



City of
Sweet Home, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2019

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019



BRANDON NEISH, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Officials	1
Letter of Transmittal	2-5
Organizational Chart	6
FINANCIAL SECTION	
Independent Auditor's Report	7-9
Management's Discussion and Analysis	10-19
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Fund Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Notes to Basic Financial Statements	30-58
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	59
Public Safety Fund	60
State Gas Tax Fund	61
Schedule of the City's Proportionate Share of the Net Pension Liability – Oregon Public Employees Retirement System	62
Schedule of the City's Contributions – Oregon Public Employees Retirement System	63
Schedule of Changes in Other Postemployment Benefits Liability and Related Ratios - Implicit Rate Subsidy	64
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset) – Oregon Public Employees Retirement System Retiree Health Insurance Account	65
Schedule of the City's Contributions – Oregon Public Employees Retirement System Retiree Health Insurance Account	66
Other Supplementary Information	
Nonmajor Governmental Funds - Statements and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Building Reserve Fund	67
Combining Balance Sheet	68-69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70-71

CITY OF SWEET HOME
TABLE OF CONTENTS (Continued)

<i>FINANCIAL SECTION (Continued)</i>	<u>Page</u>
Other Supplementary Information (Continued)	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Narcotics Enforcement Fund	72
Library Levy Fund	73
Parks and Recreation Program Fund	74
Path Program Reserve Fund	75
Street Maintenance Improvements Fund	76
Economic and Community Development Fund	77
Community Center Operating Fund	78
Special Assessments Fund	79
Public Transit Grant Fund	80
Weddle Bridge Fund	81
Special Events Fund	82
Project/Equipment Reserve Fund	83
Police Facilities Fund	84
Proprietary Funds - Statements and Schedules	
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Water Operations Combined	85
Water Fund	86
Water SDC Fund	87
Water Capital Construction Fund	88
Water Depreciation Reserve Fund	89
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Wastewater Operations Combined	90
Wastewater Fund	91
Wastewater SDC Fund	92
Wastewater Capital Construction Fund	93
Wastewater Depreciation Reserve Fund	94
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Storm Water Drainage Operations Combined	95
Storm Water Drainage Fund	96
Storm Water SDC Fund	97
Storm Water Capital Fund	98
Storm Water Depreciation Fund	99
 <i>COMPLIANCE SECTION</i>	
Independent Auditor's Report Required by Oregon State Regulations	100-101

CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2019

MAYOR

Term Expires

Greg Mahler, Mayor

December 31, 2022

CITY COUNCIL MEMBERS

Diane Gerson, President Pro-Tempore

December 31, 2022

Susan Coleman

December 31, 2022

James Goble

December 31, 2020

Lisa Gourley

December 31, 2020

Cortney Nash

December 31, 2020

Dave Trask

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
W. Blair Larsen, Community and Economic Development Director
Jeff Lynn, Police Chief
Rose Peda, Library Director
Greg Springman, Public Works Director

MAILING ADDRESS

City Hall
3225 Main Street
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

May 20, 2020

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, 2019. This year, due to the construction of the City's new City Hall and the COVID-19 pandemic, 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, 2019 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. has issued an opinion that the City's financial statements for the year ended June 30, 2019 are in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is located before 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 9,340. 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

During the 2019 fiscal year, the City Council saw one new member join its ranks. Councilor Cortney Nash joined the Council in January 2019 for a two-year term while Councilors Susan Coleman, Diane Gerson and Greg Mahler were reelected to four-year terms. Councilor Mahler was chosen by the Council to serve another term as Mayor and Councilor Gerson was selected to serve as President pro-tempore. In this role, Councilor Gerson will back up the Mayor as head of the Council in the event he is unable to discharge his duties.

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.

2019 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.

2019 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.

2019 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 with regional services and work to connect them with 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 2018-2019 fiscal year, Sweet Home experienced very little turnover in staffing, a welcome shift from the prior fiscal year. In total, five employees left the City, one of them being a department head. The Community and Economic Development Director left in February 2019 and an interim Director was appointed to fill the role until a new Director was appointed in June. In total, only two of the six executive staff members have been in their roles for more than three (3) years.

Property Upgrades

The City saw significant progress on outstanding construction projects in the 2019 fiscal year. In December 2018, construction began in earnest on the former Forest Service building on Main Street that the City purchased in 2016. Five months and \$1.2 million later, the City of Sweet Home had a new City Hall. Included in the facility were two conference rooms available to the public, a new City Council Chambers which presented a significant upgrade from the annex behind the former City Hall that served as the Council Chambers previously, significant space for staff and available space for future growth and expansion. New lobby space in the facility allows customers to comfortably do business in City Hall. Also included in the building is updated technology to benefit the City and the community. Each conference room is outfitted with touch panel TV screens, computers and a conference room phone system to provide a space for presentations and collaboration. The new City Hall is truly a space that the community can be proud of and embraces the community vibe and history.

Engineering work continued as well on the Wastewater Treatment Plant. The preliminary designs for the upgraded plant were completed in early 2019 and includes rehabilitating much of the existing plant while expanding capacity through additional, new fixtures. The preliminary design included an initial project price of \$28.2 million. Which this is a significant price tag for the community, grants have poured into the City after the City demonstrated its dedication to the project with significant funding of its own. The City has guaranteed \$7.0 million in funding set aside from customer utility rates that were raised in November 2017 and reserves set aside over nearly a decade.

As a result of the City's hard work and savings, the state legislature has also graciously agreed to contribute \$9 million in grant funds through the Oregon Lottery and the U.S. Department of Agriculture has agreed to \$3 million in loan forgiveness funds. These funds (\$19 million) plus some additional loan forgiveness and grant opportunities will leave the City with needing to borrow less than \$10 million which will have a profound, positive impact on user rates in the future. The City would like to thank its state representatives, State Senator Fred Girod and State House Representative Sherrie Sprenger for their dedication and for fighting for the City of Sweet Home. Construction on the plant is scheduled to begin in the summer and fall of 2021 with an estimated completion target of spring 2023.

Previously disposed of by Council, the old Water Treatment Plant on 9th Avenue was still on the real estate market at the end of the fiscal year. 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 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, 2019, and the results of operations of such funds and cash flow of the proprietary fund types for the year ended in conformity with generally accepted accounting principles (GAAP).

During the fiscal year of 2018-2019, 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 a department level (includes personnel, materials & services and capital outlay), contingencies, debt service and transfers in all funds. These levels are adopted in a resolution by the City Council following a public hearing held in May or June of the preceding 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 can 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 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
3225 Main Street
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, 2019, 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, 2019, 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.

Emphasis of Matter

During the year, the City combined related enterprise funds into three operations: Water, Wastewater and Storm Water. In addition, the City implemented Governmental Standards Accounting Board (GASB) Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements", as detailed in the footnotes to the financial statements. Our opinion is not modified with respect to these matters.

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 Safety 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 May 20, 2020, 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
May 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2019

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 20).

FINANCIAL HIGHLIGHTS

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

	<i>June 30,</i>		
	<u>2019</u>	<u>2018</u>	<u>change</u>
Net position	\$ 34,108	\$ 32,531	\$ 1,577
Change in net position	1,577	(211)	1,788
Governmental activities net position	18,933	19,134	(201)
Business-type activities net position	15,175	13,397	1,778
Change in governmental net assets	(201)	(1,325)	1,124
Change in proprietary net assets	1,778	1,114	664

The City's net position increased by \$1,577 thousand (or 4%). The increase is due to a combination of an increase in cash for the wastewater treatment plant and additions to equipment.

Governmental activities revenues increased by \$882 thousand (or 15%) due to increases in charges for services, operating grants, taxes and assessments and other income.

Governmental activities program costs increased by \$962 thousand and business-type activities program costs increased by \$633 thousand.

Charges for services in the business-type activities increased \$477 thousand (10%) due to an increase in billing rates.

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

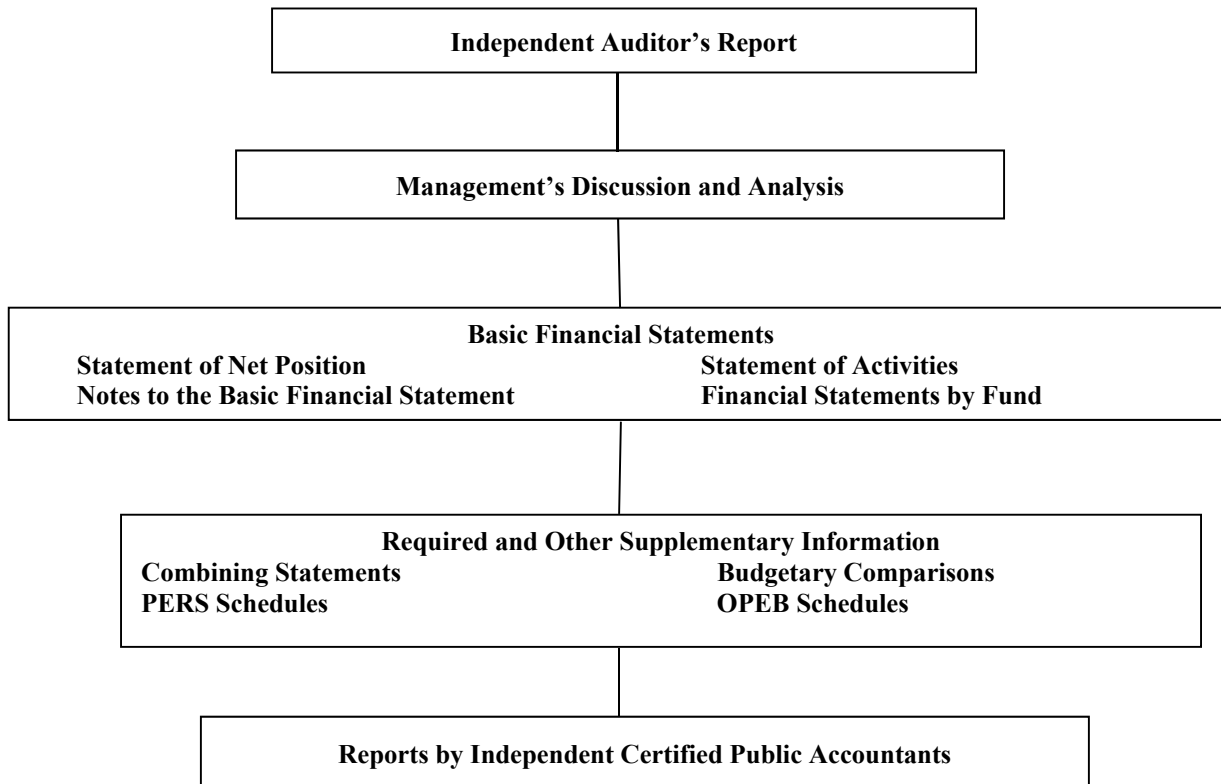
Wastewater Operation represents 55% of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Road.

