



City of
Sweet Home, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2018

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



BRANDON NEISH, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
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CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2018

MAYOR

Term Expires

Greg Mahler, Mayor

December 31, 2018

CITY COUNCIL MEMBERS

Dave Trask, President Pro-Tem

December 31, 2020

Robert Briana

December 31, 2018

Susan Coleman

December 31, 2018

Diane Gerson

December 31, 2018

James Goble

December 31, 2020

Lisa Gourley

December 31, 2020

The above individuals may be contacted at the address below

CITY ADMINISTRATION

Ray Towry, City Manager
Robert Snyder, City Attorney
Brandon Neish, Finance Director
Jeff Lynn, Police Chief
Rose Peda, Library Director
Jerry Sorte, Community and Economic Development Director
Greg Springman, Public Works Director

MAILING ADDRESS

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



City of Sweet Home
1140 12th Avenue
Sweet Home, OR 97386
541-367-5128
Fax 541-367-5113
www.sweethomeor.gov

February 15, 2019

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

Each year the City is required to publish a complete set of audited financial statements within six months of the close of the fiscal year in accordance with ORS 297.465(3)(a). This Annual Financial Report for the City of Sweet Home is hereby submitted to fulfill this requirement for the fiscal year ended June 30, 2018. This year, due to staffing changes in the Finance Department, additional time was required to compile the information needed for this audit. As such, an extension was filed with and approved by the Oregon Secretary of State's Office. 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, Muller & 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, 2018 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, Muller & Swank, P.C. have issued an opinion that the City's financial statements for the year ended June 30, 2018 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 an estimated population of 9,225. 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 is 50 miles and Albany is 25 miles away.

Sweet Home operates under the provisions of its own Charter and applicable state law. It has a Council/Manager form of government. The City Council consists of seven members 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 approximately 50 full 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 and economic development, parks, library services, 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 government. The City may interact or contract with the District and other governmental entities, but it is not financially accountable for those entities.

Governance Focus and Changes

In April 2017, the City Council adopted a new Vision Statement, updated its Mission Statement and established four goals. These items were the focus during the fiscal year for all staffing changes and work done across the city. The Vision and Mission Statements and the Council Goals are as follows.

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

Throughout the 2017-2018 fiscal year, Sweet Home experienced significant turnover in staffing after the departure of four of six department heads, including the City Manager in a prior fiscal year. A new City Manager was hired in November 2016 who then hired three new department heads to replace outgoing staff. The current Public Works Director was hired in June 2017, the Community & Economic Development Director in September 2017 and the Finance Director in January 2018. This turnover, in addition to fund balance concerns in the Wastewater and General Funds, led to a city-wide spending freeze for six months during the audit year while the new management team evaluated priorities and made critical adjustments to department operations congruent to Council directives.

Additionally, during the 2017-2018 budget process, the Budget Committee approved the creation of a position for a Parks Crew Leader thereby highlighting the community's desire to focus on the city's park system. To facilitate this effort, city staff reorganized the Engineering division by moving the Senior Engineering Technician to a position in the Community & Economic Development Department to further focus on a Parks' master plan while physically moving the Engineering Technician to Public Works to streamline processes in accordance with Council goals. As a result, significant efforts began to upgrade Sankey Park in this fiscal year while planning for the future.

Property Upgrades

As of the end of the 2018 fiscal year, work was advancing on the renovation of the former Forest Service Building on Highway 20 that the city purchased in 2016. An architect was hired in January 2018 and design plans were in development with construction slated to begin toward the end of calendar year 2018. Engineering work also began in earnest on the Wastewater Treatment Plant as the city embarks on a project to rehabilitate and expand the current treatment plant off Pleasant Valley Road. An original plan to reconstruct the plant turned into a rehabilitation project after the engineering firm Murraysmith was selected by the city in February 2018 who determined that much of the existing facility is in good working order. A rehabilitation and expansion project will save the city significant money down the road as the project is projected to cost nearly half of the original estimates.

Previously disposed of by Council, the old Water Treatment Plant on 9th Avenue is still on the real estate market. Once sold, the funds will go towards water projects benefiting those serviced by the City's water system in lieu of rate increases which, in Sweet Home, are some of the highest in the region.

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, 2018, 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 2017-2018, 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 two 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 personnel services, 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, capital outlay and contingency levels. These levels are adopted in a resolution by City Council following 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 GAAP. 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.

Acknowledgements

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,

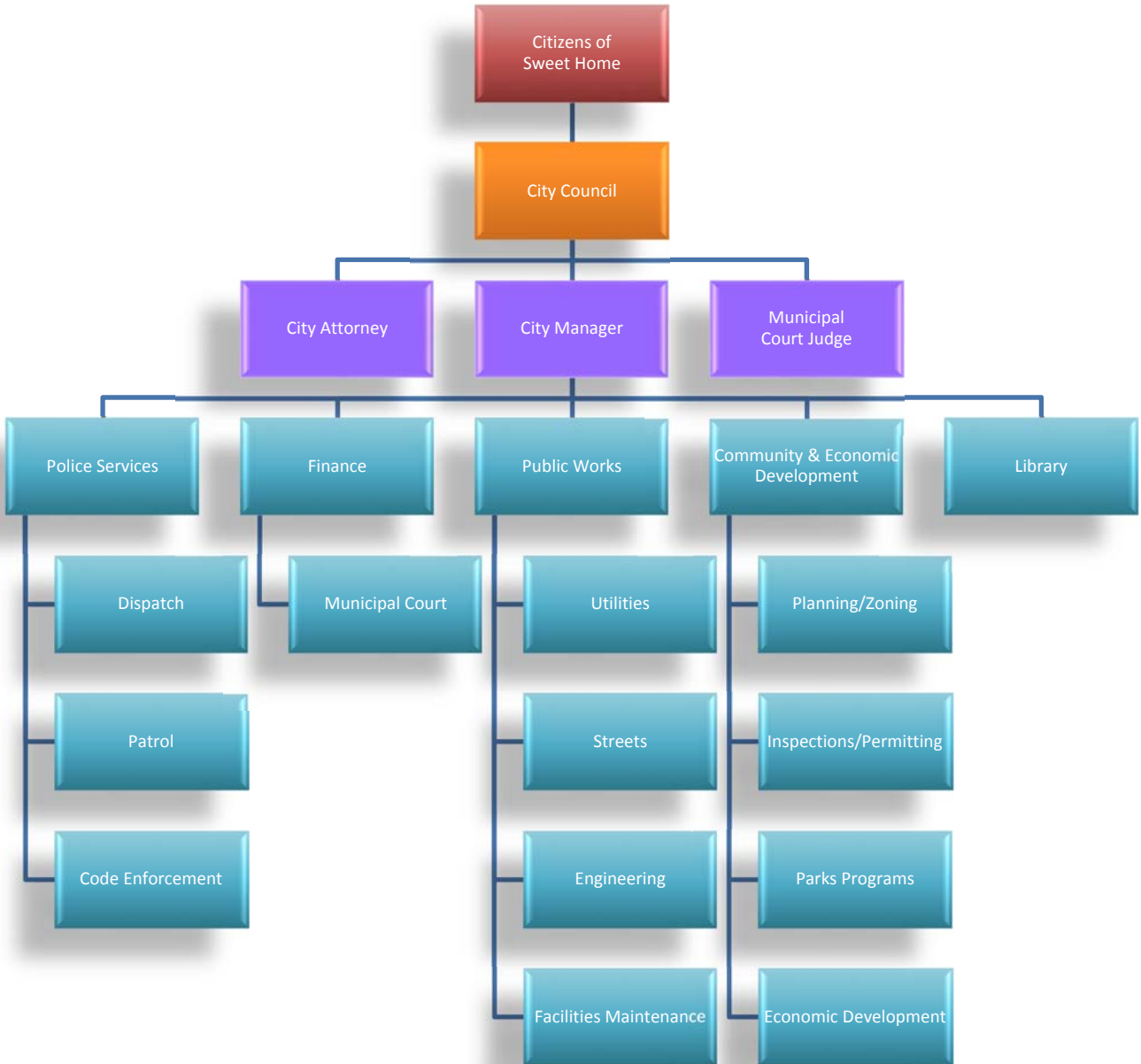


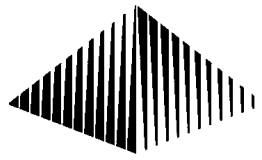
Brandon Neish
Finance Director



Raymond Towry
City Manager

CITY OF SWEET HOME, OREGON ORGANIZATION CHART





GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

The Honorable 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, the City adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which resulted in the restatement of the beginning balances for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the schedules of revenues, expenditures and changes in fund balance – budget to actual for the General, Public Levy and State Gas Tax funds ("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), the schedule of the changes in total other post-employment benefits liability and related ratios, the schedule of the City's proportionate share of the net OPEB liability (asset) – Oregon public employees retirement system retiree health insurance account, and the schedule of the City's contributions – Oregon public employees retirement system retiree health insurance account (OPEB 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, PERS schedules and OPEB 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

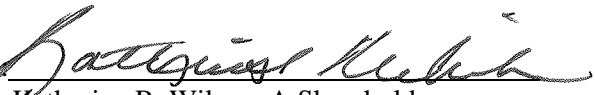
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 February 15, 2019, 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 
Katherine R. Wilson, A Shareholder
February 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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 Letter of Transmittal (pages 2 through 5) and the City's financial statements (beginning on page 19).

FINANCIAL HIGHLIGHTS

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

	<i>June 30,</i>		
	<u>2018</u>	<u>2017</u>	<u>change</u>
Net position	\$ 32,531	\$ 32,742	\$ (211)
Change in net position	(211)	753	(964)
Governmental activities net position	19,134	20,459	(1,325)
Business-type activities net position	13,397	12,283	1,114
Change in governmental net assets	(1,325)	135	(1,460)
Change in proprietary net assets	1,114	618	496

The City's net position decreased by \$211 thousand (or 1%). The decrease is due to a combination of expenses exceeding revenues, and the City's adoption of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which resulted in a restatement of net position of \$162 thousand for governmental activities and \$32 thousand for business-type activities.

Governmental activities revenues increased by \$448 thousand (or 9%) due to increases in operating grants, taxes and assessments and other income.

Governmental activities program costs increased by \$1,786 thousand and business-type activities program costs decreased by \$59 thousand.

Charges for services in the business-type activities increased \$470 thousand (11%) due to an increase in billing rates.

The Water Fund represents 44% of all utility revenues for the City. These revenues went towards operation of the water treatment plant located off 47th Avenue.

