\$ (35,115)</u>	<u>\$ 118,178</u>	<u>\$ 2,049,115</u>
<u>\$ -</u>	<u>\$ (225,594)</u>	<u>\$ (492,561)</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basic Financial Statements

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

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net 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, 2017

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.

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

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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

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

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

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

Equipment Reserve Fund - this fund is a reserve for purchase of equipment.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Fund Balance

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.

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, 2017. 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, 2016 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*, represents an acquisition 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. The City reports deferred inflows related to pensions for changes in projected earnings versus actual earnings and contribution versus proportionate share of contributions.

The other instance of deferred inflows arises 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, 2017

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, 2017:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
Cash		
Cash on hand	\$ 2,683	\$ 2,683
Deposits with financial institutions	561,640	561,640
Certificates of deposit	140,118	140,118
Investments		
Local Government Investment Pool	8,870,858	8,870,858
	<u>\$ 9,575,299</u>	<u>\$ 9,575,299</u>

Deposits

The book balance of the City’s bank deposits with various financial institutions was \$701,758 and the bank balance was \$756,007 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, 2017, \$256,007 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, 2017

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, 2017, 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, 2017, was as follows:

Business-type Activities

	<i>Balances</i> <i>July 1,</i> <i>2016</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances</i> <i>June 30,</i> <i>2017</i>
NON-DEPRECIABLE				
Construction in progress-sewer	\$ 14,365,536	\$ -	\$ -	\$ 14,365,536
DEPRECIABLE				
Equipment-water	177,471	5,682	(4,333)	178,820
Equipment-sewer	431,473	-	-	431,473
Equipment - stormwater	1,886	-	-	1,886
Water facilities	11,757,196	255,603	-	12,012,799
Sewer facilities	9,782,260	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	10,296,700
<i>Total depreciable</i>	32,446,986	261,285	(4,333)	32,703,938

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS (Continued)

Business-type Activities (Continued)

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
ACCUMULATED DEPRECIATION				
Equipment-water	\$ (127,828)	\$ (17,747)	\$ 3,804	\$ (141,771)
Equipment-sewer	(359,198)	(43,147)	-	(402,345)
Equipment - stormwater	(567)	(189)	-	(756)
Water facilities	(2,010,024)	(293,930)	-	(2,303,954)
Sewer facilities	(8,223,653)	(244,557)	-	(8,468,210)
Stormwater Infrastructure	(9,267,032)	(257,417)	-	(9,524,449)
<i>Total accumulated depreciation</i>	<u>(19,988,302)</u>	<u>(856,987)</u>	<u>3,804</u>	<u>(20,841,485)</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 26,824,220</u>	<u>\$ (595,702)</u>	<u>\$ (529)</u>	<u>\$ 26,227,989</u>

Governmental Activities

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
NON-DEPRECIABLE				
Land and improvements	\$ 3,146,500	\$ 390,000	\$ -	\$ 3,536,500
DEPRECIABLE				
Buildings	9,221,515	395,779	-	9,617,294
Equipment	1,473,766	12,006	(53,183)	1,432,589
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	<u>36,431,289</u>	<u>407,785</u>	<u>(53,183)</u>	<u>36,785,891</u>
ACCUMULATED DEPRECIATION				
Buildings	(4,938,403)	(230,538)	-	(5,168,941)
Equipment	(1,714,021)	(147,377)	31,725	(1,829,673)
Infrastructure	(19,740,361)	-	-	(19,740,361)
<i>Total accumulated depreciation</i>	<u>(26,392,785)</u>	<u>(377,915)</u>	<u>31,725</u>	<u>(26,738,975)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 13,185,004</u>	<u>\$ 419,870</u>	<u>\$ (21,458)</u>	<u>\$ 13,583,416</u>

Depreciation expense in the amount of \$377,915 was charged to general government on the statement of activities. Depreciation of \$856,987 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, 2017

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2017</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%	\$ 5,967,773	\$ -	\$ (221,246)	\$ 5,746,527	\$ 223,459
Water treatment facility note, due two years after project completion including interest at 3.56%	2,900,184	-	(113,982)	2,786,202	114,362
Wastewater Depreciation Fund Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	2,099,195	-	(205,248)	1,893,947	211,743
Wastewater improvement note, variable annual payments including interest at 2.90%	3,730,065	-	(210,286)	3,519,779	216,428
Wastewater improvement note, semi-annual payments of \$125,000 including 0% interest. Annual fees at 0.5% are charged.	4,000,000	-	(250,000)	3,750,000	250,000
	<u>\$ 18,697,217</u>	<u>\$ -</u>	<u>\$ (1,000,762)</u>	<u>\$ 17,696,455</u>	<u>\$ 1,015,992</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,015,992	\$ 319,107	\$ 1,335,099
2019	1,036,733	300,991	1,337,724
2020	1,053,004	281,720	1,334,724
2021	1,074,726	261,998	1,336,724
2022	1,092,015	241,034	1,333,049
2023-2027	5,254,508	884,669	6,139,177
2028-2032	4,417,717	433,048	4,850,765
2033-2037	1,925,567	130,158	2,055,725
2038-2040	826,193	16,579	842,772
	<u>\$ 17,696,455</u>	<u>\$ 2,869,304</u>	<u>\$ 20,565,759</u>

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

LONG-TERM DEBT *(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, 2017. 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, 2017, 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, 2017, 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, 2017

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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

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 2016 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, 2014 actuarial valuation. 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 \$33,298.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

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 \$61,712 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, 2017, the City reported a liability of \$384,674 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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. At June 30, 2017 and 2016, the City's proportion was 0.00256% and 0.00000%, respectively.