Storm Water Operations represent 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 City 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 proprietary funds are presented in their own column and the remaining funds are combined into a column titled "Non-Major Enterprise."
- The Notes to the Basic 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, and State Gas Tax.

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 20.

Statements of Net Position						
June 30,						
(in thousands)						
	2019			2018		
	<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	\$ 7,007	\$ 4,346	\$ 11,353	\$ 6,466	\$ 4,182	\$ 10,648
Other assets	(58)	1,592	1,534	945	826	1,771
Capital assets	13,062	25,303	38,365	12,340	25,549	37,889
<i>Total Assets</i>	<u>20,011</u>	<u>31,241</u>	<u>51,252</u>	<u>19,751</u>	<u>30,557</u>	<u>50,308</u>
Deferred outflows	788	10	798	618	2	620
Other liabilities	269	360	629	114	407	521
Long-term liabilities	1,507	15,715	17,222	1,090	16,753	17,843
<i>Total Liabilities</i>	<u>1,776</u>	<u>16,075</u>	<u>17,851</u>	<u>1,204</u>	<u>17,160</u>	<u>18,364</u>
Deferred inflows	90	1	91	31	2	33
Net position:						
Net investment in capital assets	13,062	9,659	22,721	12,340	8,868	21,208
Restricted	5,088	1,729	6,817	3,182	1,642	4,824
Unrestricted	783	3,787	4,570	3,612	2,887	6,499
<i>Total Net Position</i>	<u>\$ 18,933</u>	<u>\$ 15,175</u>	<u>\$ 34,108</u>	<u>\$ 19,134</u>	<u>\$ 13,397</u>	<u>\$ 32,531</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)						
	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 571	\$ 5,344	\$ 5,915	\$ 517	\$ 4,867	\$ 5,384
Operating grants and contributions	864	-	864	716	-	716
Capital grant and contributions	181	62	243	-	-	-
General Revenues						
Taxes and assessments	3,691	-	3,691	3,431	-	3,431
Other	1,383	126	1,509	1,144	171	1,315
Total Revenues	6,690	5,532	12,222	5,808	5,038	10,846
Expenses						
Programs	7,354	3,291	10,645	7,250	3,614	10,864
Transfers	463	(463)	-	279	(279)	-
Change in Net Position	(201)	1,778	1,577	(1,163)	1,145	(18)
Beginning Net Position	19,134	13,397	32,531	20,459	12,283	32,742
Restatement	-	-	-	(162)	(31)	(193)
Beginning Net Position, restated	19,134	13,397	32,531	20,297	12,252	32,549
Ending Net Position	\$ 18,933	\$ 15,175	\$ 34,108	\$ 19,134	\$ 13,397	\$ 32,531

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 \$1,389 thousand at year end. The fund balance decreased by \$251 thousand during the current fiscal year. The fund had expenditures in excess of revenues of \$499 thousand, and net transfers in of \$247 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 50% of total General Fund expenditures.

Public Safety Fund. The Public Safety 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 \$1,634 thousand at year end. The fund balance increased by \$447 thousand during the current fiscal year primarily due to an increase in taxes and assessments. Fund balance represents 66% of total Public Safety Fund expenditures.

State Gas Tax Fund. The State Gas Tax Fund is used to account for the City's share of state gasoline tax revenues which are restricted for use in the maintenance of streets. The fund balance was \$311 thousand at year end. The fund balance increased by \$81 thousand during the year primarily due to the delay of maintenance and

improvement projects, a direct result of a lack of staff capacity.

Building Reserve Fund. The Building Reserve Fund is used to account for activities related to the construction of City Hall. The fund balance decreased by \$1,110 due to expenses related to construction, funded mainly by an interfund loan from the Water Depreciation Reserve fund. The fund has a deficit fund balance at year-end.

FUND FINANCIAL ANALYSIS: PROPRIETARY FUNDS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs for providing services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations: Water Operations, Wastewater Operations and Storm Water Operations (non-major).

Water Operations. Water Operations accounts for the operation of the City’s water department and facilities. The fund’s combined net position was \$3,522 thousand at year end, an increase of \$581 thousand during the current fiscal year due to the combination of an increase in charges for services coupled with a decrease in materials and services. The fund had \$909 thousand of operating revenues in excess of operating expenses, interest expense of roughly \$152 thousand, and net transfers out to other funds of \$211 thousand.

Wastewater Operations. Wastewater Operations accounts for the operation of the City’s sewer utility and related facilities. The fund’s combined net position was \$11,162 thousand at year end, an increase of \$1,448 thousand during the current fiscal year, as the City continues to set aside funds for the rehabilitation of the treatment plant in 2022-2023.

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.

Governmental Funds - Fund Balances						
June 30,						
(in thousands)						
Major Funds	2019		2018		Compared to	
	Amount	%	Amount	%	Prior Year	Change
					Change	%
General	\$ 1,389	23%	\$ 1,641	25%	\$ (252)	-15%
Public Safety	1,634	27%	1,196	18%	438	37%
State Gas Tax	311	5%	230	4%	81	35%
Building Reserve	(766)	-13%	344	5%	(1,110)	-323%
Other Governmental Funds	3,488	58%	3,111	48%	377	12%
Total fund balances	<u>\$ 6,056</u>	<u>100%</u>	<u>\$ 6,522</u>	<u>100%</u>	<u>\$ (466)</u>	<u>-7%</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.

Proprietary Funds - Fund Net Position
June 30,
(in thousands)

Major Funds	2019		2018		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water Operations	\$ 3,522	23%	\$ 2,941	22%	\$ 581	20%
Wastewater Operations	11,162	74%	9,714	72%	1,448	15%
Other Business-type Funds	490	3%	741	6%	(251)	-34%
Total fund net position	<u>\$ 15,175</u>	<u>100%</u>	<u>\$ 13,397</u>	<u>100%</u>	<u>\$ 1,778</u>	<u>13%</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 positive 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 \$1.4 million fund balance in the General Fund represents six months of expenditures while the \$1.6 million in the Police Department and the \$311 thousand in the State Gas Tax represents eight and two months respectively. The Building Reserve fund has a deficit fund balance of \$766 at year end. Ending fund balances are higher than previous years as the City shifts focus to a six-month reserve at the end of a five-year forecast. Furthermore, additional funds are being set aside as the community begins a process to evaluate the current Library building and determine next steps which could include renovation of the 1960s era facility or construction of a new building. A consultant has been hired by the City to engage the community and other stakeholders on what is best moving forward.

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 General Fund adopted budget during the 2018-2019 fiscal year. City Council approved a transfer resolution authorizing the transfer of funds of \$1,000 from the General Fund Finance Department and \$15,000 from Contingency to the General Fund Executive/Council Department of \$6,000 and the General Fund Non-Departmental Materials and Services of \$10,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business activities as of year-end was \$38 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and infrastructure. The total increase in the City’s investment in capital assets for the current fiscal year was \$477 thousand (a \$722 thousand increase for governmental activities and a \$245 thousand decrease for business-type activities.)

**Capital Assets at June 30,
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and improvements	\$ 3,536	\$ 3,536	\$ -	\$ -	\$ 3,536	\$ 3,536
Buildings	10,776	9,617	21,855	21,855	32,631	31,472
Equipment	1,812	1,616	636	612	2,448	2,228
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
Construction in progress	215	62	15,042	14,489	15,257	14,551
Accumulated depreciation	<u>(29,013)</u>	<u>(28,227)</u>	<u>(22,527)</u>	<u>(21,705)</u>	<u>(51,540)</u>	<u>(49,932)</u>
Net capital assets	<u>\$ 13,062</u>	<u>\$ 12,340</u>	<u>\$ 25,303</u>	<u>\$ 25,548</u>	<u>\$ 38,365</u>	<u>\$ 37,888</u>

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

**Table 6
Changes in Capital Assets
(in thousands)**

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 12,340	\$ 25,548	\$ 37,888
Additions	1,627	577	2,204
Retirements	(16)	-	(16)
Depreciation	<u>(889)</u>	<u>(822)</u>	<u>(1,711)</u>
Ending balance	<u>\$ 13,062</u>	<u>\$ 25,303</u>	<u>\$ 38,365</u>

The City began a focused effort during the previous fiscal year of replacing aging equipment. Capital assets had 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 had 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 2019, the Police Department purchased one new detective's vehicle and purchased an additional patrol unit. These vehicles replaced two aged vehicles to return to a regular replacement cycle. Public Works purchased two new work trucks and other equipment that will assist in making staff more efficient and effective as they have the tools they need. The City is continuing to place funds in an equipment reserve annually to continue implementing 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, 2019 and 2018 is summarized below.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Loans/leases	\$ 39	\$ 24	\$ 15,644	\$ 16,680	\$ 15,683	\$ 16,704

For more detailed information the City’s debt and amortization terms refer to pages 40-43 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 2.1% of the City’s Real Market Value (RMV) of property in the city. City policy allows for total debt of \$22.4 million based on 2019 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 final design services with Murraysmith on a refurbished Wastewater Treatment Plant as outlined in the transmittal letter. The Wastewater Treatment Rehabilitation Project is estimated to cost at least \$28.2 million, and is scheduled for completion in Spring 2023. As the project moves into the construction phase, additional debt will be sought to finance the project and the City Council will need to review the current financial policy of the City to determine if appropriate to raise the current debt limit of 3% of real market value. With current debt outstanding of \$15.6 million, the City can currently only incur another \$6.8 million of debt and comply with policy.

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 continued a program known as the Community Exterior Improvement Program, or CEIP, which provides 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.

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.

In November 2017, Council revised 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 while continuing to build a reserve for this audited fiscal year. With the fund no longer operating in a deficit, staff proposed for the new budget year to leave the sewer rate at the November change. For the 2020 fiscal year, it is projected that these rates will produce nearly \$500 thousand toward 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 2023.

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 3225 Main Street, Sweet Home, Oregon 97386.