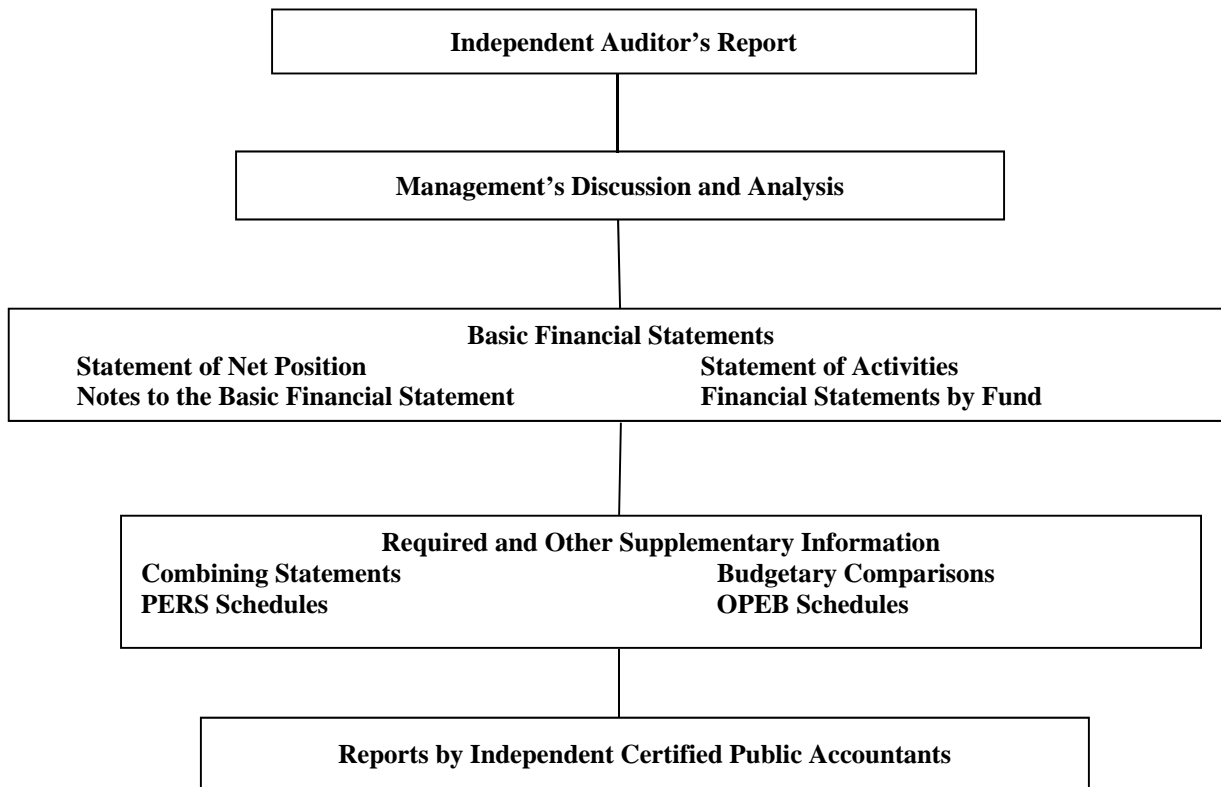
The Wastewater Fund represents 55% of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Road.

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

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.
- OPEB Schedules. Schedules that reflect the City's proportionate share of the OPEB liability, changes in the OPEB 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 19.

	2018			2017		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Cash and investments	\$ 6,466	\$ 4,182	\$ 10,648	\$ 6,232	\$ 3,344	\$ 9,576
Other assets	945	826	1,771	890	853	1,743
Capital assets	12,340	25,549	37,889	13,583	26,228	39,811
<i>Total Assets</i>	<u>19,751</u>	<u>30,557</u>	<u>50,308</u>	<u>20,705</u>	<u>30,425</u>	<u>51,130</u>
Deferred outflows	618	2	619	369	-	369
Other liabilities	114	407	521	94	402	496
Long-term liabilities	1,090	16,753	17,843	521	17,740	18,261
<i>Total Liabilities</i>	<u>1,204</u>	<u>17,160</u>	<u>18,364</u>	<u>615</u>	<u>18,142</u>	<u>18,757</u>
Deferred Inflows	31	2	32	-	-	-
Net position:						
Net investment in capital assets	12,340	8,868	21,208	13,583	8,532	22,115
Restricted	3,182	1,642	4,824	2,753	1,541	4,294
Unrestricted	3,612	2,887	6,499	4,123	2,210	6,333
<i>Total Net Position</i>	<u>\$ 19,134</u>	<u>\$ 13,397</u>	<u>\$ 32,531</u>	<u>\$ 20,459</u>	<u>\$ 12,283</u>	<u>\$ 32,742</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 20.

	Statements of Activities					
	June 30,					
	(in thousands)					
	2018			2017		
	Governmental	Business-		Governmental	Business-	
	Activities	type	Total	Activities	type	Total
	Activities	Activities		Activities	Activities	
Revenues						
Program Revenues						
Charges for service	\$ 517	\$ 4,867	\$ 5,384	\$ 542	\$ 4,397	\$ 4,939
Operating grants and contributions	716	-	716	695	-	695
General Revenues						
Taxes and assessments	3,431	-	3,431	3,027	-	3,027
Other	1,144	171	1,315	1,096	133	1,229
Total Revenues	5,808	5,038	10,846	5,360	4,530	9,890
Expenses						
Programs	7,250	3,614	10,864	5,464	3,673	9,137
Transfers	279	(279)	-	239	(239)	-
Change in Net Position	(1,163)	1,145	(18)	135	618	753
Beginning Net Position	20,459	12,283	32,742	20,324	11,665	31,989
Restatement	(162)	(31)	(193)	-	-	-
Beginning Net Position, restated	20,297	12,252	32,549	20,324	11,665	31,989
Ending Net Position	\$ 19,134	\$ 13,397	\$ 32,531	\$ 20,459	\$ 12,283	\$ 32,742

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 \$1,641 thousand at year end. The fund balance decreased by \$230 thousand during the current fiscal year. The fund had expenditures in excess of revenues of \$222 thousand, and net transfers out of \$8 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 72% 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 \$1,196 thousand at year end. The fund balance decreased by \$17 thousand during the current fiscal year primarily due to an increase in police operations expenditures and transfers out.

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 \$230 thousand at year end. The fund balance remained relatively unchanged.

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 \$1,402 thousand at year end. The fund net position increased by \$37 thousand during the current fiscal year. The fund had \$711 thousand of operating revenues in excess of operating expenses, interest expense of roughly \$158 thousand, and net transfers to other funds of \$568 thousand, as well a restatement of net position of \$13 thousand.

Wastewater. The Wastewater Fund is used to account for the operation of the City’s sewer utility. The fund net position was \$1,382 thousand at year end. The fund net position increased by \$50 thousand during the current fiscal year, primarily due to operating revenues in excess of operating expenses coupled with a restatement of net position of \$16 thousand.

Wastewater Depreciation. The Wastewater Depreciation Fund is used to account for monies set aside for wastewater related capital projects. The fund net position was \$7,280 thousand at year end. The fund net position increased by \$826 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 21.

<u>Major Funds</u>	June 30, (in thousands)				Compared to	
	2018		2017		Prior Year	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Change</u>	<u>%</u>
General	\$ 1,641	25%	\$ 1,871	30%	\$ (230)	-12%
Police Levy	1,196	18%	1,213	19%	(17)	-1%
State Gas Tax	230	4%	229	4%	1	0%
Other Governmental Funds	3,455	53%	3,021	47%	434	14%
Total fund balances	<u>\$ 6,522</u>	<u>100%</u>	<u>\$ 6,334</u>	<u>100%</u>	<u>\$ 188</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 88.

<u>Major Funds</u>	Proprietary Funds - Fund Balances June 30, (in thousands)				Compared to	
	2018		2017		Prior Year	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Water	\$ 158	3%	\$ 200	5%	\$ (42)	-21%
Wastewater	327	6%	(37)	-1%	364	-983%
Wastewater Depreciation	1,297	25%	1,264	34%	33	3%
Other Business-type Funds	3,332	65%	2,280	62%	1,052	46%
Total fund net assets	<u>\$ 5,115</u>	<u>99%</u>	<u>\$ 3,707</u>	<u>100%</u>	<u>\$ 1,408</u>	<u>38%</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.

In a continued bid to be financially stable, the City has continued to either build or maintain fund balances to mitigate against emergent needs. In the three funds in which revenue is received from property taxes, the City has attempted to maintain a fund balance which meets operational needs for six months while financial policy dictates that at least four months reserve is maintained. This ensures the fund remains on solid footing until the first property tax receipts in November each year as well as maintaining a small fail safe in the event of a nonrenewal of one or more of the tax levies. The \$1.6 million fund balance in the General Fund represents seven months of expenditures while the \$1.2 million in the Police Department and the \$312k in the Library represents five and seven months respectively.

For all other funds, revenue receipts are consistent. Water and wastewater funds for example generate revenue through utility payments from customers. These payments are made monthly. In these funds, efforts are made to retain a small balance for mitigation needs but fund balances are lower than the property tax funds. In capital funds, balances may vary depending on capital plans and ongoing projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

City Council approved one change to the adopted budget during the 2017-2018 fiscal year. City Council approved a transfer resolution authorizing the transfer of funds from the General Fund Non-Departmental Materials & Services budget to the General Fund Finance Department of \$51,382.

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 \$38 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was \$1,920 thousand (a \$1,243 thousand decrease for governmental activities and a \$677 thousand decrease for business-type activities.)

Capital Assets at June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 3,536	\$ 3,536	\$ -	\$ -	\$ 3,536	\$ 3,536
Buildings	9,617	9,617	21,855	21,795	31,472	31,412
Equipment	1,616	1,433	612	612	2,228	2,045
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
Construction in progress	62	-	14,489	14,366	14,551	14,366
Accumulated depreciation	(28,227)	(26,739)	(21,705)	(20,842)	(49,932)	(47,581)
Net capital assets	\$ 12,340	\$ 13,583	\$ 25,548	\$ 26,228	\$ 37,888	\$ 39,811

The following table reconciles the change in capital assets. Included within additions is the continuing work on the wastewater inflow and infiltration project in business-type activities. Detail of this summary is presented on pages 39-40 of the notes.

Table 6
Changes in Capital Assets
(in thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning balance	\$ 13,583	\$ 26,228	\$ 39,811
Additions	245	183	428
Depreciation	<u>(1,488)</u>	<u>(863)</u>	<u>(2,351)</u>
Ending balance	<u>\$ 12,340</u>	<u>\$ 25,548</u>	<u>\$ 37,888</u>

The City began a focused effort during this fiscal year of replacing aging equipment. The current capital assets have reached a point where maintenance and repairs are frequent, making cost of ownership high. The Police Department had put off purchasing of patrol vehicles to build reserves necessary for financial stability and Public Works has been working with vehicles and equipment that, in some cases, are 30 years old. Maintaining a healthy fleet is critical to keeping operational costs as low as possible. As such, in 2018, the Police Department purchased one new patrol vehicle and leased another. These vehicles replaced two aged patrol vehicles to return to a regular replacement cycle. Public Works purchased two new work trucks that are now being used by the water and parks teams. These crew vehicles are bigger and hold more equipment requiring fewer return trips to the Public Works yard increasing efficiency. Additionally, a plan was developed to ensure that funds are set aside annually to begin a smart, regular replacement cycle. As the City continues to replace aged assets, reserves will ensure timely replacements once the equipment has reached its peak efficiency.

Long-term Debt

The City's long-term debt at June 30, 2018 and 2017 is summarized below.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Loans/leases	\$ 24	\$ -	\$ 16,680	\$ 17,696	\$ 16,704	\$ 17,696

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

The City's long-term debt, incurred to pay for the Water Treatment Plant and the Infiltration and Inflow work related to the sewer system, accounts for approximately 2.44% of the City's Real Market Value (RMV) of property in the city. City policy allows for total debt of \$20.5 million based on today's RMV. For the existing loans, final payments range between fiscal years 2020 with the last payment slated for 2040. Looking forward, the city signed an agreement for engineering services with Murraysmith who has begun design work on a refurbished Wastewater Treatment Plant as outlined in the transmittal letter. The Wastewater Treatment

Rehabilitation Project is estimated to cost between \$23-25 million. With Murraysmith just getting started at the end of fiscal year 2018, these costs will be further refined moving forward.

MAJOR INITIATIVES

Economic Development

Economic Development has been a major focus for the City Council and staff. While Sweet Home's history boasts a vibrant logging community, Sweet Home today does not have the same economy it once did. One such reminder of this is the now vacant mill property that stretches from 18th Avenue east to Clark Mill Road. A significant swath of property, Linn County has been working for many years to clean up the property and remove the harmful contaminants leftover from the mill. With this work nearly completed, Linn County and the City have been discussing how best to utilize that property with the premise of returning the property to the tax rolls benefiting the citizens of Sweet Home as well as the County. Conversations are ongoing as of the publication of this document.

