



City of
Sweet Home, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2014

CITY OF SWEET HOME, OREGON

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



CRAIG MARTIN, CITY MANAGER
PATRICIA GRAY, FINANCE DIRECTOR

Prepared by:

The Finance Department
City of Sweet Home, Oregon

CITY OF SWEET HOME
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CITY OF SWEET HOME
CITY OFFICIALS
JUNE 30, 2014

MAYOR

Term Expires

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

December 31, 2014

CITY COUNCIL MEMBERS

Craig Fentiman, President
605 3rd Avenue
Sweet Home, Oregon 97386

December 31, 2014

Dave Trask
1276 2nd Avenue
Sweet Home, Oregon 97386

December 31, 2017

Greg Mahler
700 4th Avenue
Sweet Home, Oregon 97386

December 31, 2014

Marybeth Angulo
4513 Long Street
Sweet Home, Oregon 97386

December 31, 2016

Bruce Hobbs
1038 Nandina Street
Sweet Home, Oregon 97386

December 31, 2015

CITY ADMINISTRATION

Craig M. Martin, City Manager

Robert Snyder, City Attorney

MAILING ADDRESS

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



December 23, 2014

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

State Law requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. This Annual Financial Report for the City of Sweet Home is hereby submitted to fulfill this requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements were audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant accounting estimates made by management; as well as evaluating the overall presentation of the financial statements.

Grove, Mueller & Swank, P.C, have issued an opinion that the City's financial statements for the year ended June 30, 2014 are in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the Basic Financial Statements in the Financial Section of this report.

Profile of the Government

The City of Sweet Home was founded in 1851 and incorporated on February 10, 1893. Located in the Mid-Willamette Valley at the east-end of Linn County, the City currently occupies approximately 6.5 square miles and serves a population of 9,005. It is the third largest city in Linn County lying at the foot of the Cascade Mountains, next to the pristine Santiam River and close to Foster and Green Peter Reservoirs. Sweet Home offers close proximity to major urban areas for commuters and shoppers: Portland is 100 miles, Salem is 50 miles, Eugene 50 miles and Albany 25 miles.

Sweet Home operates under the provisions of its own Charter and applicable state law. It has a City Manager/Council form of government. The City Council consists of seven members who are elected by the citizens of Sweet Home. Councilors are elected to serve overlapping terms of two and four years. The Mayor is elected by the Council members to serve for a term of two years. A full-time City Manager administers the affairs of the City for the Council, and supervises a staff of five department directors and 51 full-time and part-time employees.

For financial reporting purposes the City is a primary government. This report includes all services and activities for which the elected officials exercise financial control. These services include police and dispatch services, municipal court, administration and finance, community planning and development, parks, library, recreational activities, nuisance abatements, water and wastewater treatment, construction and maintenance of roadways, streets, and infrastructure.

Fire and Ambulance services are provided by the Sweet Home Fire and Ambulance District. The District is not a component of the City of Sweet Home. The City may interact or contract with the District and other governmental entities, but it is not financially accountable for those entities.

Local Economy

Sweet Home is located away from major north-south transportation routes and population centers in the Willamette Valley. Historically, employment in Sweet Home has been dominated by lumber and wood products, which has declined in Sweet Home, but still remains a large employer in the Willamette Valley. The largest employer in Sweet Home has been the school district with manufacturing facilities such as Weyerhaeuser Industries and White's Electronic following at a distance.

Sweet Home's primary comparative advantage is its small size and location near recreational opportunities. Many residents move to Sweet Home with the desire to live in a rural small town community, yet be able to drive to their jobs in larger cities, like Lebanon, Eugene, Corvallis and even the Portland area. With a Lowe's Warehouse Distribution Center, a new medical college and a regional Veteran's Administration hospital being built in nearby Lebanon, Sweet Home continues to service an influx of residents who are able to achieve this. In addition to the current available housing, Sweet Home has a substantial inventory of buildable commercial and industrial land ready to accommodate any future developments.

Major Initiatives

The Sweet Home City Council did not meet for its annual goal setting sessions in February 2014 with the understanding that the strategic direction established for 2013 was still appropriate and that several of the projects were in the process of being completed. The Charter Review and Parks Master Plan are both expected to be completed early in 2014-2105.

Council Goals

- **Develop a Community Strategic Plan**
 - Broadly engage the community in developing a strategy for community success for the next decade
 - Develop tangible projects and programs to implement the strategy
 - Use the strategic planning process to evaluate and act on the following goals

- **Develop a Capital Improvements Program**
 - Establish a comprehensive system to identify, prioritize, and track needed investments in the capital assets of the City.
 - Identify means of financing the projects and reflect those financial tools in city budgets and longer term financial strategies
 - Cover all physical assets including infrastructure and buildings

- **Initiate a Charter Review Process**
 - Create a Charter Review Committee
 - Address needed changes to bring the Charter into compliance with state and federal law
 - Address structural and policy changes identified through the Community Strategic Plan process
- **Initiate development of a Parks Master Plan**
 - Address communities needs
 - Focus on Sweet Home's unique recreational opportunities
 - Include an operational plan addressing operations, maintenance, staffing, and other resource needs over time

Ongoing City Projects

- Continue to pursue options for stable funding of Police and Library services
- Preserve and Protect Weddle Bridge
- Complete the Hobart Management Plan
- Create a Technology Plan for City Government to increase efficiency of City

Building Activity

During 2013-2014, Sweet Home saw some major commercial projects completed and new residential housing starting as building activity continues to increase:

- Hevi-shot Properties LLC – added 9,264sq. ft. storage/warehouse on site;
- Sunshine Industries Unlimited, Inc – completed construction of a new 7,680 sq. ft. building;
- Bi-Mart Corporation – completed construction of a 36,275 sq. ft. store;
- 7 new homes on 37th Circle were built and sold;
- 7 new homes on Mimosa Circle in the Spring Terrace Subdivision were built and sold;
- 5 new home lots in the Logan Estates Subdivision have been purchased with the expectation of new homes being built in the coming year.

Livability Initiative

In July 2013, Sweet Home was chosen to participate as one of four communities in America who will enter into a private-public partnership with the federal government to evaluate and identify opportunities that will enhance community and economic goals related to tourism, industry and natural resource-based products and services.

During 2013-2014, a design team consisting of representatives from various agencies evaluated key livability factors, such as quality of transportation options, accessibility of affordable housing, attractiveness of employment and business opportunities in Sweet Home and the surrounding communities.

The Livability Initiative is a two-year project to strengthen the livability of communities that are neighbors to federally managed lands.

Financial Information

Financial and Accounting Policies

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the Governmental Accounting Standards Board (GASB), including all effective GASB pronouncements.

It presents fairly the financial position of the various funds of the City at June 30, 2014, and the results of operations of such funds and cash flow of the proprietary fund types for the year ended in conformity and generally accepted accounting principles (GAAP).

During the fiscal year of 2013-2014 the City maintained a total of 28 funds, of which 16 were governmental fund types, and 12 were proprietary fund types. The City also maintained 2 sets of accounting records for capital assets and long-term debt. The modified accrual basis of accounting is used for the governmental fund types (General Fund, special revenue funds, debt service funds, and capital projects). The accrual basis is used for the government-wide and proprietary financial statements.

Budgetary Policies

The annual budget for the City of Sweet Home is a comprehensive financial plan for the year ahead. The annual budget process integrates and authorizes the needs of the community with the finances available and the ability of city government to provide the needed services. Like all governments in Oregon, the City prepares its annual budget in accordance with provisions of Oregon Local Budget Law (ORS 294), which provides procedures for the preparation, presentation, administration, and appraisals of budgets.

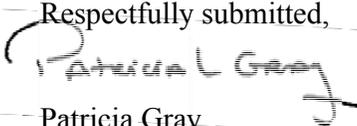
The City establishes the level of budgetary control at the personal service, materials & services, capital outlay, contingency, debt service and transfers in all funds, except in the General Fund, where budgetary controls are established at the department level, capital outlay level and contingency. These levels are adopted in a resolution by City Council during a public hearing held during the final City Council meeting of the fiscal year. The adopted budget is implemented through the City's accounting operations and the provision of City services.

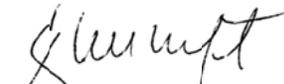
Oregon budget law allows for amendments to the City budget for reasons unforeseen at the time of the adoption of the original budget. Management is allowed to adjust budget numbers within adopted appropriations. Changes in appropriations, transfers outside of funds, appropriation of unexpected revenues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