For the year ended June 30, 2017, the City recognized pension expense of \$45,890. At June 30, 2017, 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>
Differences between expected and actual experience	\$ 12,727	\$ -
Changes of assumptions	82,042	-
Net difference between projected and actual earnings on investments	75,995	-
Changes in proportionate share	137,945	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,199	-
Contributions subsequent to measurement date	33,298	-
Total	<u>\$ 369,206</u>	<u>\$ -</u>

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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

Deferred outflows of resources related to pensions of \$33,298 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, 2018. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>		
2018	\$	71,351
2019		71,351
2020		97,960
2021		79,110
2022		16,136
		<hr/>
Total	\$	335,908
		<hr/> <hr/>

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2014 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	2.50%
Investment Rate of Return	7.50%
Projected Salary Increases	3.50% overall payroll growth; salaries for individuals are assumed to grow at 3.50% plus assumed rates of merit/longevity increases based on service
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality 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 2014 experience study which reviewed experience for the four-year period ending on December 31, 2014.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

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	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50 %

Discount Rate

The discount rate used to measure the total pension liability was 7.50% 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, 2017

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ 621,121	\$ 384,674	\$ 187,046

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, 2017 totaled \$148,838 on \$1,241,490 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, 2017 was \$85,465 on \$544,366 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, 2017

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 2016-2017 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 2016-2017, 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>
2015	\$ -	\$ 151,900
2016	-	152,260
2017	2,539	164,543

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, 2017

TRANSFERS

Interfund transfers on a budgetary basis for the year ended June 30, 2017, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 248,267	\$ 92,500
Public Safety	-	20,000
State Gas Tax	-	165,836
Building Reserve	80,000	-
Non-major governmental	257,585	38,000
Water	-	457,356
Wastewater	-	310,277
Wastewater Depreciation	215,127	-
Non-major proprietary	396,990	114,000
	<u>\$ 1,197,969</u>	<u>\$ 1,197,969</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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2017, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 595,017	\$ 595,017	\$ 637,237	\$ 42,220
Licenses and permits	788,725	788,725	924,262	135,537
Charges for services	37,752	37,752	42,927	5,175
Intergovernmental	247,191	247,191	280,608	33,417
Fines and forfeitures	182,152	182,152	175,833	(6,319)
Miscellaneous	48,112	48,112	80,273	32,161
<i>Total Revenues</i>	1,898,949	1,898,949	2,141,140	242,191
EXPENDITURES				
General government	19,588	22,188	21,771	417
Executive department	262,498	272,498	247,515	24,983
Municipal court	297,377	297,377	244,008	53,369
Building inspection program	180,950	180,950	170,037	10,913
Community development	191,073	191,073	129,266	61,807
Community services programs	18,300	18,300	18,300	-
Parks maintenance	238,925	238,925	115,713	123,212
Finance	213,390	219,390	218,737	653
Non-departmental	845,936	845,936	700,085	145,851
Capital outlay	25,000	25,000	-	25,000
Contingency	100,000	81,400	-	81,400
<i>Total Expenditures</i>	2,393,037	2,393,037	1,865,432	527,605
REVENUES OVER (UNDER) EXPENDITURES	(494,088)	(494,088)	275,708	769,796
OTHER FINANCING SOURCES (USES)				
Transfers in	276,858	276,858	248,267	(28,591)
Transfers out	(92,500)	(92,500)	(92,500)	-
<i>Total Other Financing Sources (Uses)</i>	184,358	184,358	155,767	(28,591)
NET CHANGE IN FUND BALANCE	(309,730)	(309,730)	431,475	741,205
FUND BALANCE, beginning of year	976,155	976,155	1,439,730	463,575
FUND BALANCE, end of year	\$ 666,425	\$ 666,425	\$ 1,871,205	\$ 1,204,780

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – POLICE LEVY FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,055,353	\$ 2,055,353	\$ 2,082,851	\$ 27,498
Licenses and permits	220	220	485	265
Intergovernmental	45,781	45,781	43,972	(1,809)
Miscellaneous	28,947	28,947	56,217	27,270
<i>Total Revenues</i>	2,130,301	2,130,301	2,183,525	53,224
EXPENDITURES				
Police operations	2,375,329	2,375,329	2,230,523	144,806
Capital outlay	24,020	24,020	11,666	12,354
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	2,449,349	2,449,349	2,242,189	207,160
REVENUES OVER (UNDER)				
EXPENDITURES	(319,048)	(319,048)	(58,664)	260,384
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	(339,048)	(339,048)	(78,664)	260,384
FUND BALANCE, beginning of year	1,264,731	1,264,731	1,291,763	27,032
FUND BALANCE, end of year	\$ 925,683	\$ 925,683	\$ 1,213,099	\$ 287,416