Another opportunity for economic development lies on state Highway 20. Highway 20 is a major road that takes drivers out to the Oregon Coast by way of Newport or out over the Cascades to Sisters and Bend. Along the way, folks can find entertainment and activities such as skiing, biking, canoeing, hiking and so much more. This benefits Sweet Home as the major highway travels right through the downtown corridor. To market the city and present an attractive locale for community living and relaxation, the 2017 Budget Committee and City Council voted to repurpose funds from a completed 1996 Housing Rehabilitation project to be used for economic development. During this audit year, the City developed a program known as the Community Exterior Improvement Program, or CEIP, which would provide grant funds to incentivize local businesses to improve their exterior façade. While available to all businesses within a commercial zone, the core target of these funds were businesses lining Highway 20 to enhance the aesthetics of the downtown core. Applications went out in May with funding planned for the 2018-2019 fiscal year.

Wastewater Treatment

At the end of fiscal year 2017, the Wastewater Fund was carrying a deficit fund balance after expenses outpaced revenues for several years. To rectify the situation, the City Council reviewed the sewer utility rates to determine whether they needed to be revised. In November 2017, Council did decide to revise the sewer commodity charge by \$3.66 to \$9.78 per 100 cubic feet for consumption over 300 cubic feet (originally 400 cubic feet). This increase resulted in an average bill increase of \$17.10 per month. The additional utility revenue was effective in paying off the deficit incurred between July 1 and December 31 of this fiscal year while also building a reserve for this audited fiscal year. With the fund no longer in deficit territory, staff opted for the new budget year to leave the sewer rate at the November change. For the 2019 fiscal year, it is projected that these rates will produce nearly \$1.5 million with a five-year projection reaching \$7.0 million in available funds with no change in sewer rates. This projected influx to the Wastewater Fund will be used to cover a portion of the charges for the rehabilitation project at the Wastewater Treatment Plant which is slated to be completed in 2022.

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, 2018

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 6,465,746	\$ 4,182,294	\$ 10,648,040
Accounts receivable	172,025	634,221	806,246
Property taxes receivable	373,323	-	373,323
Assessment liens receivable	31,784	81,124	112,908
Loans receivable	353,091	-	353,091
Prepaid expenses	10,580	-	10,580
Inventories	-	110,546	110,546
OPEB asset	4,021	-	4,021
Non-depreciable capital assets	3,598,403	14,489,096	18,087,499
Other capital assets, net of depreciation	8,741,698	11,059,008	19,800,706
<i>Total Assets</i>	<u>19,750,671</u>	<u>30,556,289</u>	<u>50,306,960</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	602,861	-	602,861
Deferred outflows related to OPEB	14,648	1,898	16,546
<i>Total Deferred Outflows</i>	<u>617,509</u>	<u>1,898</u>	<u>619,407</u>
LIABILITIES			
Accounts payable	113,993	149,479	263,472
Deposits payable	-	145,909	145,909
Accrued interest payable	-	111,756	111,756
Noncurrent liabilities:			
Due within one year:			
Long-term debt	11,677	1,036,733	1,048,410
Accrued compensated absences	131,682	40,841	172,523
Due in more than one year:			
Long-term debt	12,554	15,643,730	15,656,284
OPEB Liability	162,242	31,269	193,511
Net pension liability	771,872	-	771,872
<i>Total Liabilities</i>	<u>1,204,020</u>	<u>17,159,717</u>	<u>18,363,737</u>
DEFERRED INFLOWS			
Deferred inflows related to pensions	19,980	-	19,980
Deferred inflows related to OPEB	10,567	1,673	12,240
<i>Total Deferred Inflows</i>	<u>30,547</u>	<u>1,673</u>	<u>32,220</u>
NET POSITION			
Net investment in capital assets	12,340,101	8,867,641	21,207,742
Restricted for:			
Public safety	1,458,279	-	1,458,279
Construction	-	1,052,803	1,052,803
Community development	1,372,765	-	1,372,765
Library	350,504	-	350,504
Debt service	-	589,633	589,633
Unrestricted	3,611,964	2,886,720	6,498,684
<i>Total Net Position</i>	<u>\$ 19,133,613</u>	<u>\$ 13,396,797</u>	<u>\$ 32,530,410</u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,844,838	\$ 236,361	\$ 626	\$ -
Library	278,882	7,415	14,441	-
Parks	248,305	533	3,050	-
Community development	929,862	10,930	660,968	(81)
Public safety	2,909,638	262,085	7,833	-
Community center	38,793	-	29,143	-
<i>Total Governmental activities</i>	7,250,318	517,324	716,061	(81)
Business-type activities:				
Water	1,591,851	2,129,757	-	55,384
Sewer	1,685,891	2,674,841	-	28,491
Stormwater	336,514	61,951	-	-
<i>Total Business-type activities</i>	3,614,256	4,866,549	-	83,875
<i>Total Activities</i>	<u>\$ 10,864,574</u>	<u>\$ 5,383,873</u>	<u>\$ 716,061</u>	<u>\$ 83,794</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net Position - beginning of year				
Restatement				
Net Position - beginning of year as restated				
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>
\$ (2,607,851)	\$ -	\$ (2,607,851)
(257,026)	-	(257,026)
(244,722)	-	(244,722)
(258,045)	-	(258,045)
(2,639,720)	-	(2,639,720)
(9,650)	-	(9,650)
(6,017,014)	-	(6,017,014)
-	593,290	593,290
-	1,017,441	1,017,441
-	(274,563)	(274,563)
-	1,336,168	1,336,168
(6,017,014)	1,336,168	(4,680,846)
3,431,391	-	3,431,391
676,892	-	676,892
287,588	-	287,588
178,876	87,213	266,089
4,574,747	87,213	4,661,960
278,062	(278,062)	-
(1,164,205)	1,145,319	(18,886)
20,459,601	12,282,987	32,742,588
(161,783)	(31,509)	(193,292)
20,297,818	12,251,478	32,549,296
\$ 19,133,613	\$ 13,396,797	\$ 32,530,410

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Special Revenue</u>		
	<u>General</u>	<u>Police Levy</u>	<u>State Gas Tax</u>
ASSETS			
Cash and investments	\$ 1,573,685	\$ 1,210,895	\$ 180,062
Accounts receivable	1,259,554	-	56,037
Property taxes receivable	73,346	261,923	-
Assessment liens receivable	9,615	-	-
Loans receivable	-	-	-
Prepaid Expenses	10,580	-	-
	<u>\$ 2,926,780</u>	<u>\$ 1,472,818</u>	<u>\$ 236,099</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 47,620	\$ 14,539	\$ 5,851
Deferred Inflows			
Unavailable revenue	1,238,094	261,924	-
Fund Balance:			
Restricted for:			
Public safety	-	1,196,355	-
Community development	-	-	230,248
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Unrestricted	1,641,066	-	-
	<u>1,641,066</u>	<u>1,196,355</u>	<u>230,248</u>
Total Fund Balance	<u>\$ 1,641,066</u>	<u>\$ 1,196,355</u>	<u>\$ 230,248</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,926,780</u>	<u>\$ 1,472,818</u>	<u>\$ 236,099</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 3,501,104	\$ 6,465,746
-	1,315,591
38,053	373,322
22,169	31,784
353,091	353,091
-	10,580
\$ 3,914,417	\$ 8,550,114

\$ 45,983 \$ 113,993

413,359 1,913,377

- 1,196,355
2,073,725 2,303,973
312,451 312,451

94,802 94,802
59,977 59,977
12,422 12,422
902,470 902,470
(772) 1,640,294

3,455,075 6,522,744

\$ 3,914,417 \$ 8,550,114

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, 2018

<i>Fund Balances</i>	\$ 6,522,744
<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>	
Unavailable revenues	1,913,377
Court receivables, net of allowance	(1,143,565)
<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	40,567,254
Accumulated depreciation	(28,227,153)
<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>	
Long-term debt	(24,231)
Accrued compensated absences	(131,682)
Net pension liability	(771,872)
Net OPEB liability	(158,221)
<p>Deferred outflows/inflows related to pensions and postemployment benefits are not financial resources/requirements in governmental funds, but are reported in the Statement of Net Position.</p>	
Deferred outflows	617,509
Deferred inflows	(30,547)
	<hr/>
<i>Net Position of Governmental Activities</i>	\$ 19,133,613
	<hr/> <hr/>

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, 2018**

	<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Police Levy</u>	<u>State Gas Tax</u>
REVENUES			
Taxes and assessments	\$ 667,119	\$ 2,364,202	\$ -
Licenses and permits	866,334	723	-
Charges for services	31,210	-	-
Intergovernmental	260,927	49,649	586,225
Fines and forfeitures	152,572	-	-
Miscellaneous	83,946	97,533	2,972
<i>Total Revenues</i>	<u>2,062,108</u>	<u>2,512,107</u>	<u>589,197</u>
EXPENDITURES			
Current			
General government	1,396,027	-	-
Library	-	-	-
Parks	181,993	-	-
Community development	410,597	-	381,870
Public safety	271,002	2,445,528	-
Community center	-	-	-
Capital outlay	24,168	73,323	3,970
<i>Total Expenditures</i>	<u>2,283,787</u>	<u>2,518,851</u>	<u>385,840</u>
REVENUES OVER (UNDER) EXPENDITURES	(221,679)	(6,744)	203,357
OTHER FINANCING SOURCES (USES)			
Transfers in	274,040	-	-
Transfers out	(282,500)	(10,000)	(202,242)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,460)</u>	<u>(10,000)</u>	<u>(202,242)</u>
NET CHANGE IN FUND BALANCE	(230,139)	(16,744)	1,115
FUND BALANCE, beginning of year	1,871,205	1,213,099	229,133
FUND BALANCE, end of year	<u>\$ 1,641,066</u>	<u>\$ 1,196,355</u>	<u>\$ 230,248</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 351,762	\$ 3,383,083
-	867,057
-	31,210
74,743	971,544
7,476	160,048
135,386	319,837
<hr/>	<hr/>
569,367	5,732,779
-	1,396,027
278,998	278,998
-	181,993
83,953	876,420
-	2,716,530
38,793	38,793
228,720	330,181
<hr/>	<hr/>
630,464	5,818,942
<hr/>	<hr/>
(61,097)	(86,163)
534,460	808,500
(38,776)	(533,518)
<hr/>	<hr/>
495,684	274,982
<hr/>	<hr/>
434,587	188,819
3,020,488	6,333,925
<hr/>	<hr/>
\$ 3,455,075	\$ 6,522,744
<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, 2018**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 188,819
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report pension and OPEB contributions as expenditures. However, in the statements of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as an expense.	
Deferred inflows	(20,587)
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.	75,273
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.	5,129
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	(24,231)
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	244,864
Depreciation	(1,488,178)
Current year PERS pension and OPEB expense related to the change in net pension liability, OPEB and related deferred inflows and outflows are reported as expenses in the Statement of Activities, but are not recorded as expenditures in the governmental funds.	(145,294)
<i>Change in Net Position of Governmental Activities</i>	<u>\$ (1,164,205)</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, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation Reserve</u>
ASSETS			
Current Assets			
Cash and investments	\$ 56,731	\$ -	\$ 1,394,535
Accounts receivable	264,777	361,945	-
Inventories	74,332	36,214	-
Due from other funds	-	-	25,582
<i>Total Current Assets</i>	<u>395,840</u>	<u>398,159</u>	<u>1,420,117</u>
Noncurrent Assets			
Assessment liens receivable	-	-	-
Nondepreciable capital assets	-	-	14,489,096
Other capital assets, net of depreciation	9,487,755	1,055,476	-
<i>Total Noncurrent Assets</i>	<u>9,487,755</u>	<u>1,055,476</u>	<u>14,489,096</u>
<i>Total Assets</i>	<u>9,883,595</u>	<u>1,453,635</u>	<u>15,909,213</u>
DEFERRED OUTFLOWS			
Deferred outflows related to OPEB	772	958	-
LIABILITIES			
Current Liabilities			
Accounts payable	17,233	9,524	122,657
Deposits payable	145,909	-	-
Accrued interest payable	90,421	-	21,335
Due to other funds	-	25,582	-
Current portion of long-term liabilities			
Long-term debt	345,539	-	691,194
Accrued compensated absences	20,360	20,239	-
<i>Total Current Liabilities</i>	<u>619,462</u>	<u>55,345</u>	<u>835,186</u>
Noncurrent Liabilities			
Long-term debt	7,849,369	-	7,794,361
OPEB Liability	12,720	15,778	-
<i>Total Noncurrent Liabilities</i>	<u>7,862,089</u>	<u>15,778</u>	<u>7,794,361</u>
<i>Total Liabilities</i>	<u>8,481,551</u>	<u>71,123</u>	<u>8,629,547</u>
DEFERRED INFLOWS			
Deferred inflows related to OPEB	681	844	-
FUND NET POSITION			
Net investment in capital assets	1,292,847	1,055,476	6,003,541
Restricted for debt service	-	-	589,633
Restricted for construction	-	-	-
Unrestricted	109,288	327,150	686,492
<i>Total Fund Net Position</i>	<u>\$ 1,402,135</u>	<u>\$ 1,382,626</u>	<u>\$ 7,279,666</u>