BASIC FINANCIAL STATEMENTS

CITY OF SWEET HOME, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 7,006,800	\$ 4,346,242	\$ 11,353,042
Accounts receivable	215,278	622,739	838,017
Property taxes receivable	181,247	-	181,247
Assessment liens receivable	18,778	81,602	100,380
Loans receivable	311,635	-	311,635
Prepaid expenses	4,056	-	4,056
Internal balances	(800,000)	800,000	-
Inventories	-	88,235	88,235
OPEB asset	11,338	-	11,338
Non-depreciable capital assets	3,751,725	15,042,344	18,794,069
Other capital assets, net of depreciation	9,310,090	10,260,513	19,570,603
<i>Total Assets</i>	<u>20,010,947</u>	<u>31,241,675</u>	<u>51,252,622</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	723,484	-	723,484
Deferred outflows related to OPEB	64,433	10,198	74,631
<i>Total Deferred Outflows</i>	<u>787,917</u>	<u>10,198</u>	<u>798,115</u>
LIABILITIES			
Accounts payable	268,733	91,233	359,966
Deposits payable	-	162,359	162,359
Accrued interest payable	-	106,085	106,085
Noncurrent liabilities:			
Due within one year:			
Long-term debt	25,304	1,053,004	1,078,308
Accrued compensated absences	172,209	33,408	205,617
Due in more than one year:			
Long-term debt	13,569	14,590,726	14,604,295
OPEB liability	223,288	38,231	261,519
Net pension liability	1,072,333	-	1,072,333
<i>Total Liabilities</i>	<u>1,775,436</u>	<u>16,075,046</u>	<u>17,850,482</u>
DEFERRED INFLOWS			
Deferred inflows related to pensions	79,645	-	79,645
Deferred inflows related to OPEB	10,762	1,292	12,054
<i>Total Deferred Inflows</i>	<u>90,407</u>	<u>1,292</u>	<u>91,699</u>
NET POSITION			
Net investment in capital assets	13,061,815	9,659,127	22,720,942
Restricted for:			
Public safety	1,846,696	-	1,846,696
Construction	-	1,139,688	1,139,688
Community development	2,808,025	-	2,808,025
Library	433,138	-	433,138
Debt service	-	589,633	589,633
Unrestricted	783,347	3,787,087	4,570,434
<i>Total Net Position</i>	<u>\$ 18,933,021</u>	<u>\$ 15,175,535</u>	<u>\$ 34,108,556</u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,664,503	\$ 299,650	\$ 300	\$ -
Library	335,759	9,369	19,699	-
Parks	974,283	220	21,859	-
Community development	1,442,267	4,234	785,724	181,279
Public safety	2,900,049	257,061	3,437	-
Community center	37,569	-	33,117	-
<i>Total Governmental activities</i>	7,354,430	570,534	864,136	181,279
Business-type activities:				
Water	1,603,180	2,345,279	-	40,746
Wastewater	1,369,470	2,936,392	-	21,297
Storm water	318,242	62,851	-	-
<i>Total Business-type activities</i>	3,290,892	5,344,522	-	62,043
<i>Total Activities</i>	<u>\$ 10,645,322</u>	<u>\$ 5,915,056</u>	<u>\$ 864,136</u>	<u>\$ 243,322</u>

General Revenues:

Property taxes
Franchise taxes
Intergovernmental
Miscellaneous

Total General Revenues

Transfers

Change in net position

Net Position - beginning of year

Net Position - end of year

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (1,364,553)	\$ -	\$ (1,364,553)
(306,691)	-	(306,691)
(952,204)	-	(952,204)
(471,030)	-	(471,030)
(2,639,551)	-	(2,639,551)
(4,452)	-	(4,452)
(5,738,481)	-	(5,738,481)
-	782,845	782,845
-	1,588,219	1,588,219
-	(255,391)	(255,391)
-	2,115,673	2,115,673
(5,738,481)	2,115,673	(3,622,808)
3,691,182	-	3,691,182
681,696	-	681,696
417,347	-	417,347
284,790	125,939	410,729
5,075,015	125,939	5,200,954
462,874	(462,874)	-
(200,592)	1,778,738	1,578,146
19,133,613	13,396,797	32,530,410
\$ 18,933,021	\$ 15,175,535	\$ 34,108,556

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue</u>		
	<u>General</u>	<u>Public Safety</u>	<u>State Gas Tax</u>
ASSETS			
Cash and investments	\$ 1,467,364	\$ 1,666,269	\$ 263,694
Accounts receivable	1,263,377	-	60,751
Property taxes receivable	30,957	130,806	-
Assessment liens receivable	875	-	-
Loans receivable	-	-	-
Prepaid expenses	1,972	-	-
Due from other funds	8,346	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 2,772,891	\$ 1,797,075	\$ 324,445
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 136,953	\$ 31,976	\$ 13,582
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	136,953	31,976	13,582
Deferred Inflows			
Unavailable revenue	1,246,669	130,805	-
Fund Balance:			
Non-spendable	1,972	-	-
Restricted for:			
Public safety	-	1,634,294	-
Community development	-	-	310,863
Library	-	-	-
Committed to:			
Parks	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Unrestricted	1,387,297	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	1,389,269	1,634,294	310,863
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities, Deferred Inflows, and Fund Balances</i>	\$ 2,772,891	\$ 1,797,075	\$ 324,445
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Capital Projects

<i>Building Reserve</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 94,969	\$ 3,514,504	\$ 7,006,800
-	18,551	1,342,679
-	19,484	181,247
-	17,903	18,778
-	311,635	311,635
-	2,084	4,056
-	-	8,346
<hr/>	<hr/>	<hr/>
\$ 94,969	\$ 3,884,161	\$ 8,873,541
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
\$ 60,720	\$ 25,502	\$ 268,733
800,000	8,346	808,346
<hr/>	<hr/>	<hr/>
860,720	33,848	1,077,079
-	362,540	1,740,014
-	2,084	4,056
-	82,104	1,716,398
-	2,154,105	2,464,968
-	416,572	416,572
-	55,795	55,795
-	13,255	13,255
-	769,194	769,194
(765,751)	(5,336)	616,210
<hr/>	<hr/>	<hr/>
(765,751)	3,487,773	6,056,448
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
\$ 94,969	\$ 3,884,161	\$ 8,873,541
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

CITY OF SWEET HOME, OREGON
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

<i>Fund Balances</i>	\$ 6,056,448
<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	1,740,014
Court receivables, net of allowance	(1,127,401)
<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	42,075,451
Accumulated depreciation	(29,013,636)
<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	(38,873)
Accrued compensated absences	(172,209)
Net pension liability	(1,072,333)
OPEB asset	11,338
OPEB liability	(223,288)
<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	787,917
Deferred inflows	(90,407)
	<hr/>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 18,933,021</u></u>

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

CITY OF SWEET HOME, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<i>Special Revenue</i>		
	<i>General Fund</i>	<i>Public Safety</i>	<i>State Gas Tax</i>
REVENUES			
Taxes and assessments	\$ 700,379	\$ 2,797,786	\$ -
Licenses and permits	929,431	717	-
Charges for services	26,630	-	-
Intergovernmental	337,165	51,447	671,443
Fines and forfeitures	178,866	-	-
Miscellaneous	79,602	86,590	5,789
<i>Total Revenues</i>	<u>2,252,073</u>	<u>2,936,540</u>	<u>677,232</u>
EXPENDITURES			
Current			
General government	1,558,603	-	-
Library	-	-	-
Parks	299,397	-	-
Community development	539,554	-	479,878
Public safety	237,925	2,423,404	-
Community center	-	-	-
Capital outlay	115,847	65,189	14,562
<i>Total Expenditures</i>	<u>2,751,326</u>	<u>2,488,593</u>	<u>494,440</u>
REVENUES OVER (UNDER) EXPENDITURES	(499,253)	447,947	182,792
OTHER FINANCING SOURCES (USES)			
Transfers in	327,441	-	-
Transfers out	(80,000)	(10,000)	(102,177)
<i>Total Other Financing Sources (Uses)</i>	<u>247,441</u>	<u>(10,000)</u>	<u>(102,177)</u>
NET CHANGE IN FUND BALANCE	(251,812)	437,947	80,615
FUND BALANCE, beginning of year	<u>1,641,081</u>	<u>1,196,347</u>	<u>230,248</u>
FUND BALANCE (Deficit), end of year	<u>\$ 1,389,269</u>	<u>\$ 1,634,294</u>	<u>\$ 310,863</u>

<i>Capital Projects</i>		
<i>Building Reserve</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 415,667	\$ 3,913,832
-	-	930,148
-	-	26,630
-	283,308	1,343,363
-	5,669	184,535
16,050	277,706	465,737
16,050	982,350	6,864,245
-	-	1,558,603
-	336,755	336,755
-	9,770	309,167
-	127,428	1,146,860
-	325	2,661,654
-	37,569	37,569
1,205,559	263,287	1,664,444
1,205,559	775,134	7,715,052
(1,189,509)	207,216	(850,807)
80,000	262,240	669,681
-	(93,000)	(285,177)
80,000	169,240	384,504
(1,109,509)	376,456	(466,303)
343,758	3,111,317	6,522,751
\$ (765,751)	\$ 3,487,773	\$ 6,056,448

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, 2019**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ (466,303)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(157,191)
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.	(40,527)
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	1,627,724
Depreciation	(889,924)
Net book value of dispositions	(16,087)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.	
Capital leases issued	(40,758)
Capital leases paid	26,116
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.	(243,642)
	<hr/>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ (200,592)</u></u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Non-Major Enterprise Storm Water Operations</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and investments	\$ 1,380,615	\$ 2,735,446	\$ 230,181	\$ 4,346,242
Accounts receivable	256,592	359,096	7,051	622,739
Inventories	51,617	36,618	-	88,235
<i>Total Current Assets</i>	1,688,824	3,131,160	237,232	5,057,216
Noncurrent Assets				
Assessment liens receivable	48,714	32,888	-	81,602
Due from other funds	800,000	-	-	800,000
Nondepreciable capital assets	-	15,042,344	-	15,042,344
Other capital assets, net of depreciation	9,189,116	813,226	258,171	10,260,513
<i>Total Noncurrent Assets</i>	10,037,830	15,888,458	258,171	26,184,459
<i>Total Assets</i>	11,726,654	19,019,618	495,403	31,241,675
DEFERRED OUTFLOWS				
Deferred outflows related to OPEB	5,800	3,649	749	10,198
LIABILITIES				
Current Liabilities				
Accounts payable	65,484	23,561	2,188	91,233
Deposits payable	162,359	-	-	162,359
Accrued interest payable	87,022	19,063	-	106,085
Current portion of long-term liabilities				
Long-term debt	348,391	704,613	-	1,053,004
Accrued compensated absences	23,590	9,818	-	33,408
<i>Total Current Liabilities</i>	686,846	757,055	2,188	1,446,089
Noncurrent Liabilities				
Long-term debt	7,500,978	7,089,748	-	14,590,726
OPEB liability	21,744	13,681	2,806	38,231
<i>Total Noncurrent Liabilities</i>	7,522,722	7,103,429	2,806	14,628,957
<i>Total Liabilities</i>	8,209,568	7,860,484	4,994	16,075,046
DEFERRED INFLOWS				
Deferred inflows related to OPEB	735	462	95	1,292
FUND NET POSITION				
Net investment in capital assets	1,339,747	8,061,209	258,171	9,659,127
Restricted for debt service	-	589,633	-	589,633
Restricted for construction	577,965	550,312	11,411	1,139,688
Unrestricted	1,604,439	1,961,167	221,481	3,787,087
<i>Total Fund Net Position</i>	\$ 3,522,151	\$ 11,162,321	\$ 491,063	\$ 15,175,535