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

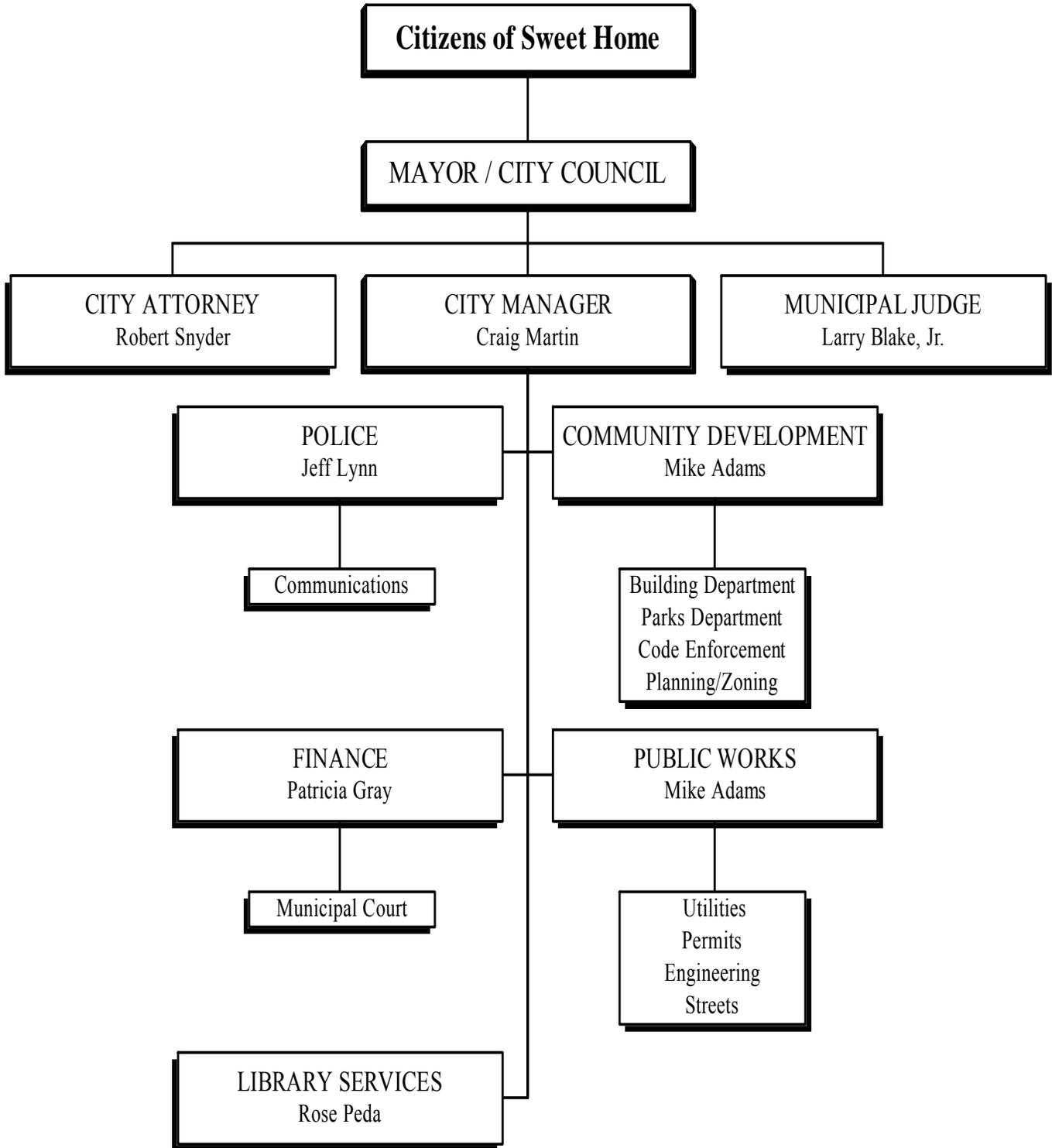
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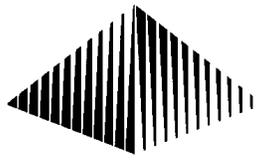
The preparation of the Annual Financial Report on a timely basis was made possible by the services of the City's Finance Department staff and the certified public accountants of Grove, Mueller & Swank, P.C. Their contributions to this report are sincerely appreciated.

Respectfully submitted,

Patricia Gray
Finance Director


Craig Martin
City Manager

CITY OF SWEET HOME, OREGON
ORGANIZATION CHART





GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Jim Gourley, Mayor
and Members of the City Council
1140 12th Avenue
City of 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 City of Sweet Home as of and for the year ended June 30, 2014, 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 City of Sweet Home as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 11 through 19 and the schedules of revenues, expenditures and changes in fund balance – budget to actual for the General, Public Safety Local Option Levy and State Gas Tax funds (pages 48 through 50) (“the budgetary 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 MD&A described in the preceding paragraph in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

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

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

Other Information

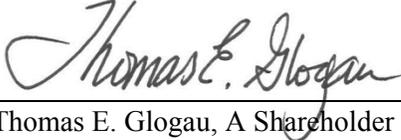
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 23, 2014, 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: 

Thomas E. Glogau, A Shareholder
December 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

This discussion and analysis presents the highlights of financial activities and financial position for the City of Sweet Home. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

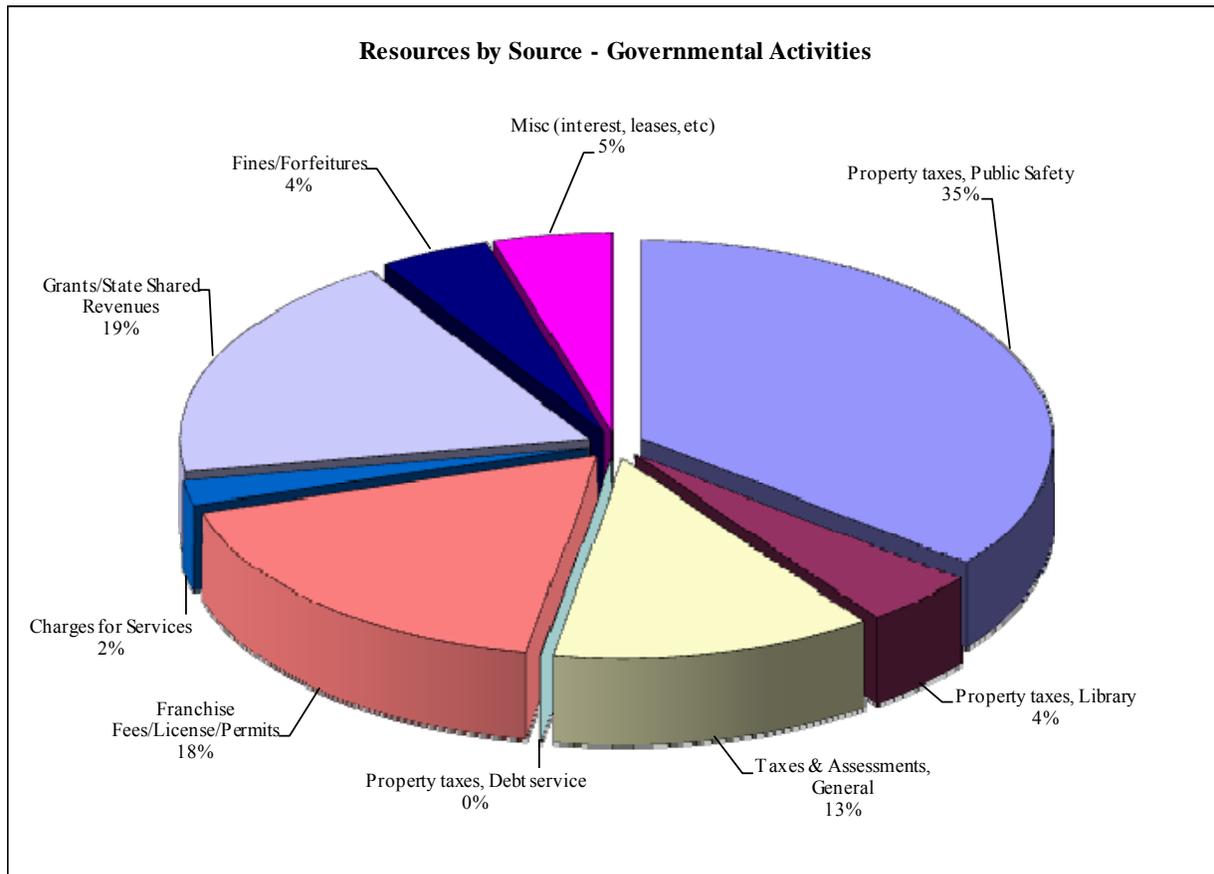
Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Transmittal Letter (pages 2 through 6) and the City's financial statements (beginning on page 20).

FINANCIAL HIGHLIGHTS

The City's net position decreased by \$953 thousand (or 3%) due to expenses exceeding revenues.

Governmental activities revenues increased by \$71 thousand (or 1.62%) despite reductions in operating grants and charges for services that were slightly offset by increases in property taxes and other income.

The revenues charted in the following pie chart includes all program and general revenues for governmental activities such as property taxes, franchise fees, charges for services, licenses, permits, fines, interest and intergovernmental charges.

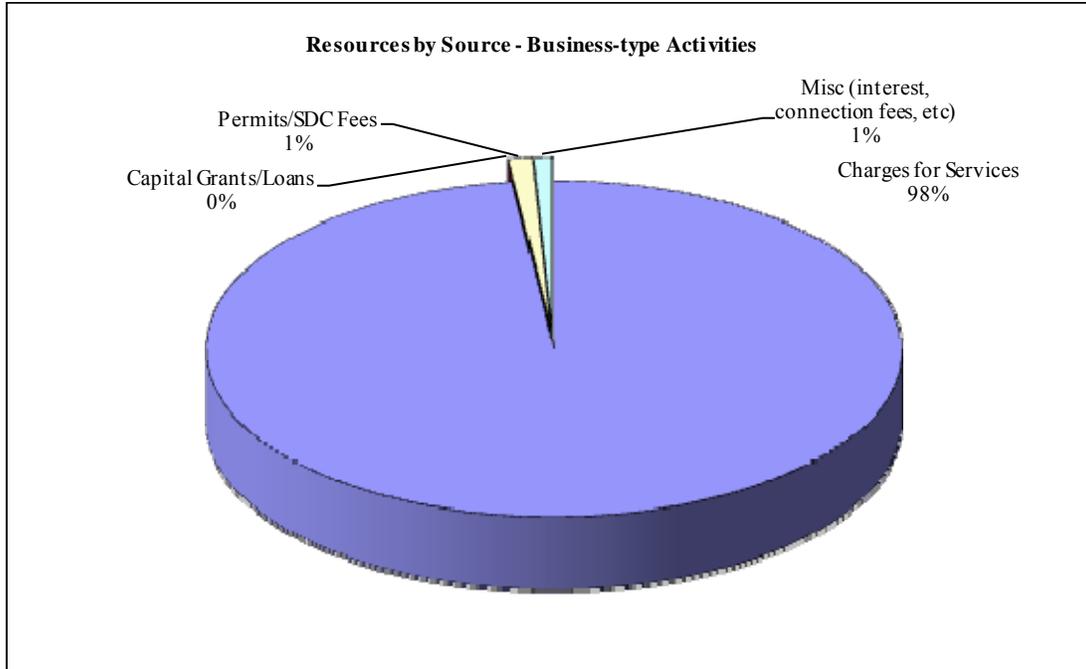


Charges for services in the business-type activities decreased \$79 thousand (or 2%) due to a decrease in customer usage.

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

The Wastewater Fund represents 54% of all utility revenues for the City. Sweet Home is serviced by a sanitary sewer system that feeds into several mainlines which meet at the wastewater treatment facility located off Pleasant Valley Road.