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 2,731,028	\$ 4,182,294
7,499	634,221
-	110,546
-	25,582
<hr/> 2,738,527	<hr/> 4,952,643
81,124	81,124
-	14,489,096
515,777	11,059,008
<hr/> 596,901	<hr/> 25,629,228
3,335,428	30,581,871
168	1,898
65	149,479
-	145,909
-	111,756
-	25,582
-	1,036,733
242	40,841
<hr/> 307	<hr/> 1,510,300
-	15,643,730
2,771	31,269
<hr/> 2,771	<hr/> 15,674,999
<hr/> 3,078	<hr/> 17,185,299
148	1,673
515,777	8,867,641
-	589,633
1,052,803	1,052,803
1,763,790	2,886,720
<hr/> \$ 3,332,370	<hr/> \$ 13,396,797

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, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation Reserve</u>
OPERATING REVENUES			
Charges for services	\$ 2,129,758	\$ 2,674,840	\$ -
Miscellaneous	14,936	2,139	-
<i>Total Operating Revenues</i>	2,144,694	2,676,979	-
OPERATING EXPENSES			
Personal services	333,428	407,764	-
Materials and services	781,969	771,207	7,014
Depreciation	318,202	287,704	-
<i>Total Operating Expenses</i>	1,433,599	1,466,675	7,014
OPERATING INCOME (LOSS)	711,095	1,210,304	(7,014)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	4,106	4,306	20,276
Interest expense	(157,812)	(212,202)	-
<i>Total Nonoperating Revenues (Expenses)</i>	(153,706)	(207,896)	20,276
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	557,389	1,002,408	13,262
Capital contributions	-	-	-
Transfers in	-	9,196	821,589
Non-cash transfers in	60,067	-	-
Transfers out	(567,984)	(942,205)	-
Non-cash transfers out	-	(2,452)	(9,196)
CHANGE IN FUND NET POSITION	49,472	66,947	825,655
FUND NET POSITION, beginning of year	1,365,481	1,331,578	6,454,011
RESTATEMENT	(12,818)	(15,899)	-
FUND NET POSITION, beginning of year as restated	1,352,663	1,315,679	6,454,011
FUND NET POSITION, end of year	\$ 1,402,135	\$ 1,382,626	\$ 7,279,666

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 61,951	\$ 4,866,549
-	17,075
61,951	4,883,624
74,418	815,610
4,930	1,565,120
257,606	863,512
336,954	3,244,242
(275,003)	1,639,382
41,450	70,138
-	(370,014)
41,450	(299,876)
(233,553)	1,339,506
83,875	83,875
412,990	1,243,775
-	60,067
-	(1,510,189)
(60,067)	(71,715)
203,245	1,145,319
3,131,917	12,282,987
(2,792)	(31,509)
3,129,125	12,251,478
\$ 3,332,370	\$ 13,396,797

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, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation Reserve</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	\$ 2,206,357	\$ 2,665,255	\$ -
Paid to suppliers	(785,115)	(762,746)	113,238
Paid to employees	(335,436)	(409,070)	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	1,085,806	1,493,439	113,238
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Received from (paid to) other funds	-	(350,082)	350,082
Transfers in	-	9,196	821,589
Transfers out	(567,984)	(938,975)	(9,196)
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(567,984)	(1,279,861)	1,162,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(5,682)	(123,560)
Principal paid on long-term debt	(337,821)	-	(678,171)
Contribution of capital	-	-	-
Interest paid	(160,770)	(212,202)	9,196
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(498,591)	(217,884)	(792,535)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,106	4,306	20,276
	<hr/>	<hr/>	<hr/>
<i>Increase in Cash and Investments</i>	23,337	-	503,454
CASH AND INVESTMENTS, Beginning of year	33,394	-	891,081
	<hr/>	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	\$ 56,731	\$ -	\$ 1,394,535
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ 62,486	\$ 4,934,098
(138,078)	(1,572,701)
(74,459)	(818,965)
(150,051)	2,542,432
-	-
412,990	1,243,775
-	(1,516,155)
412,990	(272,380)
(60,067)	(189,309)
-	(1,015,992)
67,675	67,675
-	(363,776)
7,608	(1,501,402)
41,450	70,138
311,997	838,788
2,419,031	3,343,506
\$ 2,731,028	\$ 4,182,294

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, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation Reserve</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 711,095	\$ 1,210,304	\$ (7,014)
Depreciation	318,202	287,704	-
Change in assets and liabilities:			
Accounts receivable	51,637	(11,724)	-
Deferred outflows	(237)	(294)	-
Inventory	(6,603)	10,562	-
Accounts payable and accrued liabilities	3,457	(2,101)	120,252
Customer deposits	10,026	-	-
Accrued vacation payable	(1,819)	(1,071)	-
OPEB liability	148	184	-
Deferred inflows	(100)	(125)	-
	<u>\$ 1,085,806</u>	<u>\$ 1,493,439</u>	<u>\$ 113,238</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>			
<i>Noncash Transactions</i>			
Transfer of capital assets	<u>\$ 60,067</u>	<u>\$ -</u>	<u>\$ -</u>

<i>Other Enterprise Funds</i>	<i>Totals</i>
(275,003)	\$ 1,639,382
257,606	863,512
652	40,565
(168)	(699)
-	3,959
(133,148)	(11,540)
-	10,026
-	(2,890)
32	364
(22)	(247)
<u>\$ (150,051)</u>	<u>\$ 2,542,432</u>
<u>\$ (60,067)</u>	<u>\$ -</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, 2018

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 five years to finance police and dispatch services.

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

The City reports the following major proprietary funds:

Water Fund - this fund is used to account for the operation of the City's water department. Primary revenues are sales of water 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 Reserve 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 five 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 bike paths, curb cuts and wheelchair ramps compliant with ADA requirements throughout Sweet Home.

Street Maintenance Improvements 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, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

Economic and Community Development - this fund is used to account for Community Development Block Grant housing rehabilitation loans and monies earmarked for economic and community development.

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

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

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

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

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

Capital Projects Funds

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

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

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

Water Depreciation Reserve 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 Construction 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types (Continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018. Actual results may differ from such estimates.

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 outflows of resources related to pensions and other post-employment benefits for contributions made after the June 30, 2017 measurement date.

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 three items that qualify for reporting in this category. The City reports deferred inflows related to pensions and other post-employment benefits for changes in projected earnings versus actual earnings and contribution versus proportionate share of contributions.

The third 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.

Pension

The City reports its proportionate share of the Net Pension Liability of the Oregon Public Employees Retirement System (OPERS). A negative Net Pension Liability is reported as a Net Pension Asset. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

The City reports two components other than pensions (OPEB) – Oregon Public Employees Retirement System Retiree Health Insurance Account (OPERS RHIA) and a single-employer defined benefit postemployment health plan administered by Citycounty Insurance Services (CIS).

The City reports its proportionate share of the Oregon Public Employees Retirement System Retiree Health Insurance Account (OPERS RHIA). A negative OPEB liability is reported as an OPEB asset. For purposes of measuring the City's OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of OPERS RHIA and additions to/deductions from OPERS RHIA's fiduciary net position have been determined on the same basis as they are reported by OPERS RHIA. For this purpose, the benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits Other Than Pensions (OPEB) (Continued)

The City reports an OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to the implicit subsidy arising from the City's single-employer defined benefit postemployment health plan administered by CIS. For the purpose of measuring the City's OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on an actuarial valuation provided by CIS. Benefit payments are recognized when due and payable in accordance with benefit terms.

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 presented 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, 2018

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, 2018:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
<i>Cash</i>		
Cash on hand	\$ 2,683	\$ 2,683
Deposits with financial institutions	1,172,385	1,172,385
Certificates of deposit	140,823	140,823
<i>Investments</i>		
Local Government Investment Pool	9,332,149	9,332,149
	<u>\$ 10,648,040</u>	<u>\$ 10,648,040</u>

Deposits

The book balance of the City’s bank deposits with various financial institutions was \$1,313,208 and the bank balance was \$1,574,584 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, 2018, \$1,074,584 of the City's bank balances were covered by the PFCP.

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, 2018, the carrying value of the position in the Oregon State Treasurer’s Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

CASH AND INVESTMENTS (Continued)

Investments

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, 2018, was as follows:

Business-type Activities

	<i>Balances July 1, 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2018</i>
NON-DEPRECIABLE				
Construction in progress-sewer	\$ 14,365,536	\$ 123,560	\$ -	\$ 14,489,096
DEPRECIABLE				
Equipment-water	178,820	-	-	178,820
Equipment-sewer	431,473	-	-	431,473
Equipment - stormwater	1,886	-	-	1,886
Water facilities	12,012,799	60,067	-	12,072,866
Sewer facilities	9,782,260	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	10,296,700
<i>Total depreciable</i>	32,703,938	60,067	-	32,764,005

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS (Continued)

Business-type Activities (Continued)

	<i>Balances July 1, 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2018</i>
ACCUMULATED DEPRECIATION				
Equipment-water	\$ (141,771)	\$ (17,882)	\$ -	\$ (159,653)
Equipment-sewer	(402,345)	(43,147)	-	(445,492)
Equipment - stormwater	(756)	(189)	-	(945)
Water facilities	(2,303,954)	(300,320)	-	(2,604,274)
Sewer facilities	(8,468,210)	(244,557)	-	(8,712,767)
Stormwater Infrastructure	(9,524,449)	(257,417)	-	(9,781,866)
<i>Total accumulated depreciation</i>	<u>(20,841,485)</u>	<u>(863,512)</u>	<u>-</u>	<u>(21,704,997)</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 26,227,989</u>	<u>\$ (679,885)</u>	<u>\$ -</u>	<u>\$ 25,548,104</u>

Governmental Activities

	<i>Balances July 1, 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2018</i>
NON-DEPRECIABLE				
Land and improvements	\$ 3,536,500	\$ -	\$ -	\$ 3,536,500
Construction in progress	-	61,903	-	61,903
DEPRECIABLE				
Buildings	9,617,294	-	-	9,617,294
Equipment	1,432,589	182,961	-	1,615,550
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	<u>36,785,891</u>	<u>182,961</u>	<u>-</u>	<u>36,968,852</u>
ACCUMULATED DEPRECIATION				
Buildings	(5,168,941)	(240,433)	-	(5,409,374)
Equipment	(1,829,673)	(604,346)	-	(2,434,019)
Infrastructure	(19,740,361)	(643,400)	-	(20,383,761)
<i>Total accumulated depreciation</i>	<u>(26,738,975)</u>	<u>(1,488,179)</u>	<u>-</u>	<u>(28,227,154)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 13,583,416</u>	<u>\$ (1,243,315)</u>	<u>\$ -</u>	<u>\$ 12,340,101</u>