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 522,402	\$ 522,402	\$ 543,793	\$ 21,391
Miscellaneous	926	926	2,691	1,765
<i>Total Revenues</i>	523,328	523,328	546,484	23,156
EXPENDITURES				
Operations	463,592	463,592	390,079	73,513
Capital outlay	8,750	8,750	573	8,177
Contingency	37,107	37,107	-	37,107
<i>Total Expenditures</i>	509,449	509,449	390,652	118,797
REVENUES OVER (UNDER)				
EXPENDITURES	13,879	13,879	155,832	141,953
OTHER FINANCING SOURCES (USES)				
Transfers out	(165,836)	(165,836)	(165,836)	-
NET CHANGE IN FUND BALANCE	(151,957)	(151,957)	(10,004)	141,953
FUND BALANCE, beginning of year	201,922	201,922	239,137	37,215
FUND BALANCE, end of year	\$ 49,965	\$ 49,965	\$ 229,133	\$ 179,168

CITY OF SWEET HOME, OREGON

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY— OREGON
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS¹**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
(asset)	0.0026%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net pension liability (asset)	\$ 384,674	\$ -	\$ -	\$ -
City's covered-employee payroll	985,491	935,590	859,981	763,360
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	80.5%	103.6%	103.6%	92.0%

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

CITY OF SWEET HOME, OREGON
SCHEDULE OF THE CITY'S CONTRIBUTIONS – OREGON PUBLIC EMPLOYEES RETIREMENT
SYSTEM
LAST FOUR FISCAL YEARS¹

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 33,298	\$ 30,422	\$ 20,843	\$ 18,502
Contributions in relation to the contractually required contribution	<u>(33,298)</u>	<u>(30,422)</u>	<u>(20,843)</u>	<u>(18,502)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 985,491	\$ 935,590	\$ 859,981	\$ 763,360
Contributions as a percentage of covered-employee payroll	3.38%	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, 2017

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
ASSETS			
Cash and investments	\$ 92,960	\$ 226,788	\$ 51,745
Accounts receivable	-	-	-
Property taxes receivable	-	20,071	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 92,960	\$ 246,859	\$ 51,745
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 2,203	\$ 441
Deferred Inflows			
Unavailable revenue	-	20,071	-
Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	224,585	-
Committed to:			
Public safety	92,960	-	-
Parks	-	-	51,304
Community development	-	-	-
Capital outlay	-	-	-
Community center	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	92,960	224,585	51,304
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 92,960	\$ 246,859	\$ 51,745
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<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>
\$ 239,180	\$ 1,274,942	\$ 270,206	\$ 6,480	\$ 777
-	-	-	4,279	-
-	-	-	-	-
-	7,593	-	-	15,328
-	-	353,091	-	-
\$ 239,180	\$ 1,282,535	\$ 623,297	\$ 10,759	\$ 16,105
\$ -	\$ -	\$ -	\$ 1,890	\$ -
-	7,593	353,091	-	15,328
239,180	-	270,206	-	-
-	-	-	-	-
-	-	-	-	-
-	1,274,942	-	-	777
-	-	-	-	-
-	-	-	8,869	-
239,180	1,274,942	270,206	8,869	777
\$ 239,180	\$ 1,282,535	\$ 623,297	\$ 10,759	\$ 16,105

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

JUNE 30, 2017

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
ASSETS			
Cash and investments	\$ -	\$ 4,700	\$ 7,830
Accounts receivable	19,405	-	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
<i>Total Assets</i>	<u>\$ 19,405</u>	<u>\$ 4,700</u>	<u>\$ 7,830</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 19,405	\$ -	\$ 412
 Deferred Inflows			
Unavailable revenue	-	-	-
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	4,700	7,418
Capital outlay	-	-	-
Community center	-	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>4,700</u>	<u>7,418</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 19,405</u>	<u>\$ 4,700</u>	<u>\$ 7,830</u>

<u>Capital Projects</u>	<u>Debt Service</u>	
<u>Project/ Equipment Reserve</u>	<u>Police Facilities</u>	<u>Total</u>
\$ 541,301	\$ 292	\$ 2,717,201
-	-	23,684
-	12,378	32,449
-	-	22,921
-	-	353,091
<u>\$ 541,301</u>	<u>\$ 12,670</u>	<u>\$ 3,149,346</u>
\$ -	\$ -	\$ 24,351
-	12,378	408,461
-	-	509,386
-	-	224,585
-	292	93,252
-	-	51,304
-	-	1,287,837
541,301	-	541,301
-	-	8,869
<u>541,301</u>	<u>292</u>	<u>2,716,534</u>
<u>\$ 541,301</u>	<u>\$ 12,670</u>	<u>\$ 3,149,346</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
REVENUES			
Taxes and assessments	\$ -	\$ 309,210	\$ -
Intergovernmental	-	-	-
Fines and forfeitures	-	5,439	-
Miscellaneous	901	10,052	3,460
<i>Total Revenues</i>	901	324,701	3,460
EXPENDITURES			
Library	-	277,386	-
Parks	-	-	1,371
Community development	-	-	-
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	-	277,386	1,371
REVENUES OVER (UNDER) EXPENDITURES	901	47,315	2,089
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	5,000
Transfers out	-	(13,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	(13,000)	5,000
NET CHANGE IN FUND BALANCE	901	34,315	7,089
FUND BALANCE, beginning of year	92,059	190,270	44,215
FUND BALANCE, end of year	\$ 92,960	\$ 224,585	\$ 51,304