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, 2019**

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Non-Major Enterprise Storm Water Operations</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 2,345,279	\$ 2,936,392	\$ 62,851	\$ 5,344,522
Miscellaneous	14,857	2,926	-	17,783
<i>Total Operating Revenues</i>	2,360,136	2,939,318	62,851	5,362,305
OPERATING EXPENSES				
Personal services	438,281	259,011	57,069	754,361
Materials and services	692,917	722,860	3,567	1,419,344
Depreciation	319,704	244,557	257,606	821,867
<i>Total Operating Expenses</i>	1,450,902	1,226,428	318,242	2,995,572
OPERATING INCOME (LOSS)	909,234	1,712,890	(255,391)	2,366,733
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	34,777	68,361	5,018	108,156
Interest expense	(152,278)	(143,042)	-	(295,320)
<i>Total Nonoperating Revenues (Expenses)</i>	(117,501)	(74,681)	5,018	(187,164)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	791,733	1,638,209	(250,373)	2,179,569
Capital contributions	40,746	21,297	-	62,043
Transfers in	311,677	1,260,419	-	1,572,096
Transfers out	(513,929)	(1,442,671)	-	(1,956,600)
Non-cash transfers out	(49,519)	(28,851)	-	(78,370)
CHANGE IN FUND NET POSITION	580,708	1,448,403	(250,373)	1,778,738
FUND NET POSITION, beginning of year	2,941,443	9,713,918	741,436	13,396,797
FUND NET POSITION, end of year	<u>\$ 3,522,151</u>	<u>\$ 11,162,321</u>	<u>\$ 491,063</u>	<u>\$ 15,175,535</u>

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, 2019

	<i>Water Operations</i>	<i>Wastewater Operations</i>	<i>Non-Major Enterprise Storm Water Operations</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Collected from customers	\$ 2,382,074	\$ 2,942,167	\$ 63,299	\$ 5,387,540
Paid to suppliers	(619,252)	(831,884)	(1,685)	(1,452,821)
Paid to employees	(431,001)	(274,603)	(57,668)	(763,272)
<i>Net Cash Provided by (Used in) Operating Activities</i>	1,331,821	1,835,680	3,946	3,171,447
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Received from (paid to) other funds	(800,000)	-	-	(800,000)
Transfers in	311,677	1,260,419	-	1,572,096
Transfers out	(513,931)	(1,442,671)	-	(1,956,602)
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(1,002,254)	(182,252)	-	(1,184,506)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(70,584)	(584,406)	-	(654,990)
Principal paid on long-term debt	(345,539)	(691,194)	-	(1,036,733)
Contribution of capital	41,223	20,342	-	61,565
Interest paid	(155,677)	(145,313)	-	(300,990)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(530,577)	(1,400,571)	-	(1,931,148)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	34,777	68,361	5,017	108,155
<i>Increase (Decrease) in Cash and Investments</i>	(166,233)	321,218	8,963	163,948
CASH AND INVESTMENTS, Beginning of year	1,546,848	2,414,228	221,218	4,182,294
CASH AND INVESTMENTS, End of year	\$ 1,380,615	\$ 2,735,446	\$ 230,181	\$ 4,346,242

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, 2019

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Non-Major Enterprise Storm Water Operations</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 909,234	\$ 1,712,890	\$ (255,391)	\$ 2,366,733
Depreciation	319,704	244,557	257,606	821,867
Change in assets and liabilities:				
Accounts receivable	8,186	2,849	448	11,483
Deferred outflows	(5,028)	(2,692)	(581)	(8,301)
Inventory	22,715	(404)	-	22,311
Accounts payable and accrued liabilities	48,252	(108,620)	1,882	(58,486)
Customer deposits	16,450	-	-	16,450
Accrued vacation payable	3,230	(10,421)	-	(7,191)
OPEB liability	9,024	(2,097)	35	6,962
Deferred inflows	54	(382)	(53)	(381)
	<u>\$ 1,331,821</u>	<u>\$ 1,835,680</u>	<u>\$ 3,946</u>	<u>\$ 3,171,447</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>				
<i>Noncash Transactions</i>				
Transfer of capital assets	<u>\$ (49,519)</u>	<u>\$ (28,851)</u>	<u>\$ -</u>	<u>\$ (78,370)</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, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following major governmental funds:

General Fund - this fund is used to account for all financial resources except those required to be accounted for in another fund. Primary sources of revenue are property taxes, franchise fees, state shared revenues, licenses and permits. Primary expenditures are made for public safety, parks and community services and general government.

Special Revenue Funds

Public Safety 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.

Capital Project Funds

Building Reserve Fund - this fund was established as a reserve for the new City Hall and accounts for the activity related to construction costs.

The City reports the following major proprietary funds:

Water Operations - Water operations consist of four funds, the Water fund, the Water SDC fund, the Water Capital Construction fund and the Water Depreciation Reserve fund. The operations fund is used to account for the acquisition, operations and maintenance of the City owned water utility system, which is funded primarily through user fees and system development charges.

Wastewater Operations - Wastewater operations consist of four funds, the Wastewater fund, the Wastewater SDC fund, the Wastewater Capital Construction fund and the Wastewater Depreciation Reserve fund. The operations fund is used to account for the acquisition, operations and maintenance of the City owned wastewater utility system, which is funded primarily through user fees and system development charges.

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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

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.

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

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 fund:

Storm Water Operations - Storm water operations consists of four funds, the Storm Water Drainage fund, the Storm Water SDC fund, the Storm Water Capital fund and the Storm Water Depreciation fund. The operations fund is used to account for the acquisition, operations and maintenance of the City's storm water drainage system, which is funded primarily through user fees and system development charges.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When expenditures are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

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

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

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

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of Net position. Net position is segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. “Available” is defined as being collectible within the current period or soon enough thereafter (30 days) to be used to liquidate liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are franchise taxes, licenses, interest revenue and charges for services. Fines and permits and property taxes revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, materials and supplies, and capital outlay. All revenues not considered operating are reported as nonoperating items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2019. 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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Unavailable Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the enterprise funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types are recognized as revenues if they are collected within thirty days of fiscal year end. Uncollected property taxes are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Linn County, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due.

Inventory

Inventories of supplies in the proprietary funds are stated at cost (first-in, first-out basis) and are charged to expense as used.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

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

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$200 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure is those capital assets that are stationary in 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, storm water and wastewater collection systems.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings	30-50 years
Improvements other than buildings	20 years
Infrastructure	20-40 years
Equipment	3-15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

Long-Term Obligations

In the government-wide financial statements, and in proprietary fund types, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs at the time of issuance. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The City reports deferred outflows of resources related to pensions and other post-employment benefits for contributions made after the June 30, 2018 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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting (Continued)

The City begins its budgeting process in December and incorporates the goals and objectives of the City Council established during an annual training. Utilizing the goals and objectives adopted by City Council, city staff develops a proposed budget in early spring which is then 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 in late-May or 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 establishes the level of budgetary control at a department level (includes personnel, materials & services and capital outlay), contingencies, debt service and transfers in all funds. These levels are adopted in a resolution by City Council following a public hearing held in May or June of the preceding fiscal year. The adopted budget is implemented through the City's accounting operations and the provision of City services.

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

A detailed budget document that contains more specific information on all funds, their operational purposes, their levels of budgetary controls and historical data is 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, 2019:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 2,683	\$ 2,683
Deposits with financial institutions	1,055,637	1,055,637
Certificates of deposit	143,726	143,726
Investments		
Local Government Investment Pool	10,150,996	10,150,996
	<u>\$ 11,353,042</u>	<u>\$ 11,353,042</u>

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

CASH AND INVESTMENTS (Continued)

Deposits

The book balance of the City's bank deposits with various financial institutions was \$1,199,363 and the bank balance was \$1,360,064 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, 2019, \$860,064 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, 2019, 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.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City would not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. Currently, the City's investments are limited to the Local Government Investment Pool (LGIP).

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.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

Business-type Activities

	Balances July 1, 2018	Increases	Decreases	Balances June 30, 2019
NON-DEPRECIABLE				
Construction in progress-wastewater	\$ 14,489,096	\$ 553,248	\$ -	\$ 15,042,344
DEPRECIABLE				
Equipment-water	178,820	21,065	-	199,885
Equipment-wastewater	431,473	2,307	-	433,780
Equipment - storm water	1,886	-	-	1,886
Water facilities	12,072,866	-	-	12,072,866
Sewer facilities	9,782,260	-	-	9,782,260
Storm water infrastructure	10,296,700	-	-	10,296,700
<i>Total depreciable</i>	32,764,005	23,372	-	32,787,377
ACCUMULATED DEPRECIATION				
Equipment-water	\$ (159,653)	\$ (17,882)	\$ -	\$ (177,535)
Equipment-wastewater	(431,472)	-	-	(431,472)
Equipment - storm water	(945)	(189)	-	(1,134)
Water facilities	(2,604,274)	(301,822)	-	(2,906,096)
Wastewater facilities	(8,726,787)	(244,557)	-	(8,971,344)
Storm water infrastructure	(9,781,866)	(257,417)	-	(10,039,283)
<i>Total accumulated depreciation</i>	(21,704,997)	(821,867)	-	(22,526,864)
<i>Business-type activities capital assets, net</i>	\$ 25,548,104	\$ (245,247)	\$ -	\$ 25,302,857

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS (Continued)

Governmental Activities

	<i>Balances July 1, 2018</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2019</i>
NON-DEPRECIABLE				
Land and improvements	\$ 3,536,500	\$ -	\$ -	\$ 3,536,500
Construction in progress	61,903	181,279	(27,957)	215,225
<i>Total non-depreciable</i>	3,598,403	181,279	(27,957)	3,751,725
DEPRECIABLE				
Buildings	9,617,294	1,158,402	-	10,775,696
Equipment	1,615,550	316,000	(119,528)	1,812,022
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	36,968,852	1,474,402	(119,528)	38,323,726
ACCUMULATED DEPRECIATION				
Buildings	(5,409,374)	(240,433)	-	(5,649,807)
Equipment	(1,615,550)	(6,091)	103,442	(1,518,199)
Infrastructure	(21,202,230)	(643,400)	-	(21,845,630)
<i>Total accumulated depreciation</i>	(28,227,154)	(889,924)	103,442	(29,013,636)
<i>Governmental activities capital assets, net</i>	<u>\$ 12,340,101</u>	<u>\$ 765,757</u>	<u>\$ (44,043)</u>	<u>\$ 13,061,815</u>

Depreciation expense in the amount of \$889,924 was charged to general government on the statement of activities.

LONG-TERM DEBT

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

	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Direct borrowings - leases	\$ 24,231	\$ 40,758	\$ (26,116)	\$ 38,873	\$ 25,304

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2018</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2019</u>	<u>Due Within One Year</u>
<i>Business-type Activities</i>					
Direct borrowings	\$ 16,680,463	\$ -	\$ (1,036,733)	\$ 15,643,730	\$ 1,053,004

Governmental Activities - Direct Borrowings

Municipal Lease - Auto Leasing Specialists, LLC: In August 2017, the City entered into an agreement with Auto Leasing Specialists, LLC to finance the lease of a 2017 Ford Explorer. The City will repay this amount over a three year period in annual payments of \$13,496, including 7.26% interest. The lease is secured by equipment. In the event of default, the equipment may be repossessed.