Depreciation expense in the amount of \$1,488,179 was charged to general government on the statement of activities. Depreciation of \$863,512 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, 2018

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Vehicle lease with interest at 7.261%, maturing August 2019	\$ -	\$ 37,727	\$ (13,496)	\$ 24,231	\$ 11,677
	<u>Outstanding July 1, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</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%	\$ 5,746,527	\$ -	\$ (223,459)	\$ 5,523,068	\$ 225,693
Water treatment facility note, due two years after project completion including interest at 3.56%	2,786,202	-	(114,362)	2,671,840	119,846
Wastewater Depreciation Fund Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	1,893,947	-	(211,743)	1,682,204	218,444
Wastewater improvement note, variable annual payments including interest at 2.90%	3,519,779	-	(216,428)	3,303,351	222,750
Wastewater improvement note, semi-annual payments of \$125,000 including 0% interest. Annual fees at 0.5% are charged.	3,750,000	-	(250,000)	3,500,000	250,000
	<u>\$ 17,696,455</u>	<u>\$ -</u>	<u>\$ (1,015,992)</u>	<u>\$ 16,680,463</u>	<u>\$ 1,036,733</u>

Governmental activity debt requirements are shown below for the full amount of the Vehicle lease.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 11,677	\$ 1,819	\$ 13,496
2020	12,554	942	13,496
	<u>\$ 24,231</u>	<u>\$ 2,761</u>	<u>\$ 26,992</u>

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

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

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 1,036,733	\$ 300,991	\$ 1,337,724
2020	1,053,004	281,720	1,334,724
2021	1,074,726	261,998	1,336,724
2022	1,092,015	241,034	1,333,049
2023	1,114,787	219,587	1,334,374
2024-2028	5,082,145	785,774	5,867,919
2029-2033	3,927,468	357,940	4,285,408
2034-2038	1,746,054	92,836	1,838,890
2039-2040	553,531	8,317	561,848
	<u>\$ 16,680,463</u>	<u>\$ 2,550,197</u>	<u>\$ 19,230,660</u>

On November 26, 2002, the City signed a \$2,000,000 loan agreement with the State of Oregon Department of Environmental Quality. On April 13, 2004, the City signed an amendment for an additional \$2,000,000, bringing the total loan amount to \$4,000,000. The loan requires a reserve balance of \$268,625. The City was in compliance with the loan reserve requirement as of June 30, 2018. Funds are being disbursed from the State's Clean Water State Revolving Loan Fund to correct storm water inflow and infiltration problems that are affecting the City's wastewater system. The interest rate is set at 3.14% for twenty years. Payments of \$269,564 plus fees will continue annually until the loan is paid back. The City will make these payments utilizing wastewater revenue set aside for depreciation replacement. Final payment is scheduled for 2024-25.

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

On September 22, 2004, the City signed a \$1,030,000 loan with Oregon Economic and Community Development Department for costs associated with the construction of a new water treatment facility. The City subsequently signed an amendment for an additional \$3,000,000, bringing the total loan amount to \$4,030,000. Interest on this loan is set at 3.56%.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

On April 1, 2005, the City signed a \$2,000,000 loan agreement with the State of Oregon Department of Environmental Quality. On April 30, 2005, the loan agreement was amended to reduce the interest rate to a rate in effect at the time of loan execution, which was 2.90%. On February 5, 2007, the City signed an amendment bringing the total loan amount to \$4,667,024. The loan requires a reserve balance of \$196,008. Funds will be disbursed from the State's Clean Water State Revolving Loan Fund. During the year ending June 30, 2018, 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, 2018, 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.

On August 9, 2017, the City signed a \$37,727 lease agreement with Auto Leasing Specialists, LLC for one 2017 Ford Interceptor. The interest on this lease is set at 7.261%. Final payment is scheduled for 2019-2020.

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.

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Benefits Provided (Continued)

Tier One/Tier Two Retirement Benefit (Continued)

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.

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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

OPSRP Pension Program (Continued)

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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 10.24% for Tier One/Tier Two members, .79% for OPSRP General Service members, and 5.56% for OPSRP Police and Fire members. The City's total contributions exclusive of the 6% "pick-up" were \$78,084.

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 \$70,201 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, 2018, the City reported a liability of \$771,872 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2018 and 2017, the City's proportion was 0.00573% and 0.00256%, respectively.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$173,523. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 37,328	\$ -
Changes of assumptions	140,699	-
Net difference between projected and actual earnings on investments	7,952 -	-
Changes in proportionate share	320,138	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,660	19,980
Contributions subsequent to measurement date	78,084	-
Total	<u>\$ 602,861</u>	<u>\$ 19,980</u>

Deferred outflows of resources related to pensions of \$78,084 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:

<u>Fiscal Year Ending June 30,</u>		
2019	\$	122,458
2020		183,660
2021		147,048
2022		36,934
2023		14,697
Total	<u>\$</u>	<u>504,797</u>

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2015 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, 2018

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 2015 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, 2018

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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 1,315,411	\$ 771,872	\$ 317,373

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions Subsequent to Measurement Date

On July 28, 2017, subsequent to the June 30, 2016 measurement date, the OPERS Board lowered the assumed rate to 7.2 percent. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The effect on the City has not been determined.

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, 2018 totaled \$159,360 on \$1,327,998 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, 2018 was \$109,244 on \$695,822 of covered non-contractual City payroll.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Description (Continued)

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

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

Deferred Compensation

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	<u>Implicit Rate Subsidy Plan</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB on Financials</u>
Net OPEB Asset	\$ -	\$ 4,021	\$ 4,021
Deferred Outflows of Resources			
Contributions After Measurement Date	11,750	4,796	16,546
Total OPEB Liability	(193,511)	-	(193,511)
Deferred Inflows of Resources			
Change in Assumptions	(10,356)	(22)	(10,378)
Net Difference between Projected and Actual Earnings	-	(1,862)	(1,862)
OPEB Expense/(Income)			
(Included in program expenses on Statement of Activities	(2,873)	(5,235)	(8,108)

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Implicit Rate Subsidy

Plan Description

The City’s single-employer defined benefit postemployment healthcare plan is administered by Citycounty Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of City or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The City’s postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained by writing to the CIS Main Office, 1212 Court Street NE, Salem OR 97301.

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	1
Active employees	48
	<u>49</u>

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City’s total OPEB liability of \$193,511 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended June 30, 2018, the City recognized a debit to OPEB expense from this plan of \$2,873. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ -	\$ 10,356
Contributions subsequent to measurement date	11,750	-
Total	<u>\$ 11,750</u>	<u>\$ 10,356</u>

Deferred outflows of resources related to OPEB of \$16,546 resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.:

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Implicit Rate Subsidy (Continued)

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (1,523)
2020	(1,523)
2021	(1,523)
2022	(1,523)
2023	(1,523)
Thereafter	<u>(2,741)</u>
Total	<u>\$ (10,356)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability for the June 30, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified: inflation rate of 2.50%, projected salary increases of 3.50%, discount rate of 3.58% (change from 2.85% in the previous measurement period), medical and vision varies between 7.50% and 5.00% (due to the timing of the excise tax scheduled to affect health care benefits), dental at 4.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB.

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of June 30, 2017	\$ 191,252
Changes for the year:	
Service cost	16,475
Interest on total OPEB liability	5,805
Effect of assumptions changes or inputs	(11,880)
Benefit payments	<u>(8,141)</u>
Balance as of June 30, 2018	<u>\$ 193,511</u>

The effect of changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Implicit Rate Subsidy (Continued)

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 209,833	\$ 193,511	\$ 178,493

Healthcare Cost Trend:

	<u>1% Decrease (6.5% decreasing to 4.0%)</u>	<u>Current Healthcare Trend Rate (7.5% decreasing to 5.0%)</u>	<u>1% Increase (8.5% decreasing to 6.0%)</u>
Total OPEB Liability	\$ 172,613	\$ 193,511	\$ 218,185

PERS Retirement Health Insurance Account

Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

PERS Retirement Health Insurance Account (Continued)

Contributions

PERS funding policy provides for 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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2018 contributions was \$4,797.

OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported an asset of \$4,021 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.00963%, which was equal to its proportion of 0.00974% as of June 30, 2016.

For the year ended June 30, 2018, the City recognized a credit to OPEB expense from this plan of \$5,235. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
	<u> </u>	<u> </u>
Net Difference between Projected and Actual Earnings	\$ -	\$ 1,862
Change in Proportionate Share		22
Contributions subsequent to the MD	4,796	-
Total	<u>\$ 4,796</u>	<u>\$ 1,884</u>

Deferred outflows of resources related to OPEB of \$4,796 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

PERS Retirement Health Insurance Account (Continued)

OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year ended June 30:	
2019	\$ (474)
2020	(474)
2021	(472)
2022	(464)
Total	<u>\$ (1,884)</u>

Actuarial Methods and Assumptions

The healthcare cost trend rate ranges from 6.30% in 2016 to 4.40% in 2094. See OPERS Pension Plan footnote for additional information on actuarial assumptions and methods, the long-term expected rate of return, and the discount rate.

Sensitivity of the proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net OPEB 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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability (Asset)	\$ 561	\$ (4,021)	\$ (7,918)

OPEB Plan Fiduciary Net Position

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

Changes in Plan Provisions Subsequent to Measurement Date

On July 28, 2017, subsequent to the June 30, 2016 measurement date, the OPERS Board lowered the assumed rate to 7.2 percent. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The effect on the City has not been determined.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

COMMITMENTS AND CONTINGENCIES

The City purchases insurance through Citycounty Insurance Services to cover all commonly insurable risks, which includes property damage and liability. Employee bonds are covered through another commercial insurance provider. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

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

TRANSFERS

Interfund transfers on a budgetary basis for the year ended June 30, 2018, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 274,040	\$ 282,500
Public Safety	-	10,000
State Gas Tax	-	202,242
Non-major governmental	534,460	38,776
Water	-	567,356
Wastewater	-	264,034
Wastewater Depreciation	143,418	-
Non-major proprietary	412,990	-
	<u>\$ 1,364,908</u>	<u>\$ 1,364,908</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.

INTERFUND RECEIVABLES AND PAYABLES

The Wastewater Depreciation Reserve fund has advanced \$25,582 to the Wastewater fund for payment of operating expenses. This is a short-term advance and payment in full is scheduled to occur during the 2018-2019 fiscal year.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits expenditures in excess of Council approved appropriations. Expenditures in excess of appropriations in individual funds for the year ended June 30, 2018 occurred as follows:

<u>Fund Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
General government department	\$ 19,530	\$ 19,583	\$ (53)
Finance department	439,951	440,345	(394)
Public Safety			
Capital outlay	13,920	73,323	(59,403)
Special Events			
Operations	5,000	9,210	(4,210)

DEFICIT FUND BALANCES

The following fund reported a deficit fund balance as of June 30, 2018:

<u>Fund Name</u>	<u>Deficit Fund Balance</u>
Community Center	\$ (772)

CHANGE IN ACCOUNTING PRINCIPLE

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize the correct OPEB Liability for the City's Implicit Rate Subsidy plan and to recognize the City's proportionate share of the Net OPEB Asset of the Oregon Public Employees Retirement Systems (OPERS). The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date.