<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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
2,233	12,861	56,754	34,268	8
2,233	12,861	56,754	34,268	8
-	-	-	-	-
-	-	-	-	-
-	29,626	20,078	-	-
-	-	-	38,777	-
33,530	-	-	-	-
33,530	29,626	20,078	38,777	-
(31,297)	(16,765)	36,676	(4,509)	8
75,000	-	-	-	-
-	(25,000)	-	-	-
75,000	(25,000)	-	-	-
43,703	(41,765)	36,676	(4,509)	8
195,477	1,316,707	233,530	13,378	769
\$ 239,180	\$ 1,274,942	\$ 270,206	\$ 8,869	\$ 777

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
YEAR ENDED JUNE 30, 2017**

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	80,902	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	46	8,165
<i>Total Revenues</i>	80,902	46	8,165
EXPENDITURES			
Library	-	-	-
Parks	-	-	-
Community development	80,902	-	9,954
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	80,902	-	9,954
REVENUES OVER (UNDER) EXPENDITURES	-	46	(1,789)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	5,000
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	5,000
NET CHANGE IN FUND BALANCE	-	46	3,211
FUND BALANCE, beginning of year	-	4,654	4,207
FUND BALANCE, end of year	\$ -	\$ 4,700	\$ 7,418

<u>Capital Projects</u>	<u>Debt Service</u>	
<u>Project/ Equipment Reserve</u>	<u>Police Facilities</u>	<u>Total</u>
\$ -	\$ -	\$ 309,210
-	-	80,902
-	-	5,439
10,443	3	139,194
10,443	3	534,745
-	-	277,386
-	-	1,371
-	-	140,560
-	-	38,777
34,723	-	68,253
34,723	-	526,347
(24,280)	3	8,398
172,585	-	257,585
-	-	(38,000)
172,585	-	219,585
148,305	3	227,983
392,996	289	2,488,551
\$ 541,301	\$ 292	\$ 2,716,534

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,050	\$ 8,050	\$ 9,299	\$ 1,249
EXPENDITURES				
Operations	3,000	3,000	-	3,000
Capital outlay	1,080,000	1,080,000	828,743	251,257
<i>Total Expenditures</i>	1,083,000	1,083,000	828,743	254,257
REVENUES OVER (UNDER)				
EXPENDITURES	(1,074,950)	(1,074,950)	(819,444)	255,506
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
NET CHANGE IN FUND BALANCE	(994,950)	(994,950)	(739,444)	255,506
FUND BALANCE, beginning of year	1,008,675	1,008,675	1,043,398	34,723
FUND BALANCE, end of year	\$ 13,725	\$ 13,725	\$ 303,954	\$ 290,229

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 271	\$ 271	\$ 901	\$ 630
EXPENDITURES				
Capital outlay	92,155	92,155	-	92,155
NET CHANGE IN FUND BALANCE	(91,884)	(91,884)	901	92,785
FUND BALANCE, beginning of year	91,884	91,884	92,059	175
FUND BALANCE, end of year	\$ -	\$ -	\$ 92,960	\$ 92,960

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY LEVY FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 304,695	\$ 304,695	\$ 309,210	\$ 4,515
Fines and forfeitures	4,547	4,547	5,439	892
Miscellaneous	23,724	23,724	10,052	(13,672)
<i>Total Revenues</i>	332,966	332,966	324,701	(8,265)
EXPENDITURES				
Operations	346,031	346,031	277,386	68,645
Capital outlay	1,000	1,000	-	1,000
Contingency	10,000	10,000	-	10,000
<i>Total Expenditures</i>	357,031	357,031	277,386	79,645
REVENUES OVER (UNDER)				
EXPENDITURES	(24,065)	(24,065)	47,315	71,380
OTHER FINANCING SOURCES (USES)				
Transfers out	(13,000)	(13,000)	(13,000)	-
NET CHANGE IN FUND BALANCE	(37,065)	(37,065)	34,315	71,380
FUND BALANCE, beginning of year	183,498	183,498	190,270	6,772
FUND BALANCE, end of year	\$ 146,433	\$ 146,433	\$ 224,585	\$ 78,152