\$ 12,554

Municipal Lease - Auto Leasing Specialists, LLC: In August 2018, the City entered into an agreement with Auto Leasing Specialists, LLC to finance the lease of a 2018 Ford Interceptor SUV. The City will repay this amount over a three year period in annual payments of \$14,439, including 6.42% interest. The lease is secured by equipment. In the event of default, the equipment may be repossessed.

\$ 26,319

Annual debt service requirements to maturity for capital leases payable are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 25,304	\$ 2,630	\$ 27,934
2021	13,569	942	14,511
	<u>\$ 38,873</u>	<u>\$ 3,572</u>	<u>\$ 42,445</u>

Business-type Activities - Direct Borrowings

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, 2019. 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. In the event of default, the loan becomes immediately due and payable.

\$ 1,463,760

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

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

\$ 5,297,375

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%. In the event of default, the loan becomes immediately due and payable.

\$ 2,551,994

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, 2019, 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. In the event of default, the loan becomes immediately due and payable.

\$ 3,080,601

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, 2019, 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. In the event of default, the loan becomes immediately due and payable.

\$ 3,250,000

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for loans payable are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 1,053,004	\$ 281,720	\$ 1,334,724
2021	1,074,726	261,998	1,336,724
2022	1,092,015	241,034	1,333,049
2023	1,114,787	219,587	1,334,374
2024	1,137,943	198,130	1,336,073
2025-2029	4,903,604	691,158	5,594,762
2030-2034	3,429,145	289,706	3,718,851
2035-2039	1,560,364	63,091	1,623,455
2040	278,142	2,782	280,924
	<u>\$ 15,643,730</u>	<u>\$ 2,249,206</u>	<u>\$ 17,892,936</u>

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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

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, 2019

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, 2016 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 9.74% for Tier One/Tier Two members, 0.79% 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 \$77,552.

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 \$68,069 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, 2019, the City reported a liability of \$1,072,333 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2019 and 2018, the City's proportion was 0.00708% and 0.00573%, respectively.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

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, 2019, the City recognized pension expense of \$239,503. At June 30, 2019, 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	\$ 36,478	\$ -
Changes of assumptions	249,315	-
Net difference between projected and actual earnings on investments	-	47,618
Changes in proportionate share	350,018	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,121	32,027
Contributions subsequent to measurement date	77,552	-
Total	<u>\$ 723,484</u>	<u>\$ 79,645</u>

Deferred outflows of resources related to pensions of \$77,552 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, 2020. 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>		
2020	\$	241,570
2021		197,364
2022		67,095
2023		49,427
2024		10,831
Total	<u>\$</u>	<u>566,287</u>

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2016 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	7.20%
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><i>Healthy retirees and beneficiaries:</i></p> <p>RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i></p> <p>RP-2014 Employees, sex-distinct, generational with unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Disabled retirees:</i></p> <p>RP-2014 Disabled retirees, sex-distinct, generational with unisex, Social Security Data Scale.</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 2016 experience study which reviewed experience for the four-year period ending on December 31, 2016.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

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 %	3.49 %
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund - Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50 %

Discount Rate

The discount rate used to measure the total pension liability was 7.20% 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, 2019

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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 1,792,071	\$ 1,072,333	\$ 478,248

Pension Plan Fiduciary Net Position

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

DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the ICMA IRC Section 401 defined contribution pension plan agreement for all full-time general and emergency services employees who are union members and not covered by another retirement plan, the City’s contribution rate is 12% of the employee's salary. There is no mandatory or voluntary employee contribution and the plan does not provide for employer “pick-up” of any employee contributions. The City’s contribution to this plan for fiscal year ended June 30, 2019 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, 2019 was \$109,244 on \$695,822 of covered non-contractual City payroll.

Plan Description (Continued)

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

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

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

DEFINED CONTRIBUTION PENSION PLAN (Continued)

Deferred Compensation

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

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:

	<i>Implicit Rate Subsidy Plan</i>	<i>PERS RHIA Plan</i>	<i>Total OPEB on Financials</i>
Net OPEB Asset	\$ -	\$ 11,338	\$ 11,338
Deferred Outflows of Resources			
Contributions Subsequent to Measurement Date	19,497	4,875	24,372
Differences Between Expected and Actual Experience	39,438	-	39,438
Change in Assumptions	10,821	-	10,821
Total OPEB Liability	(261,519)	-	(261,519)
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	-	(643)	(643)
Changes of Assumptions	(8,835)	(36)	(8,871)
Net Difference Between Projected and Actual Earnings	-	(2,444)	(2,444)
Changes in Proportionate Share	-	(96)	(96)
OPEB Expense/(Income)	8,479	(6,060)	2,419

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.

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Implicit Rate Subsidy

Plan Description (Continued)

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	2
Active employees	50
	<u>52</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 \$261,519 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018. For the fiscal year ended June 30, 2019, the City recognized OPEB expense from this plan of \$8,479. At June 30, 2019, 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>
Differences between expected an actual experience	\$ 39,438	\$ -
Changes of assumptions	10,821	8,835
Contributions subsequent to measurement date	19,497	-
Total	<u>\$ 69,756</u>	<u>\$ 8,835</u>

Deferred outflows of resources related to OPEB of \$19,497 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, 2020.

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

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>		
2020	\$	(5,268)
2021		(5,268)
2022		(5,268)
2023		(5,268)
2024		(5,268)
Thereafter		(15,084)
Total	\$	<u>(41,424)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability for the June 30, 2019 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 3.87% (change from 3.58% in the previous measurement period), medical and vision varies between 6.75% and 4.75% (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-2014 healthy annuitant, sex-distinct, generational with unisex, Social Security Data Scale, with collar adjustments and setbacks. 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, 2018	\$ 193,511
Changes for the year:	
Service cost	15,436
Interest on total OPEB liability	7,272
Effect of economic/demographic gains or losses	44,767
Effect of assumptions changes or inputs	12,283
Benefit payments	(11,750)
Balance as of June 30, 2019	<u>\$ 261,519</u>

The effect of changes in assumptions is the result of the change in the discount rate from 3.58% to 3.87%.

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

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 (2.87 percent) or 1 percentage point higher (4.87 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 (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 282,945	\$ 261,519	\$ 241,917

Healthcare Cost Trend:

	<u>1% Decrease (5.75% decreasing to 3.75%)</u>	<u>Current Healthcare Trend Rate (6.75% decreasing to 4.75%)</u>	<u>1% Increase (7.75% decreasing to 5.75%)</u>
Total OPEB Liability	\$ 235,320	\$ 261,519	\$ 292,543

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, 2019

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, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2018. 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, 2019 contributions was \$4,875.

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

At June 30, 2019, the City reported an asset of \$11,338 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportionate share was 0.01016%, which was equal to its proportion of 0.00963% as of June 30, 2017.

For the year ended June 30, 2019, the City recognized a credit to OPEB expense from this plan of \$6,060. At June 30, 2019, 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>
Differences between expected and actual experience	\$ -	\$ 643
Changes of assumptions	-	36
Net difference between projected and actual earnings	-	2,444
Changes in proportionate share	-	96
Contributions subsequent to the MD	4,875	-
Total	<u>\$ 4,875</u>	<u>\$ 3,219</u>

Deferred outflows of resources related to OPEB of \$4,875 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, 2020. 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, 2019

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)

	<u>Year ended June 30:</u>	
2020	\$	(1,072)
2021		(1,070)
2022		(834)
2023		(243)
Total	<u>\$</u>	<u>(3,219)</u>

Actuarial Methods and Assumptions

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 7.20%, 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 (6.20%) or 1 percentage point higher (8.20%) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Net OPEB Liability (Asset)	\$ (6,601)	\$ (11,338)	\$ (15,369)

OPEB Plan Fiduciary Net Position

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

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.

CITY OF SWEET HOME, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

TRANSFERS

Interfund transfers on a budgetary basis for the year ended June 30, 2019, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 327,441	\$ 80,000
Public Safety	-	10,000
State Gas Tax	-	102,177
Building Reserve	80,000	-
Non-major governmental	262,240	93,000
Water Operations	311,677	513,929
Wastewater Operations	1,260,419	1,442,671
	<u>\$ 2,241,777</u>	<u>\$ 2,241,777</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

During the year, the Water Depreciation Reserve fund issued an \$800,000 interfund loan to the Building Reserve fund for construction of the new city hall. Annual payments of principal plus interest at 2.50% are required through December 2028.

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, 2019 occurred as follows:

<u>Fund Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Finance	\$ 446,829	\$ 449,338	\$ (2,509)
Non-departmental materials and services	639,127	654,774	(15,647)
Public Transit Grant			
Materials and services	88,958	100,961	(12,003)
Building Reserve			
Capital outlay	1,194,290	1,205,559	(11,269)
Wastewater			
Operations	372,635	373,807	(1,172)
Debt service	834,169	836,508	(2,339)

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

DEFICIT FUND BALANCES

The following fund reported a deficit fund balance as of June 30, 2019:

<u><i>Fund Name</i></u>	<u><i>Deficit Fund Balance</i></u>
Community Center	\$ (5,336)
Building Reserve	(765,751)

NEW PRONOUNCEMENTS

During the year, the City implemented GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The objective of this statement is to improve the consistency of the information presented in notes to governmental financial statements related to debt, including director borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 697,294	\$ 697,294	\$ 700,379	\$ 3,085
Licenses and permits	756,108	756,108	929,431	173,323
Charges for services	28,535	28,535	26,630	(1,905)
Intergovernmental	308,862	308,862	337,165	28,303
Fines and forfeitures	155,612	155,612	178,866	23,254
Miscellaneous	65,519	65,519	79,602	14,083
<i>Total Revenues</i>	2,011,930	2,011,930	2,252,073	240,143
EXPENDITURES				
Executive and legislative	322,297	328,297	328,182	115
Municipal court	263,433	263,433	238,126	25,307
Community and economic development	621,574	621,574	547,285	74,289
Parks and facilities	402,761	402,761	401,870	891
Finance	447,829	446,829	449,338	(2,509)
Non-departmental				
Personnel services	140,903	140,903	131,751	9,152
Materials and services	629,127	639,127	654,774	(15,647)
Contingency	126,677	111,677	-	111,677
<i>Total Expenditures</i>	2,954,601	2,954,601	2,751,326	203,275
REVENUES OVER (UNDER) EXPENDITURES	(942,671)	(942,671)	(499,253)	443,418
OTHER FINANCING SOURCES (USES)				
Transfers in	327,441	327,441	327,441	-
Transfers out	(80,000)	(80,000)	(80,000)	-
<i>Total Other Financing Sources (Uses)</i>	247,441	247,441	247,441	-
NET CHANGE IN FUND BALANCE	(695,230)	(695,230)	(251,812)	443,418
FUND BALANCE, beginning of year	1,672,382	1,672,382	1,641,081	(31,301)
FUND BALANCE, end of year	\$ 977,152	\$ 977,152	\$ 1,389,269	\$ 412,117