<u>Activity/Fund</u>	<u>Increase (decrease) in beginning net position</u>
Governmental activities:	
Implementation of GASB 75	\$ (161,783)
Business-type activities:	
Implementation of GASB 75	
Water	\$ (12,818)
Wastewater Operating	(15,899)
Storm Water Drainage	(2,792)
Net change in beginning net position - business-type activities	\$ (31,509)

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 633,517	\$ 633,517	\$ 667,119	\$ 33,602
Licenses and permits	828,032	828,032	866,334	38,302
Charges for services	25,411	25,411	31,210	5,799
Intergovernmental	268,096	268,096	260,927	(7,169)
Fines and forfeitures	133,845	133,845	152,572	18,727
Miscellaneous	45,229	45,229	83,946	38,717
<i>Total Revenues</i>	1,934,130	1,934,130	2,062,108	127,978
EXPENDITURES				
General government	19,530	19,530	19,583	(53)
Executive department	278,917	278,917	277,536	1,381
Municipal court	302,184	302,184	271,002	31,182
Building inspection program	185,289	185,289	182,713	2,576
Community development	301,329	301,329	201,684	99,645
Community services programs	28,410	28,410	26,200	2,210
Parks maintenance	235,785	235,785	181,993	53,792
Finance	388,569	439,951	440,345	(394)
Non-departmental	797,235	745,853	658,563	87,290
Capital outlay	198,216	198,216	24,168	174,048
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	2,835,464	2,835,464	2,283,787	551,677
REVENUES OVER (UNDER) EXPENDITURES	(901,334)	(901,334)	(221,679)	679,655
OTHER FINANCING SOURCES (USES)				
Transfers in	274,040	274,040	274,040	-
Transfers out	(282,500)	(282,500)	(282,500)	-
<i>Total Other Financing Sources (Uses)</i>	(8,460)	(8,460)	(8,460)	-
NET CHANGE IN FUND BALANCE	(909,794)	(909,794)	(230,139)	679,655
FUND BALANCE, beginning of year	1,593,315	1,593,315	1,871,205	277,890
FUND BALANCE, end of year	\$ 683,521	\$ 683,521	\$ 1,641,066	\$ 957,545

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – POLICE LEVY FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,163,723	\$ 2,163,723	\$ 2,364,202	\$ 200,479
Licenses and permits	220	220	723	503
Intergovernmental	41,981	41,981	49,649	7,668
Miscellaneous	43,151	43,151	97,533	54,382
<i>Total Revenues</i>	2,249,075	2,249,075	2,512,107	263,032
EXPENDITURES				
Police operations	2,630,541	2,630,541	2,445,528	185,013
Capital outlay	13,920	13,920	73,323	(59,403)
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	2,694,461	2,694,461	2,518,851	175,610
REVENUES OVER (UNDER)				
EXPENDITURES	(445,386)	(445,386)	(6,744)	438,642
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	(10,000)	-
NET CHANGE IN FUND BALANCE	(455,386)	(455,386)	(16,744)	438,642
FUND BALANCE, beginning of year	1,152,394	1,152,394	1,213,099	60,705
FUND BALANCE, end of year	\$ 697,008	\$ 697,008	\$ 1,196,355	\$ 499,347

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 523,675	\$ 523,675	\$ 586,225	\$ 62,550
Miscellaneous	1,094	1,094	2,972	1,878
<i>Total Revenues</i>	524,769	524,769	589,197	64,428
EXPENDITURES				
Operations	427,592	427,592	381,870	45,722
Capital outlay	8,750	8,750	3,970	4,780
Contingency	37,112	37,112	-	37,112
<i>Total Expenditures</i>	473,454	473,454	385,840	87,614
REVENUES OVER (UNDER)				
EXPENDITURES	51,315	51,315	203,357	152,042
OTHER FINANCING SOURCES (USES)				
Transfers out	(202,242)	(202,242)	(202,242)	-
NET CHANGE IN FUND BALANCE	(150,927)	(150,927)	1,115	152,042
FUND BALANCE, beginning of year	245,769	245,769	229,133	(16,636)
FUND BALANCE, end of year	\$ 94,842	\$ 94,842	\$ 230,248	\$ 135,406

CITY OF SWEET HOME, OREGON
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY— OREGON
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS¹

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
(asset)	0.0057%	0.0026%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net pension liability (asset)	\$ 771,872	\$ 384,674	\$ -	\$ -	\$ -
City's covered-employee payroll	1,064,041	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	72.5%	39.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	83.1%	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 FIVE FISCAL YEARS¹

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 78,084	\$ 33,298	\$ 30,422	\$ 20,843	\$ 18,502
Contributions in relation to the contractually required contribution	<u>(78,084)</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,064,041	\$ 985,491	\$ 935,590	\$ 859,981	\$ 763,360
Contributions as a percentage of covered-employee payroll	7.34%	3.38%	3.25%	2.42%	2.42%

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

CITY OF SWEET HOME, OREGON

**SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS -
IMPLICIT RATE SUBSIDY
YEAR ENDED JUNE 30, 2018¹**

	<i>Fiscal Year Ending June 30 2018</i>
Service cost	\$ 16,475
Interest on total OPEB liability	5,805
Effect of assumption change or inputs	(11,880)
Benefit payments	(8,141)
	<hr/>
Net change in total OPEB liability	2,259
Net OPEB liability, beginning	191,252
	<hr/>
Net OPEB liability, ending	<u>\$ 193,511</u>
	<hr/>
Covered payroll	\$ 3,087,862
Total OPEB liability as a % of covered payroll	6.3%

Notes:

The above table presents the most recent actuarial valuations for the City's post-employment health insurance benefits plan and provides information that approximates the funding progress of the plan.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

CITY OF SWEET HOME, OREGON

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM RETIREE HEALTH INSURANCE ACCOUNT
LAST TWO FISCAL YEARS¹**

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.0096%	0.0097%
City's proportionate share of the net OPEB liability (asset)	\$ (4,021)	\$ 2,646
City's covered-employee payroll	1,064,041	985,491
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.4%	0.3%
Plan fiduciary net position as a percentage of the total pension liability	108.9%	94.2%

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

CITY OF SWEET HOME, OREGON
SCHEDULE OF THE CITY'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM RETIREE HEALTH INSURANCE ACCOUNT
LAST TWO FISCAL YEARS¹

	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 4,796	\$ 2,646
Contributions in relation to the contractually required contribution	<u>(4,796)</u>	<u>(2,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,064,041	\$ 985,491
Contributions as a percentage of covered-employee payroll	0.45%	0.27%

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
ASSETS			
Cash and investments	\$ 94,505	\$ 316,669	\$ 60,436
Property taxes receivable	-	38,053	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
<i>Total Assets</i>	<u>\$ 94,505</u>	<u>\$ 354,722</u>	<u>\$ 60,436</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 4,218	\$ 459
 Deferred Inflows			
Unavailable revenue	-	38,053	-
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	312,451	-
Committed to:			
Public safety	94,505	-	-
Parks	-	-	59,977
Community development	-	-	-
Capital outlay	-	-	-
Unassigned	-	-	-
<i>Total Fund Balance</i>	<u>94,505</u>	<u>312,451</u>	<u>59,977</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 94,505</u>	<u>\$ 354,722</u>	<u>\$ 60,436</u>

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvements</i>	<i>Economic and Community Development</i>	<i>Community Center Operating</i>	<i>Special Assessments</i>
\$ 313,445	\$ 1,284,299	\$ 475,981	\$ 5,308	\$ 318
-	-	-	-	-
-	7,197	-	-	14,972
-	-	353,091	-	-
<u>\$ 313,445</u>	<u>\$ 1,291,496</u>	<u>\$ 829,072</u>	<u>\$ 5,308</u>	<u>\$ 15,290</u>
\$ -	\$ -	\$ -	\$ 6,080	\$ -
-	7,197	353,091	-	15,018
313,445	1,284,299	475,981	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	272
-	-	-	-	-
-	-	-	(772)	-
<u>313,445</u>	<u>1,284,299</u>	<u>475,981</u>	<u>(772)</u>	<u>272</u>
<u>\$ 313,445</u>	<u>\$ 1,291,496</u>	<u>\$ 829,072</u>	<u>\$ 5,308</u>	<u>\$ 15,290</u>

CITY OF SWEET HOME, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2018

	Special Revenue		
	Public Transit Grant	Weddle Bridge	Special Events
ASSETS			
Cash and investments	\$ -	\$ 4,774	\$ 7,376
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 4,774</u>	<u>\$ 7,376</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
 Deferred Inflows			
Unavailable revenue	-	-	-
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	4,774	7,376
Capital outlay	-	-	-
Unassigned	-	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>4,774</u>	<u>7,376</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ -</u>	<u>\$ 4,774</u>	<u>\$ 7,376</u>

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Project/ Equipment Reserve</i>	<i>Police Facilities</i>	<i>Total</i>
\$ 362,992	\$ 574,704	\$ 297	\$ 3,501,104
-	-	-	38,053
-	-	-	22,169
-	-	-	353,091
<hr/>	<hr/>	<hr/>	<hr/>
\$ 362,992	\$ 574,704	\$ 297	\$ 3,914,417
<hr/>	<hr/>	<hr/>	<hr/>
\$ 19,234	\$ 15,992	\$ -	\$ 45,983
	-	-	413,359
-	-	-	2,073,725
-	-	-	312,451
-	-	297	94,802
-	-	-	59,977
-	-	-	12,422
343,758	558,712	-	902,470
-	-	-	(772)
<hr/>	<hr/>	<hr/>	<hr/>
343,758	558,712	297	3,455,075
<hr/>	<hr/>	<hr/>	<hr/>
\$ 362,992	\$ 574,704	\$ 297	\$ 3,914,417
<hr/>	<hr/>	<hr/>	<hr/>

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
REVENUES			
Taxes and assessments	\$ -	\$ 351,762	\$ -
Intergovernmental	-	-	-
Fines and forfeitures	2,745	4,731	-
Miscellaneous	8,476	23,674	8,673
<i>Total Revenues</i>	11,221	380,167	8,673
EXPENDITURES			
Current			
Library	-	278,998	-
Community development	-	-	-
Community center	-	-	-
Capital outlay	9,676	303	-
<i>Total Expenditures</i>	9,676	279,301	-
REVENUES OVER (UNDER) EXPENDITURES	1,545	100,866	8,673
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(13,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	(13,000)	-
NET CHANGE IN FUND BALANCE	1,545	87,866	8,673
FUND BALANCE, beginning of year	92,960	224,585	51,304
FUND BALANCE (Deficit), end of year	\$ 94,505	\$ 312,451	\$ 59,977

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvements</i>	<i>Economic and Community Development</i>	<i>Community Center Operating</i>	<i>Special Assessments</i>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
4,265	28,303	5,775	29,152	271
4,265	28,303	5,775	29,152	271
-	-	-	-	-
-	-	-	-	-
-	-	-	38,793	-
5,000	33,946	-	-	-
5,000	33,946	-	38,793	-
(735)	(5,643)	5,775	(9,641)	271
75,000	40,000	200,000	-	-
-	(25,000)	-	-	(776)
75,000	15,000	200,000	-	(776)
74,265	9,357	205,775	(9,641)	(505)
239,180	1,274,942	270,206	8,869	777
\$ 313,445	\$ 1,284,299	\$ 475,981	\$ (772)	\$ 272

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

YEAR ENDED JUNE 30, 2018

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	74,743	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	74	9,168
<i>Total Revenues</i>	<u>74,743</u>	<u>74</u>	<u>9,168</u>
EXPENDITURES			
Current			
Library	-	-	-
Community development	74,743	-	9,210
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	<u>74,743</u>	<u>-</u>	<u>9,210</u>
REVENUES OVER (UNDER) EXPENDITURES	-	74	(42)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	74	(42)
FUND BALANCE, beginning of year	-	4,700	7,418
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 4,774</u>	<u>\$ 7,376</u>

<i>Capital Projects</i>		<i>Debt Service</i>	
<i>Building Reserve</i>	<i>Project/ Equipment Reserve</i>	<i>Police Facilities</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ 351,762
-	-	-	74,743
-	-	-	7,476
6,995	10,555	5	135,386
6,995	10,555	5	569,367
-	-	-	278,998
-	-	-	83,953
-	-	-	38,793
47,191	132,604	-	228,720
47,191	132,604	-	630,464
(40,196)	(122,049)	5	(61,097)
80,000	139,460	-	534,460
-	-	-	(38,776)
80,000	139,460	-	495,684
39,804	17,411	5	434,587
303,954	541,301	292	3,020,488
\$ 343,758	\$ 558,712	\$ 297	\$ 3,455,075