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,589	\$ 3,589	\$ 3,460	\$ (129)
EXPENDITURES				
Operations	1,367	1,367	1,371	(4)
Capital outlay	46,561	46,561	-	46,561
<i>Total Expenditures</i>	47,928	47,928	1,371	46,557
REVENUES OVER (UNDER) EXPENDITURES	(44,339)	(44,339)	2,089	46,428
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(39,339)	(39,339)	7,089	46,428
FUND BALANCE, beginning of year	43,516	43,516	44,215	699
FUND BALANCE, end of year	\$ 4,177	\$ 4,177	\$ 51,304	\$ 47,127

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 610	\$ 610	\$ 2,233	\$ 1,623
EXPENDITURES				
Capital outlay	165,000	165,000	33,530	131,470
REVENUES OVER (UNDER) EXPENDITURES	(164,390)	(164,390)	(31,297)	133,093
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	(89,390)	(89,390)	43,703	133,093
FUND BALANCE, beginning of year	195,258	195,258	195,477	219
FUND BALANCE, end of year	\$ 105,868	\$ 105,868	\$ 239,180	\$ 133,312

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, 2017**

	<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	179,356	179,356	-	(179,356)
Miscellaneous	6,438	6,438	12,861	6,423
<i>Total Revenues</i>	310,794	310,794	12,861	(297,933)
EXPENDITURES				
Operations	400,000	400,000	29,626	370,374
Capital outlay	740,000	740,000	-	740,000
REVENUES OVER (UNDER) EXPENDITURES	(829,206)	(829,206)	(16,765)	812,441
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCE	(854,206)	(854,206)	(41,765)	812,441
FUND BALANCE, beginning of year	1,205,685	1,205,685	1,316,707	111,022
FUND BALANCE, end of year	\$ 351,479	\$ 351,479	\$ 1,274,942	\$ 923,463

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Miscellaneous	1,099	1,099	56,754	55,655
<i>Total Revenues</i>	301,099	301,099	56,754	(244,345)
EXPENDITURES				
Operations	534,853	534,853	20,078	514,775
NET CHANGE IN FUND BALANCE	(233,754)	(233,754)	36,676	270,430
FUND BALANCE, beginning of year	233,754	233,754	233,530	(224)
FUND BALANCE, end of year	\$ -	\$ -	\$ 270,206	\$ 270,206

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 34,264	\$ 34,264	\$ 34,268	\$ 4
EXPENDITURES				
Operations	44,001	44,001	38,777	5,224
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	45,001	45,001	38,777	6,224
NET CHANGE IN FUND BALANCE	(10,737)	(10,737)	(4,509)	6,228
FUND BALANCE, beginning of year	10,737	10,737	13,378	2,641
FUND BALANCE, end of year	\$ -	\$ -	\$ 8,869	\$ 8,869

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 4	\$ 4	\$ 8	\$ 4
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	4	4	8	4
FUND BALANCE, beginning of year	768	768	769	1
FUND BALANCE, end of year	\$ 772	\$ 772	\$ 777	\$ 5

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 90,263	\$ 90,263	\$ 80,902	\$ (9,361)
EXPENDITURES				
Operations	90,263	90,263	80,902	9,361
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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 22	\$ 22	\$ 46	\$ 24
EXPENDITURES				
Operations	4,672	4,672	-	4,672
NET CHANGE IN FUND BALANCE	(4,650)	(4,650)	46	4,696
FUND BALANCE, beginning of year	4,650	4,650	4,654	4
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,700	\$ 4,700

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPECIAL EVENTS FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 10,013	\$ 10,013	\$ 8,165	\$ (1,848)
EXPENDITURES				
Operations	15,000	15,000	9,954	5,046
REVENUES OVER (UNDER)	(4,987)	(4,987)	(1,789)	3,198
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
NET CHANGE IN FUND BALANCE	13	13	3,211	3,198
FUND BALANCE, beginning of year	4,024	4,024	4,207	183
FUND BALANCE, end of year	\$ 4,037	\$ 4,037	\$ 7,418	\$ 3,381

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,265	\$ 1,265	\$ 10,443	\$ 9,178
EXPENDITURES				
Capital outlay	120,000	120,000	34,723	85,277
REVENUES OVER (UNDER)				
EXPENDITURES	(118,735)	(118,735)	(24,280)	94,455
OTHER FINANCING SOURCES (USES)				
Transfers in	175,710	175,710	172,585	(3,125)
NET CHANGE IN FUND BALANCE	56,975	56,975	148,305	91,330
FUND BALANCE, beginning of year	316,971	316,971	392,996	76,025
FUND BALANCE, end of year	\$ 373,946	\$ 373,946	\$ 541,301	\$ 167,355

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	-	-	3	3
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	3	3
FUND BALANCE, beginning of year	-	-	289	289
FUND BALANCE, end of year	\$ -	\$ -	\$ 292	\$ 292