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

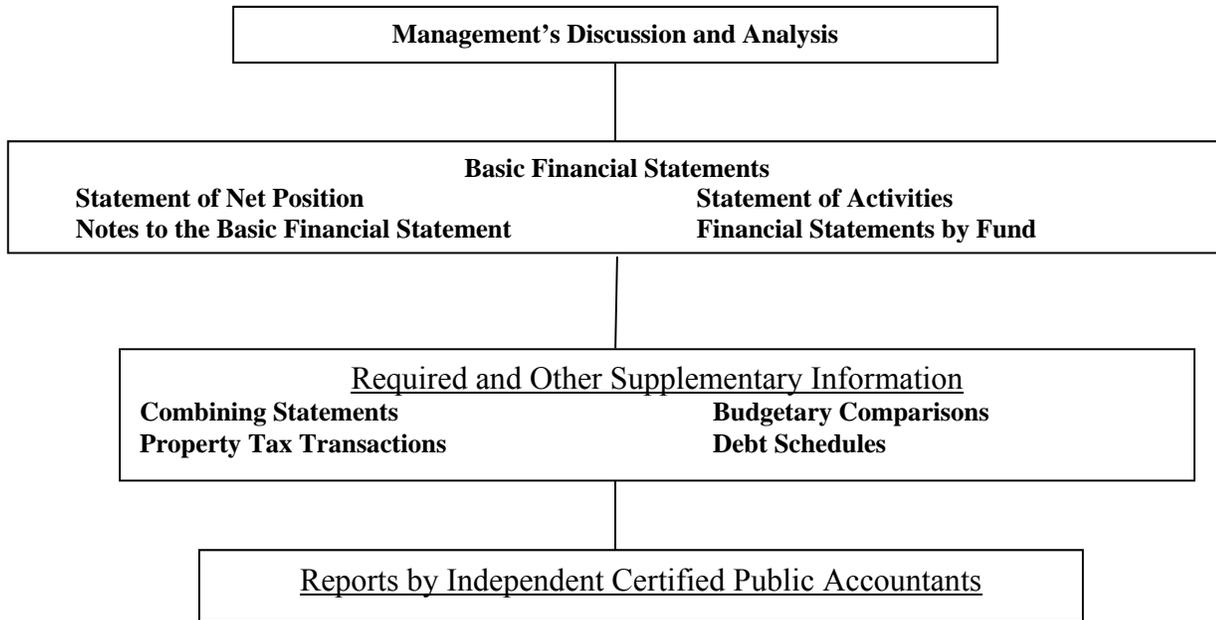


Overall City program costs decreased by \$3,442 thousand.

REPORT LAYOUT

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

Components of the Annual Finance Report



- **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the City.
- **Basic Financial Statements.** Includes Statement of Net Position, Statement of Activities, fund financial statements and the notes to the financial statements. The Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City.
- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- 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." Budgetary comparison statements are presented for the General, Public Safety Local Option Levy, and State Gas Tax Funds as required supplementary information. 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 Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City’s financial condition.

- **Other Supplementary Information.** 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.

- Other Financial Schedules complete the Financial Section of the report.

- **Reports by independent certified public accountants.** Supplemental communication on City compliance and internal controls as required by Oregon statutes.

CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects a statement of net position of governmental and business-type funds compared to the prior year. Detail of this summary is presented on page 20.

Table 1
Statements of Net Position
June 30,
(in thousands)

	<i>2014</i>			<i>2013</i>		
	<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	\$ 5,645	\$ 3,263	\$ 8,908	\$ 5,824	\$ 3,793	\$ 9,617
Other assets	904	733	1,637	833	809	1,642
Capital assets	13,768	28,205	41,973	14,121	29,020	43,141
<i>Total Assets</i>	<u>20,317</u>	<u>32,201</u>	<u>52,518</u>	<u>20,778</u>	<u>33,622</u>	<u>54,400</u>
Deferred outflows						
Other liabilities	113	305	418	62	277	339
Long-term liabilities	139	20,690	20,829	141	21,696	21,837
<i>Total Liabilities</i>	<u>252</u>	<u>20,995</u>	<u>21,247</u>	<u>203</u>	<u>21,973</u>	<u>22,176</u>
Net position:						
Net investment in capital assets	13,756	7,561	21,317	14,087	7,364	21,451
Restricted	1,276	731	2,007	1,576	740	2,316
Unrestricted	5,033	2,914	7,947	4,912	3,545	8,457
<i>Total Net Position</i>	<u>\$ 20,065</u>	<u>\$ 11,206</u>	<u>\$ 31,271</u>	<u>\$ 20,575</u>	<u>\$ 11,649</u>	<u>\$ 32,224</u>

STATEMENT OF ACTIVITIES:

The following table reflects a change in activities for governmental and proprietary funds compared to the prior year. Detail of this summary is presented on page 21.

Table 2
Statements of Activities
June 30,
(in thousands)

	2014			2013		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 446	\$ 3,614	\$ 4,060	\$ 448	\$ 3,693	\$ 4,141
Operating grants and contributions	629	-	629	598	-	598
Taxes and assessments	2,314	-	2,314	2,273	-	2,273
Other	1,002	64	1,066	1,001	35	1,036
Total Revenues	4,391	3,678	8,069	4,320	3,728	8,048
Expenses						
Programs	5,046	3,976	9,022	4,969	7,494	12,463
Transfers						
	145	(145)	-	244	(244)	-
Change in Net Position	(510)	(443)	(953)	(405)	(4,010)	(4,415)
Beginning Net Position	20,575	11,649	32,224	20,980	15,659	36,639
Ending Net Position	\$ 20,065	\$ 11,206	\$ 31,271	\$ 20,575	\$ 11,649	\$ 32,224

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 \$1,831,329 at year end. The fund balance increased by \$297,263 during the current fiscal year. The fund had revenues in excess of expenditures of approximately \$189 thousand, and net transfers in of approximately \$100 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 108% of total General Fund expenditures.

Public Safety Local Option Levy Fund. The Public Safety Local Option Levy Fund is used to account for the local option property tax levy approved by voters every five years to finance police and dispatch services. The fund balance was \$682,742 at year end. The fund balance decreased by \$306,237 during the current fiscal year primarily due to planned expenditures in excess of anticipated revenues.

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 \$185,156 at year end. The fund balance increased by \$26,924 during the current fiscal year as revenues were in excess of expenditures.

FUND FINANCIAL ANALYSIS: PROPRIETARY FUNDS

Water Fund. The Water Fund is used to account for the operation of the City’s water department. The fund net position was \$665,675 at year end. The fund net position decreased by \$199,935 during the current fiscal year. The fund had operating revenues roughly equal to operating expenses, interest expense of roughly \$170 thousand and transfers to other funds of approximately \$166 thousand.

Wastewater. The Wastewater Fund is used to account for the operation of the City’s sewer utility. The fund net position was \$2,379,663 at year end. The fund net position decreased by \$381,788 during the current fiscal year, primarily due transfers to other funds.

Wastewater Depreciation. The Wastewater Depreciation Fund is used to account for monies set aside for wastewater related capital projects. The fund net position was \$4,568,787 at year end. The fund net position increased by \$432,140 during the current fiscal year, primarily due transfers from other funds.

FUND BALANCES

The following table reflects a summary of ending fund balances for governmental funds compared to the prior year. Detail of this summary is presented on page 22.

**Table 3
Governmental Funds - Fund Balances
June 30,
(in thousands)**

Major Funds	2014		2013		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General	\$ 1,831	32%	\$ 1,534	25%	\$ 297	19%
Public Safety Serial Levy	683	12%	989	17%	(306)	-31%
State Gas Tax	185	3%	158	3%	27	17%
Other Governmental Funds	3,030	53%	3,250	55%	(220)	-7%
Total fund balances	<u>\$ 5,729</u>	<u>100%</u>	<u>\$ 5,931</u>	<u>100%</u>	<u>\$ (202)</u>	<u>-3%</u>

The following table reflects a summary of ending fund balance for business-types activities on a budget basis compared to the prior year. Detail of this summary begins on page 71.

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

Major Funds	2014		2013		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water	\$ 131	4%	\$ 375	9%	\$ (244)	-65%
Wastewater	205	6%	361	8%	(156)	-43%
Wastewater Depreciation	1,342	37%	1,540	36%	(198)	-13%
Other Business-type Funds	1,965	54%	2,001	47%	(36)	-2%
Total fund net assets	<u>\$ 3,643</u>	<u>101%</u>	<u>\$ 4,277</u>	<u>100%</u>	<u>\$ (634)</u>	<u>-15%</u>

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

BUDGETARY HIGHLIGHTS

City Council approved the following changes to the adopted budget:

The City Council adopted one supplemental budget during the 2013-2014 fiscal year.

A supplemental budget adjustment in the amount of \$68,000 was adopted by City Council on June 10, 2014.

The supplemental budget was adopted to recognize:

- \$20,000 transfer from General Fund to Public Safety Fund to fund the Code Enforcement Officer Position.
- \$8,000 in additional Beginning Fund Balance to cover additional staff costs.
- \$40,000 in insurance payments received from the insurance company to cover repair/replacement costs from various claims submitted during the year.

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 \$42 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and infrastructure. The total decrease in the City’s investment in capital assets for the current fiscal year was \$1,168 thousand (a \$353 thousand decrease for governmental activities and a \$815 thousand decrease in for business-type activities.)

Table 5
Capital Assets at June 30, 2014 and 2013
(in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 3,147	\$ 3,147	\$ -	\$ -	\$ 3,147	\$ 3,147
Buildings	9,177	9,177	21,240	21,240	30,417	30,417
Equipment	1,393	1,481	588	558	1,981	2,039
Infrastructure	25,736	25,736	10,297	10,297	36,033	36,033
CIP	-	-	14,366	14,366	14,366	14,366
Accumulated depreciation	<u>(25,685)</u>	<u>(25,420)</u>	<u>(18,287)</u>	<u>(17,442)</u>	<u>(43,972)</u>	<u>(42,862)</u>
Net capital assets	<u>\$ 13,768</u>	<u>\$ 14,121</u>	<u>\$ 28,204</u>	<u>\$ 29,019</u>	<u>\$ 41,972</u>	<u>\$ 43,140</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	\$ 14,121	\$ 29,019	\$ 43,140
Additions	48	30	78
Retirements	(24)	-	(24)
Depreciation	(377)	(845)	(1,222)
Ending balance	<u>\$ 13,768</u>	<u>\$ 28,204</u>	<u>\$ 41,972</u>

Long-term Debt

The City's long-term debt at June 30, 2014 and 2013 is summarized below.