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 2,745	\$ 2,745
Miscellaneous	405	405	8,476	8,071
<i>Total Revenues</i>	405	405	11,221	10,816
EXPENDITURES				
Capital outlay	93,248	93,248	9,676	83,572
NET CHANGE IN FUND BALANCE	(92,843)	(92,843)	1,545	94,388
FUND BALANCE, beginning of year	92,843	92,843	92,960	117
FUND BALANCE, end of year	\$ -	\$ -	\$ 94,505	\$ 94,505

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY LEVY FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 305,153	\$ 305,153	\$ 351,762	\$ 46,609
Fines and forfeitures	5,214	5,214	4,731	(483)
Miscellaneous	25,639	25,639	23,674	(1,965)
<i>Total Revenues</i>	336,006	336,006	380,167	44,161
EXPENDITURES				
Operations	324,767	324,767	278,998	45,769
Capital outlay	1,000	1,000	303	697
Contingency	10,000	10,000	-	10,000
<i>Total Expenditures</i>	335,767	335,767	279,301	56,466
REVENUES OVER (UNDER)				
EXPENDITURES	239	239	100,866	100,627
OTHER FINANCING SOURCES (USES)				
Transfers out	(13,000)	(13,000)	(13,000)	-
NET CHANGE IN FUND BALANCE	(12,761)	(12,761)	87,866	100,627
FUND BALANCE, beginning of year	192,611	192,611	224,585	31,974
FUND BALANCE, end of year	\$ 179,850	\$ 179,850	\$ 312,451	\$ 132,601

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,276	\$ 3,276	\$ 8,673	\$ 5,397
EXPENDITURES				
Operations	1,333	1,333	-	1,333
Capital outlay	41,561	41,561	-	41,561
<i>Total Expenditures</i>	42,894	42,894	-	42,894
NET CHANGE IN FUND BALANCE	(39,618)	(39,618)	8,673	48,291
FUND BALANCE, beginning of year	51,351	51,351	51,304	(47)
FUND BALANCE, end of year	\$ 11,733	\$ 11,733	\$ 59,977	\$ 48,244

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 943	\$ 943	\$ 4,265	\$ 3,322
EXPENDITURES				
Capital outlay	165,000	165,000	5,000	160,000
REVENUES OVER (UNDER)				
EXPENDITURES	(164,057)	(164,057)	(735)	163,322
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	(89,057)	(89,057)	74,265	163,322
FUND BALANCE, beginning of year	182,248	182,248	239,180	56,932
FUND BALANCE, end of year	\$ 93,191	\$ 93,191	\$ 313,445	\$ 220,254

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STREET MAINTENANCE IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2018

	<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	5,773	5,773	28,303	22,530
<i>Total Revenues</i>	310,129	310,129	28,303	(281,826)
EXPENDITURES				
Operations	470,000	470,000	-	470,000
Capital outlay	710,000	710,000	33,946	676,054
<i>Total Expenditures</i>	1,180,000	1,180,000	33,946	1,146,054
REVENUES OVER (UNDER)				
EXPENDITURES	(869,871)	(869,871)	(5,643)	864,228
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,000	-
Transfers out	(25,000)	(25,000)	(25,000)	-
<i>Total Other Financing Sources (Uses)</i>	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(854,871)	(854,871)	9,357	864,228
FUND BALANCE, beginning of year	1,300,949	1,300,949	1,274,942	(26,007)
FUND BALANCE, end of year	\$ 446,078	\$ 446,078	\$ 1,284,299	\$ 838,221

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – ECONOMIC AND COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ 972	\$ 972	\$ 5,775	\$ 4,803
EXPENDITURES				
Operations	416,547	416,547	-	416,547
REVENUES OVER (UNDER) EXPENDITURES	(415,575)	(415,575)	5,775	421,350
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
NET CHANGE IN FUND BALANCE	(215,575)	(215,575)	205,775	421,350
FUND BALANCE, beginning of year	215,575	215,575	270,206	54,631
FUND BALANCE, end of year	\$ -	\$ -	\$ 475,981	\$ 475,981

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 31,822	\$ 31,822	\$ 29,152	\$ (2,670)
EXPENDITURES				
Operations	40,100	40,100	38,793	1,307
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	41,100	41,100	38,793	2,307
NET CHANGE IN FUND BALANCE	(9,278)	(9,278)	(9,641)	(363)
FUND BALANCE, beginning of year	9,278	9,278	8,869	(409)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (772)	\$ (772)

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 271	\$ 271
EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(776)	(776)	(776)	-
NET CHANGE IN FUND BALANCE	(776)	(776)	(505)	271
FUND BALANCE, beginning of year	776	776	777	1
FUND BALANCE, end of year	\$ -	\$ -	\$ 272	\$ 272

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 104,515	\$ 104,515	\$ 74,743	\$ (29,772)
EXPENDITURES				
Operations	104,515	104,515	74,743	29,772
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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 21	\$ 21	\$ 74	\$ 53
EXPENDITURES				
Operations	4,715	4,715	-	4,715
NET CHANGE IN FUND BALANCE	(4,694)	(4,694)	74	4,768
FUND BALANCE, beginning of year	4,694	4,694	4,700	6
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,774	\$ 4,774

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPECIAL EVENTS FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 10,013	\$ 10,013	\$ 9,168	\$ (845)
EXPENDITURES				
Operations	5,000	5,000	9,210	(4,210)
NET CHANGE IN FUND BALANCE	5,013	5,013	(42)	(5,055)
FUND BALANCE, beginning of year	4,464	4,464	7,418	2,954
FUND BALANCE, end of year	<u>\$ 9,477</u>	<u>\$ 9,477</u>	<u>\$ 7,376</u>	<u>\$ (2,101)</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,212	\$ 3,212	\$ 6,995	\$ 3,783
EXPENDITURES				
Capital outlay	391,364	391,364	47,191	344,173
REVENUES OVER (UNDER)				
EXPENDITURES	(388,152)	(388,152)	(40,196)	(340,390)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
NET CHANGE IN FUND BALANCE	(308,152)	(308,152)	39,804	(340,390)
FUND BALANCE, beginning of year	308,152	308,152	303,954	(4,198)
FUND BALANCE, end of year	\$ -	\$ -	\$ 343,758	\$ (344,588)

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, 2018**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ 1,850	\$ 1,850	\$ 10,555	\$ 8,705
EXPENDITURES				
Capital outlay	165,000	165,000	132,604	32,396
REVENUES OVER (UNDER) EXPENDITURES	(163,150)	(163,150)	(122,049)	41,101
OTHER FINANCING SOURCES (USES)				
Transfers in	145,710	145,710	139,460	(6,250)
NET CHANGE IN FUND BALANCE	(17,440)	(17,440)	17,411	34,851
FUND BALANCE, beginning of year	452,202	452,202	541,301	89,099
FUND BALANCE, end of year	\$ 434,762	\$ 434,762	\$ 558,712	\$ 123,950

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 5	\$ 5
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	5	5
FUND BALANCE, beginning of year	-	-	292	292
FUND BALANCE, end of year	\$ -	\$ -	\$ 297	\$ 297

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

JUNE 30, 2018

	<u>Water SDC</u>	<u>Water Capital Construction</u>	<u>Water Depreciation Reserve</u>	<u>Wastewater SDC</u>
ASSETS				
Current Assets				
Cash and investments	\$ 475,336	\$ 174,003	\$ 840,778	\$ 485,186
Accounts receivable	-	-	-	-
<i>Total Current Assets</i>	<u>475,336</u>	<u>174,003</u>	<u>840,778</u>	<u>485,186</u>
Noncurrent Assets				
Assessment liens receivable	49,191	-	-	31,933
Capital assets, net of depreciation	-	-	-	-
<i>Total Noncurrent Assets</i>	<u>49,191</u>	<u>-</u>	<u>-</u>	<u>31,933</u>
<i>Total Assets</i>	<u>524,527</u>	<u>174,003</u>	<u>840,778</u>	<u>517,119</u>
DEFERRED OUTFLOWS				
Deferred outflows related to OPEB	-	-	-	-
LIABILITIES				
Current Liabilities				
Accounts payable	-	-	-	-
Accrued compensated absences	-	-	-	-
<i>Total Current Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities				
OPEB liability	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS				
Deferred inflows related to OPEB	-	-	-	-
FUND NET POSITION:				
Investment in capital assets	-	-	-	-
Restricted for:				
Construction	524,527	-	-	517,119
Unrestricted	-	174,003	840,778	-
<i>Total Fund Net Position</i>	<u>\$ 524,527</u>	<u>\$ 174,003</u>	<u>\$ 840,778</u>	<u>\$ 517,119</u>

<i>Wastewater Capital Construction</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ 534,507	\$ 1,249	\$ 11,157	\$ 74,213	\$ 134,599	\$ 2,731,028
-	7,499	-	-	-	7,499
534,507	8,748	11,157	74,213	134,599	2,738,527
-	-	-	-	-	81,124
-	515,777	-	-	-	515,777
-	515,777	-	-	-	596,901
534,507	524,525	11,157	74,213	134,599	3,335,428
-	168	-	-	-	168
-	65	-	-	-	65
-	242	-	-	-	242
-	307	-	-	-	307
-	2,771	-	-	-	2,771
-	3,078	-	-	-	3,078
-	148	-	-	-	148
-	515,777	-	-	-	515,777
-	-	11,157	-	-	1,052,803
534,507	5,690	-	74,213	134,599	1,763,790
\$ 534,507	\$ 521,467	\$ 11,157	\$ 74,213	\$ 134,599	\$ 3,332,370

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>Water SDC</u>	<u>Water Capital Construction</u>	<u>Water Depreciation Reserve</u>	<u>Wastewater SDC</u>
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
Personal services	-	-	-	-
Materials and services	-	-	440	-
Depreciation	-	-	-	-
<i>Total Expenses</i>	-	-	440	-
OPERATING INCOME (LOSS)	-	-	(440)	-
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	9,018	2,101	10,395	7,948
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	9,018	2,101	9,955	7,948
Capital contributions	55,384	-	-	28,491
Transfers in	-	75,000	337,990	-
Non-cash transfers out	-	-	(60,067)	-
CHANGE IN FUND NET POSITION	64,402	77,101	287,878	36,439
FUND NET POSITION, beginning of year	460,125	96,902	552,900	480,680
RESTATEMENT	-	-	-	-
FUND NET POSITION, beginning of the year as restated	460,125	96,902	552,900	480,680
FUND NET POSITION, end of year	<u>\$ 524,527</u>	<u>\$ 174,003</u>	<u>\$ 840,778</u>	<u>\$ 517,119</u>

<i>Wastewater Capital Construction</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ -	\$ 61,951	\$ -	\$ -	\$ -	\$ 61,951
-	74,418	-	-	-	74,418
-	4,490	-	-	-	4,930
-	257,606	-	-	-	257,606
-	336,514	-	-	-	336,954
-	(274,563)	-	-	-	(275,003)
8,314	251	174	1,155	2,094	41,450
8,314	(274,312)	174	1,155	2,094	(233,553)
-	-	-	-	-	83,875
-	-	-	-	-	412,990
-	-	-	-	-	(60,067)
8,314	(274,312)	174	1,155	2,094	203,245
526,193	798,571	10,983	73,058	132,505	3,131,917
-	(2,792)	-	-	-	(2,792)
526,193	795,779	10,983	73,058	132,505	3,129,125
\$ 534,507	\$ 521,467	\$ 11,157	\$ 74,213	\$ 134,599	\$ 3,332,370