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

JUNE 30, 2017

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater SDC</u>
ASSETS				
Current Assets				
Cash and investments	\$ 423,297	\$ 96,902	\$ 686,106	\$ 452,584
Accounts receivable	-	-	-	-
<i>Total Current Assets</i>	<u>423,297</u>	<u>96,902</u>	<u>686,106</u>	<u>452,584</u>
Noncurrent Assets				
Assessment liens receivable	36,828	-	-	28,096
Capital assets, net of depreciation	-	-	-	-
<i>Total Noncurrent Assets</i>	<u>36,828</u>	<u>-</u>	<u>-</u>	<u>28,096</u>
<i>Total Assets</i>	<u>460,125</u>	<u>96,902</u>	<u>686,106</u>	<u>480,680</u>
LIABILITIES				
Current Liabilities				
Accounts payable	-	-	133,206	-
Accrued compensated absences	-	-	-	-
<i>Total Current Liabilities</i>	<u>-</u>	<u>-</u>	<u>133,206</u>	<u>-</u>
FUND NET POSITION:				
Investment in capital assets	-	-	-	-
Restricted for:				
Construction	460,125	-	-	480,680
Unrestricted	-	96,902	552,900	-
<i>Total Fund Net Position</i>	<u>\$ 460,125</u>	<u>\$ 96,902</u>	<u>\$ 552,900</u>	<u>\$ 480,680</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>
\$ 526,193	\$ 17,403	\$ 10,983	\$ 73,058	\$ 132,505	\$ 2,419,031
-	8,034	-	-	-	8,034
526,193	25,437	10,983	73,058	132,505	2,427,065
-	-	-	-	-	64,924
-	773,383	-	-	-	773,383
-	773,383	-	-	-	838,307
526,193	798,820	10,983	73,058	132,505	3,265,372
-	64	-	-	-	133,270
-	185	-	-	-	185
-	249	-	-	-	133,455
-	773,383	-	-	-	773,383
-	-	10,983	-	-	951,788
526,193	25,188	-	73,058	132,505	1,406,746
<u>\$ 526,193</u>	<u>\$ 798,571</u>	<u>\$ 10,983</u>	<u>\$ 73,058</u>	<u>\$ 132,505</u>	<u>\$ 3,131,917</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater SDC</u>
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
Personal services	-	-	-	-
Materials and services	-	-	-	-
Depreciation	-	-	-	-
<i>Total Expenses</i>	-	-	-	-
OPERATING INCOME (LOSS)	-	-	-	-
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	4,689	946	5,542	4,284
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	4,689	946	5,542	4,284
Capital contributions	48,732	-	-	29,182
Transfers in	-	-	302,990	-
Transfers out	-	-	-	-
Non-cash transfers out	-	-	(225,594)	-
CHANGE IN FUND NET POSITION	53,421	946	82,938	33,466
FUND NET POSITION, beginning of year	406,704	95,956	469,962	447,214
FUND NET POSITION, end of year	\$ 460,125	\$ 96,902	\$ 552,900	\$ 480,680

<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>
\$ -	\$ 61,418	\$ -	\$ -	\$ -	\$ 61,418
-	73,520	-	-	-	73,520
-	2,863	-	-	-	2,863
-	257,606	-	-	-	257,606
-	333,989	-	-	-	333,989
-	(272,571)	-	-	-	(272,571)
5,103	889	106	470	1,047	23,076
5,103	(271,682)	106	470	1,047	(249,495)
-	-	-	-	-	77,914
-	-	-	47,000	47,000	396,990
-	(114,000)	-	-	-	(114,000)
-	-	-	-	-	(225,594)
5,103	(385,682)	106	47,470	48,047	(114,185)
521,090	1,184,253	10,877	25,588	84,458	3,246,102
\$ 526,193	\$ 798,571	\$ 10,983	\$ 73,058	\$ 132,505	\$ 3,131,917

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	\$ -	\$ -	\$ -
Paid to suppliers	-	-	133,206
Paid to employees	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	-	-	133,206
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	302,990
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	-	-	302,990
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	(225,594)
Contribution of capital	48,845	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	48,845	-	(225,594)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,689	946	5,542
	<hr/>	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	53,534	946	216,144
CASH AND INVESTMENTS, Beginning of year	<hr/>	<hr/>	<hr/>
	369,763	95,956	469,962
CASH AND INVESTMENTS, End of year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 423,297	\$ 96,902	\$ 686,106

<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>
\$ -	\$ -	\$ 61,247	\$ -	\$ -	\$ -	\$ 61,247
-	-	(2,755)	-	-	-	130,451
-	-	(73,520)	-	-	-	(73,520)
-	-	(15,028)	-	-	-	118,178
-	-	-	-	47,000	47,000	396,990
-	-	(114,000)	-	-	-	(114,000)
-	-	(114,000)	-	47,000	47,000	282,990
-	-	-	-	-	-	(225,594)
27,985	-	-	-	-	-	76,830
27,985	-	-	-	-	-	(148,764)
4,284	5,103	889	106	470	1,047	23,076
32,269	5,103	(128,139)	106	47,470	48,047	275,480
420,315	521,090	145,542	10,877	25,588	84,458	2,143,551
\$ 452,584	\$ 526,193	\$ 17,403	\$ 10,983	\$ 73,058	\$ 132,505	\$ 2,419,031

CITY OF SWEET HOME, OREGON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS (Continued)
YEAR ENDED JUNE 30, 2017