Table 7
City of Sweet Home
General Obligation Debt
June 30,
(in thousands)

	<i>Governmental</i>		<i>Change</i>
	<i>Activities</i>		<i>2013-2014</i>
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Capital lease	\$ 11	\$ 34	\$ (23)
	<i>Business-type</i>		<i>Change</i>
	<i>Activities</i>		<i>2013-2014</i>
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Loans	\$ 20,645	\$ 21,656	\$ (1,011)

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

MAJOR INITIATIVES

Debt

Despite incurring over \$13 million in three low/no interest loans for the Wastewater Inflow and Infiltration (I & I) reduction program, it has been determined that the I & I reduction from the Phase 1 – 4 projects will not be enough to meet current compliance requirements of the existing Mutual Agreement Order the City has with DEQ.

Wastewater treatment plant improvements are expected to become a requirement in the near future so City staff is currently working on finding low/no interest funding for the \$20 - \$25 million needed to complete the project and meet current DEQ compliance. Negotiations continue in developing a new time line with Oregon Department of Environmental Quality (DEQ) in an effort to spread the work and necessary funding over additional future years.

Property Taxes

During 2013-2014, market values of property in Sweet Home continued to drop which increased compression losses in property tax revenues that fund the Police and Library Local Option Levies from 33% in 2012-2013 to 35% in 2013-2014. This increase reduced potential revenues another \$32,777 to \$939,727 in property tax revenue losses during the year. Despite budgeting for no property values increases and anticipating a larger compression loss, property taxes came in \$31,581 less than what was budgeted for in the Police and Library budgets.

A transfer from the General Fund to Police Operating Fund was included in the 2014-2015 operating budget in order to continue police operations as carry over and property tax revenues continue to decline.

Personnel Costs

Upon the completion of contract negotiations with General and Police union employees, new wage scales were developed July 2013 with the understanding that City employees would help offset the costs of these increases by moving from a copay insurance plan to a less costly high deductible plan and companion HSA/HRA effective January 1, 2014. The new compensation package also included a provision that future insurance premium increases during the life of the three year contract would be paid by reducing City contributions into the employees' HSA/HRA accounts.

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

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 1140 12th Avenue, Sweet Home, Oregon 97386.

BASIC FINANCIAL STATEMENTS

CITY OF SWEET HOME, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2014

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 5,644,891	\$ 3,262,668	\$ 8,907,559
Accounts receivable	627,617	563,250	1,190,867
Property taxes receivable	257,966	-	257,966
Assessment liens receivable	18,010	80,752	98,762
Inventories	-	89,242	89,242
Non-depreciable capital assets	3,146,500	14,365,536	17,512,036
Other capital assets, net of depreciation	10,621,070	13,839,851	24,460,921
<i>Total Assets</i>	<u>20,316,054</u>	<u>32,201,299</u>	<u>52,517,353</u>
LIABILITIES			
Accounts payable	112,776	76,320	189,096
Deposits payable	-	113,147	113,147
Accrued interest payable	-	116,199	116,199
Noncurrent liabilities:			
Due within one year:			
Long-term debt	11,313	1,335,599	1,346,912
Accrued compensated absences	127,709	45,427	173,136
Due in more than one year:			
Long-term debt	-	19,309,052	19,309,052
<i>Total Liabilities</i>	<u>251,798</u>	<u>20,995,744</u>	<u>21,247,542</u>
NET POSITION			
Net investment in capital assets	13,756,257	7,560,736	21,316,993
Restricted for:			
Public safety	861,280	-	861,280
Construction	-	730,657	730,657
Community development	234,118	-	234,118
Library	167,787	-	167,787
Debt service	12,042	-	12,042
Unrestricted	5,032,772	2,914,162	7,946,934
<i>Total Net Position</i>	<u>\$ 20,064,256</u>	<u>\$ 11,205,555</u>	<u>\$31,269,811</u>

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

CITY OF SWEET HOME, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,486,131	\$ 200,428	\$ 114	\$ -
Library	196,809	8,983	12,080	-
Parks	114,785	963	9,163	-
Community development	1,110,536	29,296	568,578	3,306
Public safety	2,097,308	205,957	5,357	-
Community center	36,203	-	33,216	-
Interest on long-term debt	3,849	-	-	-
<i>Total Governmental activities</i>	5,045,621	445,627	628,508	3,306
Business-type activities:				
Water	1,773,571	1,604,792	-	25,803
Sewer	1,905,302	1,950,762	-	13,528
Stormwater	296,752	58,867	-	-
<i>Total Business-type activities</i>	3,975,625	3,614,421	-	39,331
<i>Total Activities</i>	\$ 9,021,246	\$ 4,060,048	\$ 628,508	\$ 42,637
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net Position - beginning of year				
Net Position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (1,285,589)	\$ -	\$ (1,285,589)
(175,746)	-	(175,746)
(104,659)	-	(104,659)
(509,356)	-	(509,356)
(1,885,994)	-	(1,885,994)
(2,987)	-	(2,987)
(3,849)	-	(3,849)
(3,968,180)	-	(3,968,180)
-	(142,976)	(142,976)
-	58,988	58,988
-	(237,885)	(237,885)
-	(321,873)	(321,873)
(3,968,180)	(321,873)	(4,290,053)
2,314,479	-	2,314,479
640,260	-	640,260
253,994	-	253,994
104,067	23,415	127,482
3,312,800	23,415	3,336,215
144,534	(144,534)	-
(510,846)	(442,992)	(953,838)
20,575,102	11,648,547	32,223,649
\$ 20,064,256	\$ 11,205,555	\$ 31,269,811

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

CITY OF SWEET HOME, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<i>General</i>	<i>Special Revenue</i>	
		<i>Public Safety Local Option Levy</i>	<i>State Gas Tax</i>
ASSETS			
Cash and investments	\$ 1,757,262	\$ 697,386	\$ 149,010
Accounts receivable	151,904	-	40,728
Property taxes receivable	51,027	178,538	-
Assessment liens receivable	7,462	-	-
<i>Total Assets</i>	<u>\$ 1,967,655</u>	<u>\$ 875,924</u>	<u>\$ 189,738</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 66,272	\$ 14,644	\$ 4,582
Deferred Inflows			
Unavailable revenue	70,054	178,538	-
Fund Balance:			
Restricted for:			
Public safety	-	682,742	-
Community development	-	-	185,156
Library	-	-	-
Debt service	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	-	-
Community center	-	-	-
Unrestricted	1,831,329	-	-
<i>Total Fund Balance</i>	<u>1,831,329</u>	<u>682,742</u>	<u>185,156</u>
<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	<u>\$ 1,967,655</u>	<u>\$ 875,924</u>	<u>\$ 189,738</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 3,041,233	\$ 5,644,891
434,985	627,617
28,401	257,966
10,548	18,010
<hr/>	<hr/>
\$ 3,515,167	\$ 6,548,484
<hr/> <hr/>	<hr/> <hr/>
\$ 27,278	\$ 112,776
458,055	706,647
-	682,742
48,962	234,118
150,220	150,220
1,208	1,208
49,255	49,255
10,514	10,514
2,753,530	2,753,530
16,145	16,145
-	1,831,329
<hr/>	<hr/>
3,029,834	5,729,061
<hr/>	<hr/>
\$ 3,515,167	\$ 6,548,484
<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, 2014

RECONCILIATION TO THE STATEMENT OF NET POSITION

<i>Fund Balances</i>	\$ 5,729,061
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.	706,647
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.	
Cost	39,452,864
Accumulated depreciation	(25,685,294)
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.	
Capital lease	(11,313)
Accrued compensated absences	(127,709)
	<hr/>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 20,064,256</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, 2014**

	<u>General Fund</u>	<u>Special Revenue</u>	
		<u>Public Safety Local Option Levy</u>	<u>State Gas Tax</u>
REVENUES			
Taxes and assessments	\$ 552,764	\$ 1,544,394	\$ -
Licenses and permits	771,705	939	-
Charges for services	25,705	6,110	-
Intergovernmental	262,464	-	516,984
Fines and forfeitures	182,103	-	-
Miscellaneous	82,654	40,641	2,066
<i>Total Revenues</i>	<u>1,877,395</u>	<u>1,592,084</u>	<u>519,050</u>
EXPENDITURES			
Current			
General government	1,071,265	-	-
Library	-	-	-
Parks	110,582	-	-
Community development	294,308	-	381,956
Public safety	205,906	1,908,805	-
Community center	-	-	-
Capital outlay	6,329	13,037	3,446
<i>Total Expenditures</i>	<u>1,688,390</u>	<u>1,921,842</u>	<u>385,402</u>
REVENUES OVER (UNDER) EXPENDITURES	189,005	(329,758)	133,648
OTHER FINANCING SOURCES (USES)			
Transfers in	161,279	23,521	-
Transfers out	(53,021)	-	(106,724)
<i>Total Other Financing Sources (Uses)</i>	<u>108,258</u>	<u>23,521</u>	<u>(106,724)</u>
NET CHANGE IN FUND BALANCE	297,263	(306,237)	26,924
FUND BALANCE, beginning of year	<u>1,534,066</u>	<u>988,979</u>	<u>158,232</u>
FUND BALANCE, end of year	<u>\$ 1,831,329</u>	<u>\$ 682,742</u>	<u>\$ 185,156</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 198,261	\$ 2,295,419
-	772,644
-	31,815
82,952	862,400
5,884	187,987
77,746	203,107
<hr/>	<hr/>
364,843	4,353,372
158	1,071,423
226,743	226,743
1,790	112,372
74,997	751,261
-	2,114,711
36,203	36,203
364,310	387,122
<hr/>	<hr/>
704,201	4,699,835
<hr/>	<hr/>
(339,358)	(346,463)
143,550	328,350
(24,071)	(183,816)
<hr/>	<hr/>
119,479	144,534
<hr/>	<hr/>
(219,879)	(201,929)
3,249,713	5,930,990
<hr/>	<hr/>
\$ 3,029,834	\$ 5,729,061
<hr/> <hr/>	<hr/> <hr/>

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

CITY OF SWEET HOME, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (201,929)

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. 42,439

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. (20,469)

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 48,271
Depreciation (377,535)
Net book value of assets sold (24,020)

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.