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – PUBLIC SAFETY FUND
YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes and assessments	\$ 2,567,909	\$ 2,567,909	\$ 2,797,786	\$ 229,877
Licenses and permits	320	320	717	397
Intergovernmental	48,010	48,010	51,447	3,437
Miscellaneous	45,651	45,651	86,590	40,939
<i>Total Revenues</i>	<u>2,661,890</u>	<u>2,661,890</u>	<u>2,936,540</u>	<u>274,650</u>
EXPENDITURES				
Police department	2,649,962	2,649,962	2,488,593	161,369
Contingency	123,897	123,897	-	123,897
<i>Total Expenditures</i>	<u>2,773,859</u>	<u>2,773,859</u>	<u>2,488,593</u>	<u>285,266</u>
REVENUES OVER (UNDER) EXPENDITURES	(111,969)	(111,969)	447,947	559,916
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	(10,000)	-
NET CHANGE IN FUND BALANCE	(121,969)	(121,969)	437,947	559,916
FUND BALANCE, beginning of year	<u>1,207,522</u>	<u>1,207,522</u>	<u>1,196,347</u>	<u>(11,175)</u>
FUND BALANCE, end of year	<u><u>\$ 1,085,553</u></u>	<u><u>\$ 1,085,553</u></u>	<u><u>\$ 1,634,294</u></u>	<u><u>\$ 548,741</u></u>

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 658,843	\$ 658,843	\$ 671,443	\$ 12,600
Miscellaneous	1,094	1,094	5,789	4,695
<i>Total Revenues</i>	659,937	659,937	677,232	17,295
EXPENDITURES				
Streets	714,876	714,876	494,440	220,436
REVENUES OVER (UNDER) EXPENDITURES	(54,939)	(54,939)	182,792	237,731
OTHER FINANCING SOURCES (USES)				
Transfers out	(102,177)	(102,177)	(102,177)	-
NET CHANGE IN FUND BALANCE	(157,116)	(157,116)	80,615	237,731
FUND BALANCE, beginning of year	160,448	160,448	230,248	69,800
FUND BALANCE, end of year	\$ 3,332	\$ 3,332	\$ 310,863	\$ 307,531

CITY OF SWEET HOME, OREGON

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0071%	0.0057%	0.0026%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net pension liability (asset)	\$ 1,072,333	\$ 771,872	\$ 384,674	\$ -	\$ -	\$ -
City's covered payroll	1,054,603	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	101.7%	72.5%	39.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	82.1%	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 SIX FISCAL YEARS¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 77,552	\$ 78,084	\$ 33,298	\$ 30,422	\$ 20,843	\$ 18,502
Contributions in relation to the contractually required contribution	<u>(77,552)</u>	<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>	<u>\$ -</u>
City's covered payroll	\$ 1,054,603	\$ 1,064,041	\$ 985,491	\$ 935,590	\$ 859,981	\$ 763,360
Contributions as a percentage of covered payroll	7.35%	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
LAST TWO FISCAL YEARS¹**

	<u>2019</u>	<u>2018</u>
Service cost	\$ 15,436	\$ 16,475
Interest on total OPEB liability	7,272	5,805
Effect of economic/demographic gains or (losses)	44,767	-
Effect of assumption change or inputs	12,283	(11,880)
Benefit payments	(11,750)	(8,141)
	<hr/>	<hr/>
Net change in total OPEB liability	68,008	2,259
Net OPEB liability, beginning	193,511	191,252
	<hr/>	<hr/>
Net OPEB liability, ending	<u>\$ 261,519</u>	<u>\$ 193,511</u>
	<hr/>	<hr/>
Covered payroll	\$ 3,092,386	\$ 3,087,862
Total OPEB liability as a % of covered payroll	8.5%	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 THREE FISCAL YEARS¹**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.0102%	0.0096%	0.0097%
City's proportionate share of the net OPEB liability (asset)	\$ (11,338)	\$ (4,021)	\$ 2,646
City's covered payroll	1,054,603	1,064,041	985,491
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.1%	-0.4%	0.3%
Plan fiduciary net position as a percentage of the total pension liability	124.0%	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 THREE FISCAL YEARS¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 4,875	\$ 4,796	\$ 2,646
Contributions in relation to the contractually required contribution	<u>(4,875)</u>	<u>(4,796)</u>	<u>(2,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,054,603	\$ 1,064,041	\$ 985,491
Contributions as a percentage of covered-employee payroll	0.46%	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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 16,050	\$ 16,050
EXPENDITURES				
Capital outlay	1,194,290	1,194,290	1,205,559	(11,269)
REVENUES OVER (UNDER) EXPENDITURES	(1,194,290)	(1,194,290)	(1,189,509)	4,781
OTHER FINANCING SOURCES (USES)				
Transfers in	830,000	830,000	880,000	50,000
NET CHANGE IN FUND BALANCE	(364,290)	(364,290)	(309,509)	54,781
FUND BALANCE, beginning of year	364,290	364,290	343,758	(20,532)
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	34,249	<u>\$ 34,249</u>
Interfund loan			<u>(800,000)</u>	
FUND BALANCE (Deficit), end of year GAAP basis			<u>\$ (765,751)</u>	

CITY OF SWEET HOME, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement Reserve</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
ASSETS			
Cash and investments	\$ 81,800	\$ 436,064	\$ 56,416
Accounts receivable	-	-	-
Property taxes receivable	-	19,484	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenses	-	2,084	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 81,800	\$ 457,632	\$ 56,416
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 19,492	\$ 621
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	-	19,492	621
Deferred Inflows			
Unavailable revenue	-	19,484	-
Fund Balance:			
Non-spendable	-	2,084	-
Restricted for:			
Community development	-	-	-
Library	-	416,572	-
Public safety	81,800	-	-
Committed to:			
Parks	-	-	55,795
Community development	-	-	-
Captial outlay	-	-	-
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	81,800	418,656	55,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 81,800	\$ 457,632	\$ 56,416
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvements</i>	<i>Economic and Community Development</i>	<i>Community Center Operations</i>	<i>Special Assessments</i>
\$ 452,061	\$ 1,191,436	\$ 507,031	\$ -	\$ 5,075
-	-	-	5,299	-
-	-	-	-	-
-	7,109	-	-	10,794
-	-	311,635	-	-
-	-	-	-	-
<u>\$ 452,061</u>	<u>\$ 1,198,545</u>	<u>\$ 818,666</u>	<u>\$ 5,299</u>	<u>\$ 15,869</u>
\$ -	\$ -	\$ 2,300	\$ 2,289	\$ -
-	-	-	8,346	-
-	-	2,300	10,635	-
-	7,109	311,635	-	11,060
-	-	-	-	-
452,061	1,191,436	504,731	-	4,809
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(5,336)	-
<u>452,061</u>	<u>1,191,436</u>	<u>504,731</u>	<u>(5,336)</u>	<u>4,809</u>
<u>\$ 452,061</u>	<u>\$ 1,198,545</u>	<u>\$ 818,666</u>	<u>\$ 5,299</u>	<u>\$ 15,869</u>

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

JUNE 30, 2019

	<i>Special Revenue</i>		
	<i>Public Transit Grant</i>	<i>Weddle Bridge</i>	<i>Special Events</i>
ASSETS			
Cash and investments	\$ 1,068	\$ 4,883	\$ 9,172
Accounts receivable	13,252	-	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenses	-	-	-
<i>Total Assets</i>	<u>\$ 14,320</u>	<u>\$ 4,883</u>	<u>\$ 9,172</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 800
Due to other funds	-	-	-
<i>Total Liabilities</i>	-	-	800
Deferred Inflows			
Unavailable revenue	13,252	-	-
Fund Balance:			
Non-spendable	-	-	-
Restricted for:			
Community development	1,068	-	-
Library	-	-	-
Public safety	-	-	-
Committed to:			
Parks	-	-	-
Community development	-	4,883	8,372
Capital outlay	-	-	-
Unassigned	-	-	-
<i>Total Fund Balance</i>	<u>1,068</u>	<u>4,883</u>	<u>8,372</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 14,320</u>	<u>\$ 4,883</u>	<u>\$ 9,172</u>

<u>Capital Projects</u>	<u>Debt Service</u>	
<u>Project/ Equipment Reserve</u>	<u>Police Facilities</u>	<u>Total</u>
\$ 769,194	\$ 304	\$ 3,514,504
-	-	18,551
-	-	19,484
-	-	17,903
-	-	311,635
-	-	2,084
<u>\$ 769,194</u>	<u>\$ 304</u>	<u>\$ 3,884,161</u>
\$ -	\$ -	\$ 25,502
-	-	8,346
-	-	33,848
-	-	362,540
-	-	2,084
-	-	2,154,105
-	-	416,572
-	304	82,104
-	-	55,795
-	-	13,255
769,194	-	769,194
-	-	(5,336)
<u>769,194</u>	<u>304</u>	<u>3,487,773</u>
<u>\$ 769,194</u>	<u>\$ 304</u>	<u>\$ 3,884,161</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement Reserve</i>	<i>Library Levy</i>	<i>Parks and Recreation Program</i>
REVENUES			
Taxes and assessments	\$ -	\$ 415,667	\$ -
Intergovernmental	-	-	-
Fines and forfeitures	507	5,162	-
Miscellaneous	1,963	35,131	29,259
<i>Total Revenues</i>	2,470	455,960	29,259
EXPENDITURES			
Current			
Library	-	336,755	-
Parks	-	-	9,770
Community development	-	-	-
Public safety	325	-	-
Community center	-	-	-
Capital outlay	14,850	-	23,671
<i>Total Expenditures</i>	15,175	336,755	33,441
REVENUES OVER (UNDER) EXPENDITURES	(12,705)	119,205	(4,182)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(13,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	(13,000)	-
NET CHANGE IN FUND BALANCE	(12,705)	106,205	(4,182)
FUND BALANCE (Deficit), beginning of year	94,505	312,451	59,977
FUND BALANCE (Deficit), end of year	\$ 81,800	\$ 418,656	\$ 55,795

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvements</i>	<i>Economic and Community Development</i>	<i>Community Center Operations</i>	<i>Special Assessments</i>
\$ -	\$ -	\$ -	\$ -	\$ -
-	181,279	-	-	-
-	-	-	-	-
8,616	30,624	51,050	33,005	4,537
8,616	211,903	51,050	33,005	4,537
-	-	-	-	-
-	-	-	-	-
-	-	22,300	-	-
-	-	-	-	-
-	-	-	37,569	-
-	224,766	-	-	-
-	224,766	22,300	37,569	-
8,616	(12,863)	28,750	(4,564)	4,537
130,000	-	-	-	-
-	(80,000)	-	-	-
130,000	(80,000)	-	-	-
138,616	(92,863)	28,750	(4,564)	4,537
313,445	1,284,299	475,981	(772)	272
\$ 452,061	\$ 1,191,436	\$ 504,731	\$ (5,336)	\$ 4,809