	<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)	\$ -	\$ -	\$ -
Depreciation			
Change in assets and liabilities:			
Accounts receivable	-	-	-
Accounts payable and accrued liabilities	-	-	133,206
	<u> </u>	<u> </u>	<u> </u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,206</u>
 <i>Noncash Transactions</i>			
Transfer of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (225,594)</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>
\$ -	\$ -	\$ (272,571) 257,606	\$ -	\$ -	\$ -	\$ (272,571) 257,606
-	-	(171)	-	-	-	(171)
-	-	108	-	-	-	133,314
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,178</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (225,594)</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,196,431	\$ 2,196,431	\$ 2,064,498	\$ (131,933)
Miscellaneous	4,057	4,057	14,748	10,691
<i>Total Revenues</i>	2,200,488	2,200,488	2,079,246	(121,242)
EXPENDITURES				
Operations	1,238,099	1,238,099	1,160,149	77,950
Debt service				
Principal	335,229	335,229	335,228	1
Interest	165,263	165,263	165,263	-
Capital outlay	11,901	11,901	669	11,232
Contingency	69,744	69,744	-	69,744
<i>Total Expenditures</i>	1,820,236	1,820,236	1,661,309	158,927
REVENUES OVER (UNDER)				
EXPENDITURES	380,252	380,252	417,937	37,685
OTHER FINANCING SOURCES (USES)				
Transfers out	(457,356)	(457,356)	(457,356)	-
NET CHANGE IN FUND BALANCE	(77,104)	(77,104)	(39,419)	37,685
FUND BALANCE, beginning of year	271,168	271,168	239,568	(31,600)
FUND BALANCE, end of year	\$ 194,064	\$ 194,064	\$ 200,149	\$ 6,085

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,649,455	\$ 2,649,455	\$ 2,271,575	\$ (377,880)
Miscellaneous	6,005	6,005	5,619	(386)
<i>Total Revenues</i>	2,655,460	2,655,460	2,277,194	(378,266)
EXPENDITURES				
Operations	1,292,166	1,292,166	1,189,501	102,665
Debt service				
Principal	665,534	665,534	665,534	-
Interest	218,986	218,986	218,986	-
Capital outlay	23,323	23,323	22,114	1,209
Contingency	41,749	41,749	-	41,749
<i>Total Expenditures</i>	2,241,758	2,241,758	2,096,135	145,623
REVENUES OVER (UNDER)				
EXPENDITURES	413,702	413,702	181,059	(232,643)
OTHER FINANCING SOURCES (USES)				
Transfers out	(413,702)	(413,702)	(310,277)	103,425
NET CHANGE IN FUND BALANCE	-	-	(129,218)	(129,218)
FUND BALANCE, beginning of year	-	-	92,149	92,149
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (37,069)	\$ (37,069)

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 5,332	\$ 5,332	\$ 11,526	\$ 6,194
EXPENDITURES				
Operations	400,000	400,000	27,778	372,222
Capital outlay	900,000	900,000	-	900,000
<i>Total Expenditures</i>	<u>1,300,000</u>	<u>1,300,000</u>	<u>27,778</u>	<u>1,272,222</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(1,294,668)	(1,294,668)	(16,252)	1,278,416
OTHER FINANCING SOURCES (USES)				
Transfers in	286,836	286,836	215,127	(71,709)
NET CHANGE IN FUND BALANCE	(1,007,832)	(1,007,832)	198,875	1,206,707
FUND BALANCE, beginning of year	<u>1,025,686</u>	<u>1,025,686</u>	<u>1,065,464</u>	<u>39,778</u>
FUND BALANCE, end of year	<u>\$ 17,854</u>	<u>\$ 17,854</u>	<u>\$ 1,264,339</u>	<u>\$ 1,246,485</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER SDC FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 48,845	\$ 47,345
Miscellaneous	1,559	1,559	4,689	3,130
<i>Total Revenues</i>	3,059	3,059	53,534	50,475
EXPENDITURES				
Operations	75,000	75,000	-	75,000
Capital outlay	200,000	200,000	-	200,000
<i>Total Expenditures</i>	275,000	275,000	-	275,000
NET CHANGE IN FUND BALANCE	(271,941)	(271,941)	53,534	325,475
FUND BALANCE, beginning of year	355,923	355,923	361,523	5,600
FUND BALANCE, end of year	\$ 83,982	\$ 83,982	\$ 415,057	\$ 331,075

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 490	\$ 490	\$ 946	\$ 456
EXPENDITURES				
Capital outlay	70,000	70,000	-	70,000
NET CHANGE IN FUND BALANCE	(69,510)	(69,510)	946	70,456
FUND BALANCE, beginning of year	82,040	82,040	95,956	13,916
FUND BALANCE, end of year	\$ 12,530	\$ 12,530	\$ 96,902	\$ 84,372