Debt principal paid 22,397

Change in Net Position of Governmental Activities \$ (510,846)

CITY OF SWEET HOME, OREGON
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
ASSETS			
Current Assets			
Cash and investments	\$ 14,584	\$ -	\$ 1,291,470
Accounts receivable	241,641	315,022	(1,969)
Inventories	85,727	3,515	-
Due from other funds	-	-	102,214
<i>Total Current Assets</i>	<u>341,952</u>	<u>318,537</u>	<u>1,391,715</u>
Noncurrent Assets			
Assessment liens receivable	-	-	-
Nondepreciable capital assets	-	-	14,365,536
Other capital assets, net of depreciation	10,096,922	2,196,728	-
<i>Total Noncurrent Assets</i>	<u>10,096,922</u>	<u>2,196,728</u>	<u>14,365,536</u>
<i>Total Assets</i>	<u>10,438,874</u>	<u>2,515,265</u>	<u>15,757,251</u>
LIABILITIES			
Current Liabilities			
Accounts payable	18,457	7,762	49,408
Deposits payable	113,147	-	-
Accrued interest payable	101,039	-	15,160
Due to other funds	-	102,214	-
Current portion of long-term liabilities			
Long-term debt	499,091	-	836,508
Accrued compensated absences	19,801	25,626	-
<i>Total Current Liabilities</i>	<u>751,535</u>	<u>135,602</u>	<u>901,076</u>
Noncurrent Liabilities			
Long-term debt	9,021,664	-	10,287,388
<i>Total Liabilities</i>	<u>9,773,199</u>	<u>135,602</u>	<u>11,188,464</u>
FUND NET POSITION:			
Net investment in capital assets	576,167	2,196,728	3,241,640
Restricted for construction	-	-	-
Unrestricted	89,508	182,935	1,327,147
<i>Total Fund Net Position</i>	<u>\$ 665,675</u>	<u>\$ 2,379,663</u>	<u>\$ 4,568,787</u>

<i>Other Business- type Funds</i>	<i>Total</i>
\$ 1,956,614	\$ 3,262,668
8,556	563,250
-	89,242
-	102,214
<hr/>	<hr/>
1,965,170	4,017,374
80,752	80,752
-	14,365,536
1,546,201	13,839,851
<hr/>	<hr/>
1,626,953	28,286,139
<hr/>	<hr/>
3,592,123	32,303,513
693	76,320
-	113,147
-	116,199
-	102,214
-	1,335,599
-	45,427
<hr/>	<hr/>
693	1,788,906
-	19,309,052
<hr/>	<hr/>
693	21,097,958
<hr/>	<hr/>
1,546,201	7,560,736
730,657	730,657
1,314,572	2,914,162
<hr/>	<hr/>
\$ 3,591,430	\$ 11,205,555
<hr/> <hr/>	<hr/> <hr/>

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, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Wastewater Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ 1,598,036	\$ 1,944,077	\$ -
Miscellaneous	6,755	6,685	-
<i>Total Operating Revenues</i>	1,604,791	1,950,762	-
OPERATING EXPENSES			
Personal services	541,564	577,262	-
Materials and services	622,512	599,840	204,975
Depreciation	299,974	286,834	-
<i>Total Operating Expenses</i>	1,464,050	1,463,936	204,975
OPERATING INCOME (LOSS)	140,741	486,826	(204,975)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	1,122	1,509	6,883
Interest expense	(175,764)	(236,391)	-
<i>Total Nonoperating Revenues (Expenses)</i>	(174,642)	(234,882)	6,883
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(33,901)	251,944	(198,092)
Capital contributions	-	-	-
Transfers in	-	-	630,232
Transfers out	(166,034)	(633,732)	-
CHANGE IN FUND NET POSITION	(199,935)	(381,788)	432,140
FUND NET POSITION, beginning of year	865,610	2,761,451	4,136,647
FUND NET POSITION, end of year	\$ 665,675	\$ 2,379,663	\$ 4,568,787

<i>Other Enterprise Funds</i>	<i>Total</i>
\$ 58,867	\$ 3,600,980
-	13,440
58,867	3,614,420
13,231	1,132,057
159,672	1,586,999
257,606	844,414
430,509	3,563,470
(371,642)	50,950
13,902	23,416
-	(412,155)
13,902	(388,739)
(357,740)	(337,789)
39,331	39,331
26,500	656,732
(1,500)	(801,266)
(293,409)	(442,992)
3,884,839	11,648,547
\$ 3,591,430	\$ 11,205,555

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, 2014

	<u>Water</u>	<u>Wastewater</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collected from customers	\$ 1,661,365	\$ 1,977,922
Paid to suppliers	(610,462)	(598,122)
Paid to employees	(536,704)	(577,421)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	514,199	802,379
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Received from (paid to) other funds	-	102,214
Transfers in	-	-
Transfers out	(166,034)	(633,732)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(166,034)	(531,518)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(30,150)	-
Principal paid on long-term debt	(322,626)	(58,589)
Contribution of capital	-	-
Interest paid	(178,264)	(238,157)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(531,040)	(296,746)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,122	1,509
	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	(181,753)	(24,376)
CASH AND INVESTMENTS, Beginning of year	196,338	24,376
	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	\$ 14,585	\$ -
	<hr/> <hr/>	<hr/> <hr/>

<i>Wastewater Depreciation</i>	<i>Nonmajor Funds</i>	<i>Totals</i>
\$ 994	\$ 59,348	\$ 3,699,629
(180,843)	(173,946)	(1,563,373)
-	(13,231)	(1,127,356)
(179,849)	(127,829)	1,008,900
(102,214)	-	-
630,232	26,500	656,732
-	(1,500)	(801,266)
528,018	25,000	(144,534)
-	-	(30,150)
(629,818)	-	(1,011,033)
-	39,932	39,932
(414)	-	(416,835)
(630,232)	39,932	(1,418,086)
6,883	13,903	23,417
(275,180)	(48,994)	(530,303)
1,566,650	2,005,608	3,792,972
\$ 1,291,470	\$ 1,956,614	\$ 3,262,669

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, 2014

	<u>Water</u>	<u>Wastewater</u>
RECONCILIATION OF OPERATING INCOME TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 140,742	\$ 486,826
Depreciation	299,974	286,834
Change in assets and liabilities:		
Accounts receivable	46,387	27,160
Accounts payable and accrued liabilities	22,238	1,718
Accrued vacation payable	4,858	(159)
	<u>514,199</u>	<u>802,379</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 514,199</u>	<u>\$ 802,379</u>

<i>Wastewater Depreciation</i>	<i>Nonmajor Funds</i>	<i>Totals</i>
\$ (204,975)	(371,642)	\$ 50,951
-	257,606	844,414
994	481	75,022
24,132	(14,274)	33,814
-	-	4,699
<u>\$ (179,849)</u>	<u>\$ (127,829)</u>	<u>\$ 1,008,900</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, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

Special Revenue Funds

Public Safety Local Option Levy Fund - this fund is used to account for the serial property tax levy approved by voters every four years to finance police and dispatch services.

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

The City reports the following major proprietary funds:

Water Fund - this fund is used to account for the operation of the City's water department. Primary revenues are sales of waters to users, connection fees, and interest on invested funds.

Wastewater Fund - this fund is used to account for the operation of the City sewer utility.

Wastewater Depreciation Fund - this fund is used to account for monies set aside for wastewater related capital projects.

The City reports the following nonmajor governmental funds:

Special Revenue Funds

Narcotic Enforcement Reserve Fund - this fund is used to account for property seized and forfeited to the Police Department in drug related cases, which must be used for drug enforcement by the Police Department.

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

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

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

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

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

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

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

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

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

Capital Projects Funds

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

Equipment Reserve Fund - this fund is a reserve for purchase of equipment as provided by ORS 180.100.

Debt Service Fund

Police Facilities Debt Service Fund - this fund is used to account for revenues from property tax payments to pay back general obligation bonds used to build the Police/Emergency Dispatch Facilities.

The City reports the following nonmajor proprietary funds:

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

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

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

Wastewater SDC Fund - this fund is used to account for sewer system improvements and expansion.

Wastewater Capital Fund - this fund is used to account for wastewater facilities project.

Storm Water Drainage Fund - this fund is used to account for the operation of the storm water drainage system.

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

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

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

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.

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, 2014. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Deferred 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 deferred 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, stormwater and wastewater collection systems.

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

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 of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. It arises only under a modified accrual basis of accounting. Accordingly, the item, *deferred revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Compensated Absences

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

Encumbrances

The City does not utilize encumbrances.

Budget and Budgetary Accounting

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

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

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

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

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

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2014:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 2,634	\$ 2,634
Deposits with financial institutions	331,686	331,686
Certificates of deposit	135,979	135,979
Investments		
Local Government Investment Pool	8,437,260	8,437,260
	<u>\$ 8,907,559</u>	<u>\$ 8,907,559</u>

Deposits

The book balance of the City's bank deposits with various financial institutions was \$467,665 and the bank balance was \$521,214 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, 2014, \$53,252 of the City's bank balances were covered by the PFCP.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. At June 30, 2014, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

CAPITAL ASSETS

Business-type capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<i>Balances</i> <i>July 1,</i> <i>2013</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Balances</i> <i>June 30,</i> <i>2014</i>
NON-DEPRECIABLE					
Construction in progress-sewer	\$ 14,365,536	\$ -	\$ -	\$ -	\$ 14,365,536
DEPRECIABLE					
Equipment-water	135,369	30,150	-	-	165,519
Equipment-sewer	422,779	-	-	-	422,779
Equipment - stormwater	1,886	-	-	-	1,886
Water facilities	11,457,487	-	-	-	11,457,487
Sewer facilities	9,782,260	-	-	-	9,782,260
Stormwater Infrastructure	10,296,700	-	-	-	10,296,700
<i>Total depreciable</i>	32,096,481	30,150	-	-	32,126,631
ACCUMULATED DEPRECIATION					
Equipment-water	(80,362)	(13,537)	-	-	(93,899)
Equipment-sewer	(231,495)	(42,278)	-	-	(273,773)
Equipment - stormwater	-	(189)	-	-	(189)
Water facilities	(1,145,749)	(286,435)	-	-	(1,432,184)
Sewer facilities	(7,489,982)	(244,557)	-	-	(7,734,539)
Stormwater Infrastructure	(8,494,778)	(257,418)	-	-	(8,752,196)
<i>Total accumulated depreciation</i>	(17,442,366)	(844,414)	-	-	(18,286,780)
<i>Business-type activities capital</i>	\$ 29,019,651	\$ (814,264)	\$ -	\$ -	\$ 28,205,387