CITY OF SWEET HOME, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Water SDC</u>	<u>Water Capital Construction</u>	<u>Water Depreciation Reserve</u>	<u>Wastewater SDC</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Collected from customers	\$ -	\$ -	\$ -	\$ -
Paid to suppliers	-	-	(133,646)	-
Paid to employees	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	-	-	(133,646)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	75,000	337,990	-
	<hr/>	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(60,067)	-
Contribution of capital	43,021	-	-	24,654
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	43,021	-	(60,067)	24,654
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	9,018	2,101	10,395	7,948
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	52,039	77,101	154,672	32,602
CASH AND INVESTMENTS, Beginning of year	423,297	96,902	686,106	452,584
	<hr/>	<hr/>	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	<u>\$ 475,336</u>	<u>\$ 174,003</u>	<u>\$ 840,778</u>	<u>\$ 485,186</u>

<i>Wastewater Capital Construction</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Totals</i>
\$ -	\$ 62,486	\$ -	\$ -	\$ -	\$ 62,486
-	(4,432)	-	-	-	(138,078)
-	(74,459)	-	-	-	(74,459)
-	(16,405)	-	-	-	(150,051)
-	-	-	-	-	412,990
-	-	-	-	-	(60,067)
-	-	-	-	-	67,675
-	-	-	-	-	7,608
8,314	251	174	1,155	2,094	41,450
8,314	(16,154)	174	1,155	2,094	311,997
526,193	17,403	10,983	73,058	132,505	2,419,031
<u>\$ 534,507</u>	<u>\$ 1,249</u>	<u>\$ 11,157</u>	<u>\$ 74,213</u>	<u>\$ 134,599</u>	<u>\$ 2,731,028</u>

CITY OF SWEET HOME, OREGON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS (Continued)
YEAR ENDED JUNE 30, 2018

	<u>Water SDC</u>	<u>Water Capital Construction</u>	<u>Water Depreciation Reserve</u>	<u>Wastewater SDC</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ -	\$ (440)	\$ -
Depreciation				
Change in assets and liabilities:				
Accounts receivable	-	-	-	-
Deferred outflows	-	-	-	-
Accounts payable and accrued liabilities	-	-	(133,206)	-
OPEB liability	-	-	-	-
Deferred inflows	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (133,646)</u>	<u>\$ -</u>
 <i>Noncash Transactions</i>				
Transfer of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,067)</u>	<u>\$ -</u>

<i>Wastewater Capital Construction</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Totals</i>
\$ -	\$ (274,563) 257,606	\$ -	\$ -	\$ -	\$ (275,003) 257,606
-	652	-	-	-	652
-	(168)	-	-	-	(168)
-	58	-	-	-	(133,148)
-	32	-	-	-	32
-	(22)	-	-	-	(22)
<u>\$ -</u>	<u>\$ (16,405)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,051)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,067)</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2018

	<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	\$ 2,129,758	\$ (66,673)
Miscellaneous	3,589	3,589	19,042	15,453
<i>Total Revenues</i>	2,200,020	2,200,020	2,148,800	(51,220)
EXPENDITURES				
Operations	1,149,177	1,149,177	1,122,936	26,241
Debt service				
Principal	337,821	337,821	337,821	-
Interest	160,771	160,771	160,770	1
Capital outlay	10,220	10,220	1,699	8,521
Contingency	71,153	71,153	-	71,153
<i>Total Expenditures</i>	1,729,142	1,729,142	1,623,226	105,916
REVENUES OVER (UNDER)				
EXPENDITURES	470,878	470,878	525,574	54,696
OTHER FINANCING SOURCES (USES)				
Transfers out	(567,356)	(567,356)	(567,356)	-
NET CHANGE IN FUND BALANCE	(96,478)	(96,478)	(41,782)	54,696
FUND BALANCE, beginning of year	179,018	179,018	200,149	21,131
FUND BALANCE, end of year	\$ 82,540	\$ 82,540	\$ 158,367	\$ 75,827

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – WASTEWATER FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,702,621	\$ 2,702,621	\$ 2,674,840	\$ (27,781)
Miscellaneous	5,155	5,155	6,445	1,290
<i>Total Revenues</i>	2,707,776	2,707,776	2,681,285	(26,491)
EXPENDITURES				
Operations	1,187,665	1,187,665	1,166,113	21,552
Debt service				
Principal	678,171	678,171	678,171	-
Interest	203,006	203,006	203,006	-
Capital outlay	23,085	23,085	6,053	17,032
Contingency	40,111	40,111	-	40,111
<i>Total Expenditures</i>	2,132,038	2,132,038	2,053,343	78,695
REVENUES OVER (UNDER) EXPENDITURES	575,738	575,738	627,942	52,204
OTHER FINANCING SOURCES (USES)				
Transfers out	(413,702)	(413,702)	(264,034)	149,668
NET CHANGE IN FUND BALANCE	162,036	162,036	363,908	201,872
FUND BALANCE (Deficit), beginning of year	-	-	(37,069)	(37,069)
FUND BALANCE, end of year	\$ 162,036	\$ 162,036	\$ 326,839	\$ 164,803

CITY OF SWEET HOME, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER DEPRECIATION RESERVE FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ -	\$ (2,000,000)
Miscellaneous	4,953	4,953	20,276	15,323
<i>Total Revenues</i>	2,004,953	2,004,953	20,276	(1,984,677)
EXPENDITURES				
Operations	750,000	750,000	683	749,317
Capital outlay	2,590,334	2,590,334	129,890	2,460,444
<i>Total Expenditures</i>	3,340,334	3,340,334	130,573	3,209,761
REVENUES OVER (UNDER) EXPENDITURES	(1,335,381)	(1,335,381)	(110,297)	1,225,084
OTHER FINANCING SOURCES (USES)				
Transfers in	286,836	286,836	143,418	(143,418)
NET CHANGE IN FUND BALANCE	(1,048,545)	(1,048,545)	33,121	1,081,666
FUND BALANCE, beginning of year	1,261,715	1,261,715	1,264,339	2,624
FUND BALANCE, end of year	\$ 213,170	\$ 213,170	\$ 1,297,460	\$ 1,084,290

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER SDC FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 43,021	\$ 41,521
Miscellaneous	1,667	1,667	9,018	7,351
<i>Total Revenues</i>	3,167	3,167	52,039	48,872
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	(271,833)	(271,833)	52,039	323,872
FUND BALANCE, beginning of year	412,665	412,665	415,057	2,392
FUND BALANCE, end of year	\$ 140,832	\$ 140,832	\$ 467,096	\$ 326,264

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER CAPITAL CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 422	\$ 422	\$ 2,101	\$ 1,679
EXPENDITURES				
Capital outlay	170,000	170,000	-	170,000
REVENUES OVER (UNDER) EXPENDITURES	(169,578)	(169,578)	2,101	171,679
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	(94,578)	(94,578)	77,101	171,679
FUND BALANCE, beginning of year	96,780	96,780	96,902	122
FUND BALANCE, end of year	\$ 2,202	\$ 2,202	\$ 174,003	\$ 171,801

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER DEPRECIATION RESERVE FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,399	\$ 2,399	\$ 10,395	\$ 7,996
EXPENDITURES				
Operations	140,000	140,000	440	139,560
Capital outlay	420,000	420,000	60,067	359,933
<i>Total Expenditures</i>	560,000	560,000	60,507	499,493
REVENUES OVER (UNDER)				
EXPENDITURES	(557,601)	(557,601)	(50,112)	507,489
OTHER FINANCING SOURCES (USES)				
Transfers in	337,990	337,990	337,990	-
NET CHANGE IN FUND BALANCE	(219,611)	(219,611)	287,878	507,489
FUND BALANCE, beginning of year	651,775	651,775	552,900	(98,875)
FUND BALANCE, end of year	\$ 432,164	\$ 432,164	\$ 840,778	\$ 408,614

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER SDC FUND
YEAR ENDED JUNE 30, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 24,654	\$ 23,654
Miscellaneous	1,877	1,877	7,948	6,071
<i>Total Revenues</i>	2,877	2,877	32,602	29,725
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	(347,123)	(347,123)	32,602	379,725
FUND BALANCE, beginning of year	447,935	447,935	447,324	(611)
FUND BALANCE, end of year	\$ 100,812	\$ 100,812	\$ 479,926	\$ 379,114

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER CAPITAL CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,295	\$ 2,295	\$ 8,314	\$ 6,019
EXPENDITURES				
Materials and services	75,000	75,000	-	75,000
Capital outlay	435,000	435,000	-	435,000
<i>Total Expenditures</i>	<u>510,000</u>	<u>510,000</u>	<u>-</u>	<u>510,000</u>
NET CHANGE IN FUND BALANCE	(507,705)	(507,705)	8,314	516,019
FUND BALANCE, beginning of year	<u>525,526</u>	<u>525,526</u>	<u>526,193</u>	<u>667</u>
FUND BALANCE, end of year	<u>\$ 17,821</u>	<u>\$ 17,821</u>	<u>\$ 534,507</u>	<u>\$ 516,686</u>

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – STORM WATER DRAINAGE FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 60,000	\$ 60,000	\$ 61,951	\$ 1,951
Miscellaneous	529	529	251	(278)
<i>Total Revenues</i>	60,529	60,529	62,202	1,673
EXPENDITURES				
Operations	84,588	84,588	78,892	5,696
NET CHANGE IN FUND BALANCE	(24,059)	(24,059)	(16,690)	7,369
FUND BALANCE, beginning of year	25,847	25,847	25,372	(475)
FUND BALANCE, end of year	\$ 1,788	\$ 1,788	\$ 8,682	\$ 6,894

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 47	\$ 47	\$ 174	\$ 127
EXPENDITURES				
Capital outlay	10,700	10,700	-	10,700
NET CHANGE IN FUND BALANCE	(10,653)	(10,653)	174	10,827
FUND BALANCE, beginning of year	10,970	10,970	10,983	13
FUND BALANCE, end of year	\$ 317	\$ 317	\$ 11,157	\$ 10,840

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 164	\$ 164	\$ 1,155	\$ 991
EXPENDITURES				
Operations	10,000	10,000	-	10,000
Capital outlay	55,000	55,000	-	55,000
<i>Total Expenditures</i>	65,000	65,000	-	65,000
NET CHANGE IN FUND BALANCE	(64,836)	(64,836)	1,155	65,991
FUND BALANCE, beginning of year	72,873	72,873	73,058	185
FUND BALANCE, end of year	\$ 8,037	\$ 8,037	\$ 74,213	\$ 66,176

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 423	\$ 423	\$ 2,094	\$ 1,671
EXPENDITURES				
Operations	10,000	10,000	-	10,000
Capital outlay	120,000	120,000	-	120,000
<i>Total Expenditures</i>	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
NET CHANGE IN FUND BALANCE	(129,577)	(129,577)	2,094	131,671
FUND BALANCE, beginning of year	<u>132,244</u>	<u>132,244</u>	<u>132,505</u>	<u>261</u>
FUND BALANCE, end of year	<u>\$ 2,667</u>	<u>\$ 2,667</u>	<u>\$ 134,599</u>	<u>\$ 131,932</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND BALANCES - ELECTED OFFICIALS
YEAR ENDED JUNE 30, 2018

	<i>Cash Balance</i>	<i>Receipts</i>	<i>Turnovers to</i>		<i>Cash Balance</i>
	<i>July 1, 2017</i>		<i>City</i>	<i>Other</i>	<i>June 30, 2018</i>
Councilors	\$ -	\$ 1,553	\$ (803)	\$ (750)	\$ -

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, 2018, and have issued our report thereon dated February 15, 2019.

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

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

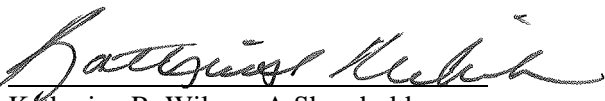
Internal Control Over Financial Reporting

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

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: 
Katherine R. Wilson, A Shareholder
February 15, 2019