CITY OF SWEET HOME, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,112	\$ 2,112	\$ 5,542	\$ 3,430
EXPENDITURES				
Operations	140,000	140,000	-	140,000
Capital outlay	420,000	420,000	225,594	194,406
<i>Total Expenditures</i>	560,000	560,000	225,594	334,406
REVENUES OVER (UNDER) EXPENDITURES	(557,888)	(557,888)	(220,052)	337,836
OTHER FINANCING SOURCES (USES)				
Transfers in	302,990	302,990	302,990	-
NET CHANGE IN FUND BALANCE	(254,898)	(254,898)	82,938	337,836
FUND BALANCE, beginning of year	443,329	443,329	469,962	26,633
FUND BALANCE, end of year	\$ 188,431	\$ 188,431	\$ 552,900	\$ 364,469

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER SDC FUND
YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 27,985	\$ 26,985
Miscellaneous	1,867	1,867	4,284	2,417
<i>Total Revenues</i>	2,867	2,867	32,269	29,402
EXPENDITURES				
Operations	50,000	50,000	-	50,000
Capital outlay	300,000	300,000	-	300,000
<i>Total Expenditures</i>	350,000	350,000	-	350,000
NET CHANGE IN FUND BALANCE	(347,133)	(347,133)	32,269	379,402
FUND BALANCE, beginning of year	408,714	408,714	415,055	6,341
FUND BALANCE, end of year	\$ 61,581	\$ 61,581	\$ 447,324	\$ 385,743

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER CAPITAL FUND
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ 2,447	\$ 2,447	\$ 5,103	\$ 2,656
EXPENDITURES				
Materials and services	75,000	75,000	-	75,000
Capital outlay	435,000	435,000	-	435,000
<i>Total Expenditures</i>	510,000	510,000	-	510,000
NET CHANGE IN FUND BALANCE	(507,553)	(507,553)	5,103	512,656
FUND BALANCE, beginning of year	520,561	520,561	521,090	529
FUND BALANCE, end of year	\$ 13,008	\$ 13,008	\$ 526,193	\$ 513,185

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, 2017**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for services	\$ 60,000	\$ 60,000	\$ 61,418	\$ 1,418
Miscellaneous	586	586	889	303
<i>Total Revenues</i>	60,586	60,586	62,307	1,721
EXPENDITURES				
Operations	85,697	85,697	74,488	11,209
Capital outlay	2,000	2,000	1,852	148
Contingency	8,459	8,459	-	8,459
<i>Total Expenditures</i>	96,156	96,156	76,340	19,816
REVENUES OVER (UNDER) EXPENDITURES	(35,570)	(35,570)	(14,033)	21,537
OTHER FINANCING SOURCES (USES)				
Transfers out	(114,000)	(114,000)	(114,000)	-
NET CHANGE IN FUND BALANCE	(149,570)	(149,570)	(128,033)	21,537
FUND BALANCE, beginning of year	149,570	149,570	153,405	3,835
FUND BALANCE, end of year	\$ -	\$ -	\$ 25,372	\$ 25,372

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, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 51	\$ 51	\$ 106	\$ 55
EXPENDITURES				
Capital outlay	10,700	10,700	-	10,700
NET CHANGE IN FUND BALANCE	(10,649)	(10,649)	106	10,755
FUND BALANCE, beginning of year	10,866	10,866	10,877	11
FUND BALANCE, end of year	\$ 217	\$ 217	\$ 10,983	\$ 10,766

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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 108	\$ 108	\$ 470	\$ 362
EXPENDITURES				
Operations	10,000	10,000	-	10,000
Capital outlay	55,000	55,000	-	55,000
<i>Total Expenditures</i>	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
REVENUES OVER (UNDER) EXPENDITURES	(64,892)	(64,892)	470	65,362
OTHER FINANCING SOURCES (USES)				
Transfers in	47,000	47,000	47,000	-
NET CHANGE IN FUND BALANCE	(17,892)	(17,892)	47,470	65,362
FUND BALANCE, beginning of year	<u>25,559</u>	<u>25,559</u>	<u>25,588</u>	<u>29</u>
FUND BALANCE, end of year	<u>\$ 7,667</u>	<u>\$ 7,667</u>	<u>\$ 73,058</u>	<u>\$ 65,391</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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 397	\$ 397	\$ 1,047	\$ 650
EXPENDITURES				
Operations	10,000	10,000	-	10,000
Capital outlay	120,000	120,000	-	120,000
<i>Total Expenditures</i>	130,000	130,000	-	130,000
REVENUES OVER (UNDER) EXPENDITURES	(129,603)	(129,603)	1,047	130,650
OTHER FINANCING SOURCES (USES)				
Transfers in	47,000	47,000	47,000	-
NET CHANGE IN FUND BALANCE	(82,603)	(82,603)	48,047	130,650
FUND BALANCE, beginning of year	84,373	84,373	84,458	85
FUND BALANCE, end of year	\$ 1,770	\$ 1,770	\$ 132,505	\$ 130,735

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 Greg Mahler, 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, 2017, and have issued our report thereon dated December 18, 2017.

Compliance and Other Matters

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

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

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

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


Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By: 

Ryan T. Pasquarella, A Shareholder
December 18, 2017