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS (Continued)

Governmental activities capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
NON-DEPRECIABLE				
Land and improvements	\$ 3,146,500	\$ -	\$ -	\$ 3,146,500
DEPRECIABLE				
Buildings	9,177,487	-	-	9,177,487
Equipment	1,480,974	48,271	(136,376)	1,392,869
Infrastructure	25,736,008	-	-	25,736,008
<i>Total depreciable</i>	36,394,469	48,271	(136,376)	36,306,364
ACCUMULATED DEPRECIATION				
Buildings	(4,249,730)	(229,437)	-	(4,479,167)
Equipment	(1,430,024)	(148,098)	112,356	(1,465,766)
Infrastructure	(19,740,361)	-	-	(19,740,361)
<i>Total accumulated depreciation</i>	(25,420,115)	(377,535)	112,356	(25,685,294)
<i>Governmental activities capital assets, net</i>	\$ 14,120,854	(329,264)	\$ (24,020)	\$ 13,767,570

Depreciation expense in the amount of \$377,535 was charged to general government on the statement of activities. Depreciation of \$844,414 was charged to business-type activities in the same amounts as shown.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2014</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Multiple vehicle leases with interest rates varying from 7% to 8% and the longest maturing in 2013-14	\$ 33,710	\$ -	\$ (22,397)	\$ 11,313	\$ 11,413
<i>Business-type Activities</i>					
Water treatment facility note, estimated annual payments of \$289,310 including interest at 1%	\$ 6,618,455	\$ -	\$ (214,739)	\$ 6,403,716	\$ 280,924
Water treatment facility note, due two years after project completion including interest at 3.56%	3,224,926	-	(107,887)	3,117,039	218,167
<i>Wastewater Fund</i>					
1993 OEDD promissory note, annual payments of \$61,630 including interest at 5.19%	58,589	-	(58,589)	-	-
<i>Wastewater Depreciation Fund</i>					
Wastewater improvement note, annual payments of \$275,854 including interest at 3.14%	2,677,929	-	(186,934)	2,490,995	269,564
Wastewater improvement note, variable annual payments including interest at 2.90%	4,325,785	-	(192,884)	4,132,901	316,944
Wastewater improvement note, semi-annual payments of \$125,000 including 0% interest. Annual fees at 0.5% are charged.	4,750,000	-	(250,000)	4,500,000	250,000
	<u>\$ 21,655,684</u>	<u>\$ -</u>	<u>\$ (1,011,033)</u>	<u>\$ 20,644,651</u>	<u>\$ 1,335,599</u>

Governmental Activities

Governmental activity debt requirements consist of capital lease which have future required payments of \$11,313 due in the fiscal year ending June 30, 2015.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Business-type activity debt requirements are shown below for the full amount of the Water Treatment Facility loans. These loans were only partially disbursed at June 30, 2014.

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 966,499	\$ 369,100	\$ 1,335,599
2016	980,935	352,864	1,333,799
2017	1,000,762	336,236	1,336,998
2018	1,015,991	319,107	1,335,098
2019	1,036,733	300,991	1,337,724
2020-2024	5,472,475	1,202,469	6,674,944
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
3040	278,143	2,782	280,925
	<u>\$ 20,644,651</u>	<u>\$ 3,927,504</u>	<u>\$ 24,572,155</u>

On December 3, 1992, the City obtained a Special Public Works Fund (SPWF) \$1,345,000 loan from the Oregon Economic Development Department to finance water distribution system improvements and a two million gallon reservoir. 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. 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. Final payment is scheduled for 2012-13.

On December 2, 1993, the City obtained a Special Public Works Fund (SPWF) \$755,816 loan from the Oregon Economic Development Department to finance wastewater treatment plant improvements required by EPA. This loan was made under provision in a note and a related loan agreement under which the City has pledged revenues of its Wastewater Fund and also its taxing power under Article XI, Section 11 of the Constitution of the State of Oregon. Interest on this loan is 5.19% per annum which reflects the interest rate of the Oregon Bond Bank Revenue Bond 1993 Series C which the State of Oregon issued to fund this loan. 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. Final payment is scheduled for 2013-14.

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, 2014. 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.

CITY OF SWEET HOME, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

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.

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

On April 1, 2005, the City signed a \$2,000,000 loan agreement with the State of Oregon Department of Environmental Quality. On April 30, 2005, the loan agreement was amended to reduce the interest rate to a rate in effect at the time of loan execution, which was 2.90%. On February 5, 2007, the City signed an amendment bringing the total loan amount to \$5,886,440. The loan requires a reserve balance of \$196,008. Funds will be disbursed from the State's Clean Water State Revolving Loan Fund. At June 30, 2014, the City had drawn down \$4,667,024 of the loan, and was in compliance with the reserve requirement. Future debt service requirements for this loan are based on the payment schedule provided by the State of Oregon, which assumes full disbursement of the loan. Final payment is scheduled for 2030-31.

On December 16, 2009, the City signed a \$5,000,000 loan agreement with the State of Oregon Department of Environmental Quality. Funds are being disbursed from the State's Clean Water State Revolving Loan Fund to fund wastewater system improvements to reduce inflow and infiltration problems that are affecting the City's wastewater system. There is no interest charged on the loan. The loan requires a reserve balance of \$125,000. During the year ending June 30, 2014, 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.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City does not participate in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 6.15%, 0.49%, and 0.49%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's contribution to PERS for the fiscal years ending June 30, 2014, 2013, and 2012 were \$69,572, \$71,086, and \$74,859, respectively, which equaled the required contributions for the years.

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, 2014 totaled \$150,932 on \$1,257,908 of covered payroll.

Under the ICMA IRC Section 401 defined contribution pension plan agreement the City's contribution rate is 10% of the Police Chief's salary per his contract. The City's contribution to the money purchase pension plan for the Chief of Police for the fiscal year ended June 30, 2014 was \$381 on \$3,812.

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, 2014 was \$97,303 on \$619,764 of covered non-contractual City payroll.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Description (Continued)

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

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

Deferred Compensation

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

COMMITMENTS AND CONTINGENCIES

The City purchases commercial insurance from the City/County Insurance Services Trust to cover all commonly insurable risks, which includes property damage, liability and employee bonds. This is a self-insurance pool set up for city and county entities in Oregon. For premiums paid by the city during the 2013-2014 fiscal year, the city received insurance for four major concerns: Liability, Auto & Equipment, Property and Equipment Breakdown for Boiler and Machinery. The general Liability Coverage has a per occurrence limit of \$5,000,000. A \$2,500 conditional deductible may apply on certain employment claims. Auto coverage has a \$100 deductible for comprehensive and \$500 for collision. Property coverage has a \$1,000 deductible, while the Equipment Breakdown for Boiler and Machinery has a maximum coverage of \$50,000 with a \$1,000 deductible per occurrence.

If the pool is profitable, the trustees can make a distribution of net income to the entities based upon a pro rata share and experience. During fiscal year 2013-2014, the City incurred eleven claims with a total cost of \$42,892 with \$8,175 held in reserves for all open claims. No insurance claims settled in each of the prior three years have exceeded policy coverage.

<u>Fiscal Year Ended June 30,</u>	<u>Insurance Settlements</u>	<u>Premiums Paid by City</u>
2012	\$ 43,328	\$ 79,928
2013	57,358	101,881
2014	34,717	114,244

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

COMMITMENTS AND CONTINGENCIES (Continued)

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

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Based upon prior experience, City Management believes such disallowances, if any, will be immaterial.

TRANSFERS

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 161,279	\$ 53,021
Public Safety	23,521	-
State Gas Tax	-	106,724
Path Program Reserve	50,550	-
Street Maintenance	-	20,550
Weddle Bridge	28,000	-
Equipment Reserve	65,000	-
Police Facilities	-	3,521
Water	-	166,034
Wastewater	-	3,500
Water Depreciation	25,000	-
Storm Water	-	1,500
Storm Water Capital	1,500	-
	<u>\$ 354,850</u>	<u>\$ 354,850</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.

NEW PRONOUNCEMENTS

GASB Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement was implemented in the current year.

The City will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

CITY OF SWEET HOME, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

SUBSEQUENT EVENTS

The City follows the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 165, “Subsequent Events” (ASC 855). ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 23, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 526,403	\$ 526,403	\$ 552,764	\$ 26,361
Licenses and permits	658,309	658,309	771,705	113,396
Charges for services	22,965	22,965	25,705	2,740
Intergovernmental	310,691	310,691	262,464	(48,227)
Fines and forfeitures	190,798	190,798	182,103	(8,695)
Miscellaneous	45,315	45,315	82,654	37,339
<i>Total Revenues</i>	1,754,481	1,754,481	1,877,395	122,914
EXPENDITURES				
General government	18,166	18,166	15,800	2,366
Executive department	253,527	253,527	248,387	5,140
Municipal court	284,924	284,924	205,906	79,018
Building inspection program	177,890	177,890	166,688	11,202
Community development	249,670	229,670	116,520	113,150
Community services programs	11,100	11,100	11,100	-
Parks maintenance	144,686	144,686	110,582	34,104
Finance	201,334	201,334	201,245	89
Non-departmental	749,635	749,635	605,833	143,802
Capital outlay	62,300	62,300	6,329	55,971
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	2,253,232	2,233,232	1,688,390	544,842
REVENUES OVER (UNDER) EXPENDITURES	(498,751)	(478,751)	189,005	667,756
OTHER FINANCING SOURCES (USES)				
Transfers in	272,313	272,313	161,279	(111,034)
Transfers out	(257,859)	(277,859)	(53,021)	224,838
<i>Total Other Financing Sources and Uses</i>	14,454	(5,546)	108,258	113,804
NET CHANGE IN FUND BALANCE	(484,297)	(484,297)	297,263	781,560
FUND BALANCE, beginning of year	1,296,715	1,296,715	1,534,066	237,351
FUND BALANCE, end of year	\$ 812,418	\$ 812,418	\$ 1,831,329	\$ 1,018,911

Budgetary basis is same as GAAP.