CITY OF SWEET HOME, OREGON

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

YEAR ENDED JUNE 30, 2019

	Special Revenue		
	Public Transit Grant	Weddle Bridge	Special Events
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	102,029	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	109	5,163
<i>Total Revenues</i>	102,029	109	5,163
EXPENDITURES			
Current			
Library	-	-	-
Parks	-	-	-
Community development	100,961	-	4,167
Public safety	-	-	-
Community center	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	100,961	-	4,167
REVENUES OVER (UNDER) EXPENDITURES	1,068	109	996
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
NET CHANGE IN FUND BALANCE	1,068	109	996
FUND BALANCE, beginning of year	-	4,774	7,376
FUND BALANCE, end of year	\$ 1,068	\$ 4,883	\$ 8,372

<u>Capital Projects</u>		<u>Debt Service</u>	
<u>Project/ Equipment Reserve</u>		<u>Police Facilities</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 415,667
-	-	-	283,308
-	-	-	5,669
78,242	7		277,706
<hr/>			
78,242	7		982,350
<hr/>			
-	-	-	336,755
-	-	-	9,770
-	-	-	127,428
-	-	-	325
-	-	-	37,569
-	-	-	263,287
<hr/>			
-	-	-	775,134
<hr/>			
78,242	7		207,216
<hr/>			
132,240	-		262,240
-	-		(93,000)
<hr/>			
132,240	-		169,240
<hr/>			
210,482	7		376,456
<hr/>			
558,712	297		3,111,317
<hr/>			
\$ 769,194	\$ 304	\$	\$ 3,487,773
<hr/> <hr/>			

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 507	\$ 507
Miscellaneous	750	750	1,963	1,213
<i>Total Revenues</i>	750	750	2,470	1,720
EXPENDITURES				
Police department	3,500	19,000	15,175	3,825
NET CHANGE IN FUND BALANCE	(2,750)	(18,250)	(12,705)	5,545
FUND BALANCE, beginning of year	93,510	93,510	94,505	995
FUND BALANCE, end of year	\$ 90,760	\$ 75,260	\$ 81,800	\$ 6,540

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY LEVY FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 381,043	\$ 381,043	\$ 415,667	\$ 34,624
Fines and forfeitures	5,500	5,500	5,162	(338)
Miscellaneous	5,000	5,000	35,131	30,131
<i>Total Revenues</i>	<u>391,543</u>	<u>391,543</u>	<u>455,960</u>	<u>64,417</u>
EXPENDITURES				
Library	498,275	498,275	336,755	161,520
Contingency	19,120	19,120	-	19,120
<i>Total Expenditures</i>	<u>517,395</u>	<u>517,395</u>	<u>336,755</u>	<u>180,640</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(125,852)</u>	<u>(125,852)</u>	<u>119,205</u>	<u>245,057</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(13,000)</u>	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(138,852)</u>	<u>(138,852)</u>	<u>106,205</u>	<u>245,057</u>
FUND BALANCE, beginning of year	<u>326,319</u>	<u>326,319</u>	<u>312,451</u>	<u>(13,868)</u>
FUND BALANCE, end of year	<u>\$ 187,467</u>	<u>\$ 187,467</u>	<u>\$ 418,656</u>	<u>\$ 231,189</u>

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARKS AND RECREATION PROGRAM FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,166	\$ 3,166	\$ 29,259	\$ 26,093
EXPENDITURES				
Parks and facilities	63,652	63,652	33,441	30,211
NET CHANGE IN FUND BALANCE	(60,486)	(60,486)	(4,182)	56,304
FUND BALANCE, beginning of year	60,486	60,486	59,977	(509)
FUND BALANCE, end of year	\$ -	\$ -	\$ 55,795	\$ 55,795

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,234	\$ 2,234	\$ 8,616	\$ 6,382
EXPENDITURES				
Streets	80,000	80,000	-	80,000
REVENUES OVER (UNDER) EXPENDITURES	(77,766)	(77,766)	8,616	86,382
OTHER FINANCING SOURCES (USES)				
Transfers in	130,000	130,000	130,000	-
NET CHANGE IN FUND BALANCE	52,234	52,234	138,616	86,382
FUND BALANCE, beginning of year	312,566	312,566	313,445	879
FUND BALANCE, end of year	\$ 364,800	\$ 364,800	\$ 452,061	\$ 87,261

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 181,279	\$ 181,279
Miscellaneous	10,151	10,151	30,624	20,473
<i>Total Revenues</i>	10,151	10,151	211,903	201,752
EXPENDITURES				
Streets	479,000	479,000	224,766	254,234
REVENUES OVER (UNDER) EXPENDITURES	(468,849)	(468,849)	(12,863)	455,986
OTHER FINANCING SOURCES (USES)				
Transfers out	(80,000)	(80,000)	(80,000)	-
NET CHANGE IN FUND BALANCE	(548,849)	(548,849)	(92,863)	455,986
FUND BALANCE, beginning of year	1,054,876	1,054,876	1,284,299	229,423
FUND BALANCE, end of year	\$ 506,027	\$ 506,027	\$ 1,191,436	\$ 685,409

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, 2019**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ 2,823	\$ 2,823	\$ 51,050	\$ 48,227
EXPENDITURES				
Economic development	475,852	475,852	22,300	453,552
NET CHANGE IN FUND BALANCE	(473,029)	(473,029)	28,750	501,779
FUND BALANCE, beginning of year	473,029	473,029	475,981	2,952
FUND BALANCE, end of year	\$ -	\$ -	\$ 504,731	\$ 504,731

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMMUNITY CENTER OPERATIONS FUND
YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 46,029	\$ 46,029	\$ 33,005	\$ (13,024)
EXPENDITURES				
Materials and services	46,029	46,029	37,569	8,460
NET CHANGE IN FUND BALANCE	-	-	(4,564)	(4,564)
FUND BALANCE (Deficit), beginning of year	-	-	(772)	(772)
FUND BALANCE (Deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,336)</u>	<u>\$ (5,336)</u>

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ASSESSMENTS FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 4,537	\$ 4,537
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	4,537	4,537
FUND BALANCE, beginning of year	825	825	272	(553)
FUND BALANCE, end of year	\$ 825	\$ 825	\$ 4,809	\$ 3,984

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 88,958	\$ 88,958	\$ 102,029	\$ 13,071
EXPENDITURES				
Materials and services	88,958	88,958	100,961	(12,003)
NET CHANGE IN FUND BALANCE	-	-	1,068	1,068
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,068	\$ 1,068

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – WEDDLE BRIDGE FUND
YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 109	\$ 109
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	109	109
FUND BALANCE, beginning of year	4,743	4,743	4,774	31
FUND BALANCE, end of year	\$ 4,743	\$ 4,743	\$ 4,883	\$ 140

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPECIAL EVENTS FUND
YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 5,871	\$ 5,871	\$ 5,163	\$ (708)
EXPENDITURES				
Materials and services	5,800	5,800	4,167	1,633
NET CHANGE IN FUND BALANCE	71	71	996	925
FUND BALANCE, beginning of year	7,328	7,328	7,376	48
FUND BALANCE, end of year	<u>\$ 7,399</u>	<u>\$ 7,399</u>	<u>\$ 8,372</u>	<u>\$ 973</u>

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 78,242	\$ 78,242
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	78,242	78,242
OTHER FINANCING SOURCES (USES)				
Transfers in	152,241	152,241	132,240	(20,001)
NET CHANGE IN FUND BALANCE	152,241	152,241	210,482	58,241
FUND BALANCE, beginning of year	117,656	117,656	558,712	441,056
FUND BALANCE, end of year	\$ 269,897	\$ 269,897	\$ 769,194	\$ 499,297

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 7	\$ 7
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	7	7
FUND BALANCE, beginning of year	-	-	297	297
FUND BALANCE, end of year	\$ -	\$ -	\$ 304	\$ 304

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
WATER OPERATIONS COMBINED
YEAR ENDED JUNE 30, 2019**

	<u>Water</u>	<u>Water SDC</u>	<u>Water Capital Construction</u>	<u>Water Depreciation Reserve</u>	<u>Total Water Operations</u>
REVENUES					
Charges for services	\$ 2,345,279	\$ -	\$ -	\$ -	\$ 2,345,279
Licenses and permits	-	41,222	-	-	41,222
Miscellaneous	20,895	12,693	6,426	9,622	49,636
<i>Total Revenues</i>	2,366,174	53,915	6,426	9,622	2,436,137
EXPENDITURES					
Operations	588,770	-	29,266	9,391	627,427
Treatment	544,363	-	-	-	544,363
Debt service					
Principal	345,539	-	-	-	345,539
Interest	155,677	-	-	-	155,677
<i>Total Expenditures</i>	1,634,349	-	29,266	9,391	1,673,006
REVENUES OVER (UNDER) EXPENDITURES	731,825	53,915	(22,840)	231	763,131
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	311,677	311,677
Transfers out	(513,929)	-	-	(800,000)	(1,313,929)
<i>Total Other Financing Sources (Uses)</i>	(513,929)	-	-	(488,323)	(1,002,252)
NET CHANGE IN FUND BALANCE	217,896	53,915	(22,840)	(488,092)	(239,121)
FUND BALANCE, beginning of year	158,367	467,096	174,003	840,778	1,640,244
FUND BALANCE, end of year	<u>\$ 376,263</u>	<u>\$ 521,011</u>	<u>\$ 151,163</u>	<u>\$ 352,686</u>	<u>\$ 1,401,123</u>

RECONCILE CHANGE IN NET POSITION - FUND BALANCE TO CHANGE IN NET POSITION, GAAP BASIS

NET CHANGE IN FUND BALANCE	\$ (239,121)
Change in inventories	(22,715)
Change in assessments receivable	(477)
Interfund loans issued	800,000
Depreciation	(319,704)
Capitalized expenses	21,066
Change in compensated absences	(3,229)
Principal payments	345,539
Change in accrued interest	3,399
Pension expense related to OPEB	(4,050)
CHANGE IN FUND NET POSITION	<u>\$ 580,708</u>