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC SAFETY LOCAL OPTION LEVY FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,426,662	\$ 1,426,662	\$ 1,544,394	\$ 117,732
Licenses and permits	170	170	939	769
Charges for services	1,000	1,000	6,110	5,110
Miscellaneous	27,018	27,018	40,641	13,623
<i>Total Revenues</i>	1,454,850	1,454,850	1,592,084	137,234
EXPENDITURES				
Police operations	1,773,821	1,773,821	1,508,393	265,428
Communications operations	384,348	404,348	400,412	3,936
Capital outlay	38,197	38,197	13,037	25,160
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	2,246,366	2,266,366	1,921,842	344,524
REVENUES OVER (UNDER) EXPENDITURES	(791,516)	(811,516)	(329,758)	481,758
OTHER FINANCING SOURCES (USES)				
Transfers in	3,521	23,521	23,521	-
NET CHANGE IN FUND BALANCE	(787,995)	(787,995)	(306,237)	481,758
FUND BALANCE, beginning of year	921,588	921,588	988,979	67,391
FUND BALANCE, end of year	\$ 133,593	\$ 133,593	\$ 682,742	\$ 549,149

Budgetary basis is same as GAAP.

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE GAS TAX FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 515,536	\$ 515,536	\$ 516,984	\$ 1,448
Miscellaneous	380	380	2,066	1,686
<i>Total Revenues</i>	515,916	515,916	519,050	3,134
EXPENDITURES				
Operations	439,467	439,467	381,956	57,511
Capital outlay	7,750	7,750	3,446	4,304
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	497,217	497,217	385,402	111,815
REVENUES OVER (UNDER) EXPENDITURES	18,699	18,699	133,648	114,949
OTHER FINANCING SOURCES (USES)				
Transfers out	(106,724)	(106,724)	(106,724)	-
NET CHANGE IN FUND BALANCE	(88,025)	(88,025)	26,924	114,949
FUND BALANCE, beginning of year	101,414	101,414	158,232	56,818
FUND BALANCE, end of year	\$ 13,389	\$ 13,389	\$ 185,156	\$ 171,767

Budgetary basis is same as GAAP.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEET HOME, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<i>Special Revenue</i>		
	<i>Narcotics Enforcement</i>	<i>Library Local Option Levy</i>	<i>Parks and Recreation Program</i>
ASSETS			
Cash and investments	\$ 49,255	\$ 158,921	\$ 12,734
Accounts receivable	-	-	-
Property taxes receivable	-	17,567	-
Assessment liens receivable	-	-	-
<i>Total Assets</i>	<u>\$ 49,255</u>	<u>\$ 176,488</u>	<u>\$ 12,734</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 8,701	\$ 2,220
Deferred revenue	-	17,567	-
<i>Total Liabilities</i>	-	26,268	2,220
 Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	150,220	-
Debt service	-	-	-
Committed to:			
Public safety	49,255	-	-
Parks	-	-	10,514
Community development	-	-	-
Community center	-	-	-
<i>Total Fund Balance</i>	<u>49,255</u>	<u>150,220</u>	<u>10,514</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 49,255</u>	<u>\$ 176,488</u>	<u>\$ 12,734</u>

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvement</i>	<i>Housing Rehabilitation Loan</i>	<i>Community Center Operating</i>	<i>Special Assessment</i>
\$ 51,387	\$ 1,213,579	\$ 220,221	\$ 14,040	\$ 761
-	-	419,106	4,152	-
-	-	-	-	-
-	4,553	-	-	5,995
<u>\$ 51,387</u>	<u>\$ 1,218,132</u>	<u>\$ 639,327</u>	<u>\$ 18,192</u>	<u>\$ 6,756</u>
\$ 2,425	\$ -	\$ -	\$ 2,047	\$ -
-	4,553	419,106	-	5,995
<u>2,425</u>	<u>4,553</u>	<u>419,106</u>	<u>2,047</u>	<u>5,995</u>
48,962	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,213,579	220,221	-	761
-	-	-	16,145	-
<u>48,962</u>	<u>1,213,579</u>	<u>220,221</u>	<u>16,145</u>	<u>761</u>
<u>\$ 51,387</u>	<u>\$ 1,218,132</u>	<u>\$ 639,327</u>	<u>\$ 18,192</u>	<u>\$ 6,756</u>

CITY OF SWEET HOME, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2014

	<u>Special Revenue</u>		<u>Capital</u>
	<u>Public Transit</u>		
	<u>Grant</u>	<u>Weddle Bridge</u>	<u>Building Reserve</u>
ASSETS			
Cash and investments	\$ -	\$ 4,607	\$ 1,062,592
Accounts receivable	11,727	-	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	-	-
<i>Total Assets</i>	<u>\$ 11,727</u>	<u>\$ 4,607</u>	<u>\$ 1,062,592</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 11,727	\$ -	\$ 158
Deferred revenue	-	-	-
<i>Total Liabilities</i>	<u>11,727</u>	<u>-</u>	<u>158</u>
Fund Balance:			
Restricted for:			
Community development	-	-	-
Library	-	-	-
Debt service	-	-	-
Committed to:			
Public safety	-	-	-
Parks	-	-	-
Community development	-	4,607	1,062,434
Community center	-	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>4,607</u>	<u>1,062,434</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 11,727</u>	<u>\$ 4,607</u>	<u>\$ 1,062,592</u>

<u><i>Projects</i></u>	<u><i>Debt Service</i></u>	
<u><i>Equipment Reserve</i></u>	<u><i>Police Facilities</i></u>	<u><i>Total</i></u>
\$ 251,928	\$ 1,208	\$ 3,041,233
-	-	434,985
-	10,834	28,401
-	-	10,548
<u>\$ 251,928</u>	<u>\$ 12,042</u>	<u>\$ 3,515,167</u>
\$ -	\$ -	\$ 27,278
-	10,834	458,055
-	10,834	485,333
-	-	48,962
-	-	150,220
-	1,208	1,208
-	-	49,255
-	-	10,514
251,928	-	2,753,530
-	-	16,145
<u>251,928</u>	<u>1,208</u>	<u>3,029,834</u>
<u>\$ 251,928</u>	<u>\$ 12,042</u>	<u>\$ 3,515,167</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue		
	Narcotics Enforcement	Library Local Option Levy	Parks and Recreation Program
REVENUES			
Taxes and assessments	\$ -	\$ 197,112	\$ -
Intergovernmental	-	-	-
Fines and forfeitures	-	5,884	-
Miscellaneous	238	17,572	2,724
<i>Total Revenues</i>	238	220,568	2,724
EXPENDITURES			
Current			
General government	-	-	-
Library	-	226,743	-
Parks	-	-	1,790
Community development	-	-	-
Community center	-	-	-
Capital outlay	-	990	-
<i>Total Expenditures</i>	-	227,733	1,790
REVENUES OVER (UNDER) EXPENDITURES	238	(7,165)	934
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources and Uses</i>	-	-	-
NET CHANGE IN FUND BALANCE	238	(7,165)	934
FUND BALANCE, beginning of year	49,017	157,385	9,580
FUND BALANCE, end of year	\$ 49,255	\$ 150,220	\$ 10,514

<i>Special Revenue</i>				
<i>Path Program Reserve</i>	<i>Street Maintenance Improvement</i>	<i>Housing Rehabilitation Loan</i>	<i>Community Center Operating</i>	<i>Special Assessment</i>
\$ -	\$ -	\$ -	\$ -	\$ -
-	3,307	-	-	-
-	-	-	-	-
415	6,926	3,895	33,251	3
415	10,233	3,895	33,251	3
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	36,203	-
101,063	145,939	-	-	-
101,063	145,939	-	36,203	-
(100,648)	(135,706)	3,895	(2,952)	3
50,550	-	-	-	-
-	(20,550)	-	-	-
50,550	(20,550)	-	-	-
(50,098)	(156,256)	3,895	(2,952)	3
99,060	1,369,835	216,326	19,097	758
\$ 48,962	\$ 1,213,579	\$ 220,221	\$ 16,145	\$ 761

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue</u>		<u>Capital</u>
	<u>Public Transit Grant</u>	<u>Weddle Bridge</u>	<u>Building Reserve</u>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	51,594	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	10	11,131
<i>Total Revenues</i>	<u>51,594</u>	<u>10</u>	<u>11,131</u>
EXPENDITURES			
Current			
General government	-	-	158
Library	-	-	-
Parks	-	-	-
Community development	51,594	23,403	-
Community center	-	-	-
Capital outlay	-	-	7,491
<i>Total Expenditures</i>	<u>51,594</u>	<u>23,403</u>	<u>7,649</u>
REVENUES OVER (UNDER) EXPENDITURES	-	(23,393)	3,482
OTHER FINANCING SOURCES (USES)			
Transfers in	-	28,000	-
Transfers out	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>-</u>	<u>28,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	4,607	3,482
FUND BALANCE, beginning of year	-	-	1,058,952
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 4,607</u>	<u>\$ 1,062,434</u>

<u><i>Projects</i></u>	<u><i>Debt Service</i></u>	
<u><i>Equipment Reserve</i></u>	<u><i>Police Facilities</i></u>	<u><i>Total</i></u>
\$ -	\$ 1,149	\$ 198,261
28,051	-	82,952
-	-	5,884
1,168	413	77,746
<hr/>	<hr/>	<hr/>
29,219	1,562	364,843
-	-	158
-	-	226,743
-	-	1,790
-	-	74,997
-	-	36,203
108,827	-	364,310
<hr/>	<hr/>	<hr/>
108,827	-	704,201
<hr/>	<hr/>	<hr/>
(79,608)	1,562	(339,358)
65,000	-	143,550
-	(3,521)	(24,071)
<hr/>	<hr/>	<hr/>
65,000	(3,521)	119,479
<hr/>	<hr/>	<hr/>
(14,608)	(1,959)	(219,879)
266,536	3,167	3,249,713
<hr/>	<hr/>	<hr/>
\$ 251,928	\$ 1,208	\$ 3,029,834
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NARCOTICS ENFORCEMENT FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ 238	\$ 138
EXPENDITURES				
Capital outlay	49,180	49,180	-	49,180
NET CHANGE IN FUND BALANCE	(49,080)	(49,080)	238	49,318
FUND BALANCE, beginning of year	49,080	49,080	49,017	(63)
FUND BALANCE, end of year	\$ -	\$ -	\$ 49,255	\$ 49,255