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,342,349	\$ 2,342,349	\$ 2,345,279	\$ 2,930
Miscellaneous	9,500	9,500	20,895	11,395
<i>Total Revenues</i>	2,351,849	2,351,849	2,366,174	14,325
EXPENDITURES				
Operations	615,366	615,366	588,770	26,596
Treatment	596,305	596,305	544,363	51,942
Debt service				
Principal	345,539	345,539	345,539	-
Interest	155,677	155,677	155,677	-
Contingency	56,309	56,309	-	56,309
<i>Total Expenditures</i>	1,769,196	1,769,196	1,634,349	134,847
REVENUES OVER (UNDER) EXPENDITURES	582,653	582,653	731,825	149,172
OTHER FINANCING SOURCES (USES)				
Transfers out	(513,929)	(513,929)	(513,929)	-
NET CHANGE IN FUND BALANCE	68,724	68,724	217,896	149,172
FUND BALANCE, beginning of year	248,958	248,958	158,367	(90,591)
FUND BALANCE, end of year	\$ 317,682	\$ 317,682	\$ 376,263	\$ 58,581

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – WATER SDC FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 41,222	\$ 16,222
Miscellaneous	750	750	12,693	11,943
<i>Total Revenues</i>	25,750	25,750	53,915	28,165
EXPENDITURES				
Operations	385,000	385,000	-	385,000
NET CHANGE IN FUND BALANCE	(359,250)	(359,250)	53,915	413,165
FUND BALANCE, beginning of year	468,591	468,591	467,096	(1,495)
FUND BALANCE, end of year	\$ 109,341	\$ 109,341	\$ 521,011	\$ 411,670

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 6,426	\$ 6,426
EXPENDITURES				
Operations	89,000	89,000	29,266	59,734
NET CHANGE IN FUND BALANCE	(89,000)	(89,000)	(22,840)	66,160
FUND BALANCE, beginning of year	160,936	160,936	174,003	13,067
FUND BALANCE, end of year	\$ 71,936	\$ 71,936	\$ 151,163	\$ 79,227

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 9,622	\$ 9,622
EXPENDITURES				
Operations	240,000	240,000	9,391	230,609
REVENUES OVER (UNDER) EXPENDITURES	(240,000)	(240,000)	231	240,231
OTHER FINANCING SOURCES (USES)				
Transfers in	311,677	311,677	311,677	-
Transfers out	(750,000)	(750,000)	(800,000)	(50,000) *
<i>Total Other Financing Sources (Uses)</i>	(438,323)	(438,323)	(488,323)	(50,000)
NET CHANGE IN FUND BALANCE	(678,323)	(678,323)	(488,092)	190,231
FUND BALANCE, beginning of year	779,006	779,006	840,778	61,772
FUND BALANCE, end of year	\$ 100,683	\$ 100,683	\$ 352,686	\$ 252,003

*Due to the issuance of an interfund loan. Not an overexpenditure of appropriations.

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
WASTEWATER OPERATIONS COMBINED
YEAR ENDED JUNE 30, 2019

	<u>Wastewater</u>	<u>Wastewater SDC</u>	<u>Wastewater Capital Construction</u>	<u>Wastewater Depreciation Reserve</u>	<u>Total Wastewater Operations</u>
REVENUES					
Charges for services	\$ 2,936,392	\$ -	\$ -	\$ -	\$ 2,936,392
Licenses and permits	-	20,342	-	-	20,342
Miscellaneous	6,212	11,896	14,770	38,409	71,287
<i>Total Revenues</i>	<u>2,942,604</u>	<u>32,238</u>	<u>14,770</u>	<u>38,409</u>	<u>3,028,021</u>
EXPENDITURES					
Operations	373,807	-	11,810	584,379	969,996
Treatment	612,276	-	-	-	612,276
Debt service					
Principal	691,194	-	-	-	691,194
Interest	145,314	-	-	-	145,314
<i>Total Expenditures</i>	<u>1,822,591</u>	<u>-</u>	<u>11,810</u>	<u>584,379</u>	<u>2,418,780</u>
REVENUES OVER (UNDER) EXPENDITURES	1,120,013	32,238	2,960	(545,970)	609,241
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	1,260,419	1,260,419
Transfers out	(1,442,671)	-	-	-	(1,442,671)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,442,671)</u>	<u>-</u>	<u>-</u>	<u>1,260,419</u>	<u>(182,252)</u>
NET CHANGE IN FUND BALANCE	(322,658)	32,238	2,960	714,449	426,989
FUND BALANCE, beginning of year	<u>326,839</u>	<u>479,925</u>	<u>534,507</u>	<u>1,297,460</u>	<u>2,638,731</u>
FUND BALANCE, end of year	<u>\$ 4,181</u>	<u>\$ 512,163</u>	<u>\$ 537,467</u>	<u>\$ 2,011,909</u>	<u>\$ 3,065,720</u>

RECONCILE CHANGE IN NET POSITION - FUND BALANCE TO CHANGE IN NET POSITION, GAAP BASIS

NET CHANGE IN FUND BALANCE	\$ 426,989
Change in inventories	403
Change in assessments receivable	955
Depreciation	(244,557)
Capitalized expenses	555,556
Change in compensated absences	10,421
Principal payments	691,194
Change in accrued interest	2,272
Pension expense related to OPEB	5,170
CHANGE IN FUND NET POSITION	<u>\$ 1,448,403</u>

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 3,087,673	\$ 3,087,673	\$ 2,936,392	\$ (151,281)
Miscellaneous	1,500	1,500	6,212	4,712
<i>Total Revenues</i>	3,089,173	3,089,173	2,942,604	(146,569)
EXPENDITURES				
Operations	334,035	372,635	373,807	(1,172)
Treatment	615,419	620,419	612,276	8,143
Debt service				
Principal	691,194	691,194	691,194	-
Interest	186,575	142,975	145,314	(2,339)
Contingency	30,461	30,461	-	30,461
<i>Total Expenditures</i>	1,857,684	1,857,684	1,822,591	35,093
REVENUES OVER (UNDER) EXPENDITURES	1,231,489	1,231,489	1,120,013	(111,476)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,566,521)	(1,566,521)	(1,442,671)	123,850
NET CHANGE IN FUND BALANCE	(335,032)	(335,032)	(322,658)	12,374
FUND BALANCE, beginning of year	335,032	335,032	326,839	(8,193)
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,181	\$ 4,181

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER SDC FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 21,099	\$ 21,099	\$ 20,342	\$ (757)
Miscellaneous	2,000	2,000	11,896	9,896
<i>Total Revenues</i>	23,099	23,099	32,238	9,139
EXPENDITURES				
Operations	109,085	109,085	-	109,085
NET CHANGE IN FUND BALANCE	(85,986)	(85,986)	32,238	118,224
FUND BALANCE, beginning of year	479,866	479,866	479,925	59
FUND BALANCE, end of year	\$ 393,880	\$ 393,880	\$ 512,163	\$ 118,283

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, 2019**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 14,770	\$ 9,770
EXPENDITURES				
Operations	39,000	39,000	11,810	27,190
NET CHANGE IN FUND BALANCE	(34,000)	(34,000)	2,960	36,960
FUND BALANCE, beginning of year	532,378	532,378	534,507	2,129
FUND BALANCE, end of year	\$ 498,378	\$ 498,378	\$ 537,467	\$ 39,089

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, 2019**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ -	\$ (2,000,000)
Miscellaneous	5,000	5,000	38,409	33,409
<i>Total Revenues</i>	2,005,000	2,005,000	38,409	(1,966,591)
EXPENDITURES				
Operations	787,760	787,760	584,379	203,381
REVENUES OVER (UNDER) EXPENDITURES	1,217,240	1,217,240	(545,970)	(1,763,210)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,364,269	1,364,269	1,260,419	(103,850)
NET CHANGE IN FUND BALANCE	2,581,509	2,581,509	714,449	(1,867,060)
FUND BALANCE, beginning of year	1,270,866	1,270,866	1,297,460	26,594
FUND BALANCE, end of year	\$ 3,852,375	\$ 3,852,375	\$ 2,011,909	\$ (1,840,466)

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
STORM WATER OPERATIONS COMBINED
YEAR ENDED JUNE 30, 2019**

	<u>Storm Water Drainage</u>	<u>Storm Water SDC</u>	<u>Storm Water Capital</u>	<u>Storm Water Depreciation</u>	<u>Total Storm Water Operations</u>
REVENUES					
Charges for services	\$ 62,851	\$ -	\$ -	\$ -	\$ 62,851
Miscellaneous	-	254	1,693	3,071	5,018
<i>Total Revenues</i>	62,851	254	1,693	3,071	67,869
EXPENDITURES					
Operations	59,288	-	-	-	59,288
NET CHANGE IN FUND BALANCE	3,563	254	1,693	3,071	8,581
FUND BALANCE, beginning of year	8,682	11,157	74,213	134,599	228,651
FUND BALANCE, end of year	<u>\$ 12,245</u>	<u>\$ 11,411</u>	<u>\$ 75,906</u>	<u>\$ 137,670</u>	<u>\$ 237,232</u>

RECONCILE CHANGE IN NET POSITION - FUND BALANCE TO CHANGE IN NET POSITION, GAAP BASIS

NET CHANGE IN FUND BALANCE	\$ 8,581
Depreciation	(257,606)
Change in compensated absences	(1,947)
Pension expense related to OPEB	599
NET CHANGE IN NET POSITION	<u>\$ (250,373)</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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 61,962	\$ 61,962	\$ 62,851	\$ 889
Miscellaneous	529	529	-	(529)
<i>Total Revenues</i>	62,491	62,491	62,851	360
EXPENDITURES				
Operations	67,241	67,241	59,288	7,953
NET CHANGE IN FUND BALANCE	(4,750)	(4,750)	3,563	8,313
FUND BALANCE, beginning of year	6,995	6,995	8,682	1,687
FUND BALANCE, end of year	\$ 2,245	\$ 2,245	\$ 12,245	\$ 10,000

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ 254	\$ 154
EXPENDITURES				
Operations	8,580	8,580	-	8,580
NET CHANGE IN FUND BALANCE	(8,480)	(8,480)	254	8,734
FUND BALANCE, beginning of year	11,083	11,083	11,157	74
FUND BALANCE, end of year	\$ 2,603	\$ 2,603	\$ 11,411	\$ 8,808

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 164	\$ 164	\$ 1,693	\$ 1,529
EXPENDITURES				
Operations	50,000	50,000	-	50,000
NET CHANGE IN FUND BALANCE	(49,836)	(49,836)	1,693	51,529
FUND BALANCE, beginning of year	73,969	73,969	74,213	244
FUND BALANCE, end of year	\$ 24,133	\$ 24,133	\$ 75,906	\$ 51,773

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, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 823	\$ 823	\$ 3,071	\$ 2,248
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	823	823	3,071	2,248
FUND BALANCE, beginning of year	133,766	133,766	134,599	833
FUND BALANCE, end of year	<u>\$ 134,589</u>	<u>\$ 134,589</u>	<u>\$ 137,670</u>	<u>\$ 3,081</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Greg Mahler, Mayor
and Members of the City Council
3225 Main Street
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, 2019, and have issued our report thereon dated May 20, 2020.

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.

Deficiencies in internal controls were reported to management in a letter dated May 20, 2020.

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
May 20, 2020