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY LOCAL OPTION LEVY FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 182,790	\$ 182,790	\$ 197,112	\$ 14,322
Fines and forfeitures	5,800	5,800	5,884	84
Miscellaneous	20,755	20,755	17,572	(3,183)
<i>Total Revenues</i>	209,345	209,345	220,568	11,223
EXPENDITURES				
Operations	241,039	249,039	226,743	22,296
Capital outlay	1,000	1,000	990	10
Contingency	2,000	2,000	-	2,000
<i>Total Expenditures</i>	244,039	252,039	227,733	24,306
NET CHANGE IN FUND BALANCE	(34,694)	(42,694)	(7,165)	35,529
FUND BALANCE, beginning of year	149,167	157,167	157,385	218
FUND BALANCE, end of year	\$ 114,473	\$ 114,473	\$ 150,220	\$ 35,747

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,124	\$ 3,124	\$ 2,724	\$ (400)
EXPENDITURES				
Operations	1,937	1,937	1,790	147
Capital outlay	10,607	10,607	-	10,607
<i>Total Expenditures</i>	12,544	12,544	1,790	10,754
NET CHANGE IN FUND BALANCE	(9,420)	(9,420)	934	10,354
FUND BALANCE, beginning of year	9,420	9,420	9,580	160
FUND BALANCE, end of year	\$ -	\$ -	\$ 10,514	\$ 10,514

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 780	\$ 780	\$ 415	\$ (365)
EXPENDITURES				
Capital outlay	110,000	110,000	101,063	8,937
REVENUES OVER (UNDER)				
EXPENDITURES	(109,220)	(109,220)	(100,648)	8,572
OTHER FINANCING SOURCES (USES)				
Transfers in	50,550	50,550	50,550	-
NET CHANGE IN FUND BALANCE	(58,670)	(58,670)	(50,098)	8,572
FUND BALANCE, beginning of year	62,752	62,752	99,060	36,308
FUND BALANCE, end of year	\$ 4,082	\$ 4,082	\$ 48,962	\$ 44,880

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STREET MAINTENANCE IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 349,550	\$ 349,550	\$ 3,307	\$ (346,243)
Miscellaneous	7,100	7,100	6,926	(174)
<i>Total Revenues</i>	356,650	356,650	10,233	(346,417)
EXPENDITURES				
Capital outlay	418,150	418,150	145,939	272,211
REVENUES OVER (UNDER)				
EXPENDITURES	(61,500)	(61,500)	(135,706)	(74,206)
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,550)	(20,550)	(20,550)	-
NET CHANGE IN FUND BALANCE	(82,050)	(82,050)	(156,256)	(74,206)
FUND BALANCE, beginning of year	1,382,857	1,382,857	1,369,835	(13,022)
FUND BALANCE, end of year	\$ 1,300,807	\$ 1,300,807	\$ 1,213,579	\$ (87,228)

CITY OF SWEET HOME, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOUSING REHABILITATION LOAN FUND
YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,076	\$ 1,076	\$ 3,895	\$ 2,819
EXPENDITURES				
Operations	217,450	217,450	-	217,450
NET CHANGE IN FUND BALANCE	(216,374)	(216,374)	3,895	220,269
FUND BALANCE, beginning of year	216,374	216,374	216,326	(48)
FUND BALANCE, end of year	\$ -	\$ -	\$ 220,221	\$ 220,221

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMMUNITY CENTER OPERATING FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 33,216	\$ 33,216	\$ 33,251	\$ 35
EXPENDITURES				
Operations	46,227	46,227	36,203	10,024
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	<u>47,227</u>	<u>47,227</u>	<u>36,203</u>	<u>11,024</u>
NET CHANGE IN FUND BALANCE	(14,011)	(14,011)	(2,952)	11,059
FUND BALANCE, beginning of year	<u>14,011</u>	<u>14,011</u>	<u>19,097</u>	<u>5,086</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,145</u>	<u>\$ 16,145</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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3	\$ 3
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	3	3
FUND BALANCE, beginning of year	758	758	758	-
FUND BALANCE, end of year	\$ 758	\$ 758	\$ 761	\$ 3

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 51,594	\$ 51,594	\$ 51,594	\$ -
EXPENDITURES				
Materials and services	51,594	51,594	51,594	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – 911 TAX FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 41,696	\$ 41,696	\$ -	\$ (41,696)
EXPENDITURES				
Materials and services	41,696	41,696	-	41,696
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,521	\$ 8,521	\$ 11,131	\$ 2,610
EXPENDITURES				
Operations	5,000	5,000	158	4,842
Capital outlay	25,000	25,000	7,491	17,509
<i>Total Expenditures</i>	30,000	30,000	7,649	22,351
REVENUES OVER (UNDER)				
EXPENDITURES	(21,479)	(21,479)	3,482	24,961
OTHER FINANCING SOURCES (USES)				
Transfers in	224,838	224,838	-	(224,838)
NET CHANGE IN FUND BALANCE	203,359	203,359	3,482	(199,877)
FUND BALANCE, beginning of year	1,054,640	1,054,640	1,058,952	4,312
FUND BALANCE, end of year	\$ 1,257,999	\$ 1,257,999	\$ 1,062,434	\$ (195,565)

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - EQUIPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ 40,000	\$ 28,051	\$ (11,949)
Miscellaneous	1,277	1,277	1,168	(109)
<i>Total Revenues</i>	1,277	41,277	29,219	(12,058)
EXPENDITURES				
Capital outlay	82,490	122,490	108,827	13,663
REVENUES OVER (UNDER) EXPENDITURES	(81,213)	(81,213)	(79,608)	1,605
OTHER FINANCING SOURCES (USES)				
Transfers in	65,000	65,000	65,000	-
NET CHANGE IN FUND BALANCE	(16,213)	(16,213)	(14,608)	1,605
FUND BALANCE, beginning of year	173,841	173,841	266,536	92,695
FUND BALANCE, end of year	\$ 157,628	\$ 157,628	\$ 251,928	\$ 94,300

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POLICE FACILITIES FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 1,149	\$ 1,149
Miscellaneous	-	-	413	413
<i>Total Revenues</i>	-	-	1,562	1,562
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	1,562	1,562
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,521)	(3,521)	(3,521)	-
NET CHANGE IN FUND BALANCE	(3,521)	(3,521)	(1,959)	1,562
FUND BALANCE, beginning of year	3,521	3,521	3,167	(354)
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,208	\$ 1,208

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

JUNE 30, 2014

	<u>Water System Development</u>	<u>Water Capital</u>	<u>Water Depreciation</u>	<u>Wastewater System Development</u>
ASSETS				
Current Assets				
Cash and investments	\$ 277,339	\$ 112,020	\$ 514,372	\$ 361,801
Accounts receivable	-	-	-	-
<i>Total Current Assets</i>	<u>277,339</u>	<u>112,020</u>	<u>514,372</u>	<u>361,801</u>
Noncurrent Assets				
Assessment liens receivable	47,994	-	-	32,758
Capital assets, net of depreciation	-	-	-	-
<i>Total Noncurrent Assets</i>	<u>47,994</u>	<u>-</u>	<u>-</u>	<u>32,758</u>
<i>Total Assets</i>	<u>325,333</u>	<u>112,020</u>	<u>514,372</u>	<u>394,559</u>
LIABILITIES				
Current Liabilities				
Accounts payable	-	-	-	-
FUND NET POSITION:				
Investment in capital assets	-	-	-	-
Restricted for:				
Construction	325,333	-	-	394,559
Unrestricted	-	112,020	514,372	-
<i>Total Fund Net Position</i>	<u>\$ 325,333</u>	<u>\$ 112,020</u>	<u>\$ 514,372</u>	<u>\$ 394,559</u>

<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ 515,723	\$ 51,205	\$ 10,765	\$ 24,747	\$ 88,642	\$ 1,956,614
-	8,556	-	-	-	8,556
515,723	59,761	10,765	24,747	88,642	1,965,170
-	-	-	-	-	80,752
-	1,546,201	-	-	-	1,546,201
-	1,546,201	-	-	-	1,626,953
515,723	1,605,962	10,765	24,747	88,642	3,592,123
-	693	-	-	-	693
-	1,546,201	-	-	-	1,546,201
-	-	10,765	-	-	730,657
515,723	59,068	-	24,747	88,642	1,314,572
<u>\$ 515,723</u>	<u>\$ 1,605,269</u>	<u>\$ 10,765</u>	<u>\$ 24,747</u>	<u>\$ 88,642</u>	<u>\$ 3,591,430</u>

CITY OF SWEET HOME, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Water System Development</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Personal services	-	-	-
Materials and services	55,779	-	77,977
Depreciation	-	-	-
<i>Total Expenses</i>	<u>55,779</u>	<u>-</u>	<u>77,977</u>
OPERATING INCOME (LOSS)	(55,779)	-	(77,977)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	<u>3,761</u>	<u>547</u>	<u>2,725</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(52,018)	547	(75,252)
Capital contributions	25,803	-	-
Transfers in	-	-	25,000
Transfers out	-	-	-
CHANGE IN FUND NET POSITION	(26,215)	547	(50,252)
FUND NET POSITION, beginning of year	<u>351,548</u>	<u>111,473</u>	<u>564,624</u>
FUND NET POSITION, end of year	<u>\$ 325,333</u>	<u>\$ 112,020</u>	<u>\$ 514,372</u>

<i>Wastewater System Development</i>	<i>Wastewater Capital</i>	<i>Storm Water Drainage</i>	<i>Storm Water SDC</i>	<i>Storm Water Capital</i>	<i>Storm Water Depreciation</i>	<i>Total</i>
\$ -	\$ -	\$ 58,867	\$ -	\$ -	\$ -	\$ 58,867
-	-	13,231	-	-	-	13,231
-	-	917	-	24,999	-	159,672
-	-	257,606	-	-	-	257,606
-	-	271,754	-	24,999	-	430,509
-	-	(212,887)	-	(24,999)	-	(371,642)
3,481	2,490	204	52	215	427	13,902
3,481	2,490	(212,683)	52	(24,784)	427	(357,740)
13,528	-	-	-	-	-	39,331
-	-	-	-	1,500	-	26,500
-	-	(1,500)	-	-	-	(1,500)
17,009	2,490	(214,183)	52	(23,284)	427	(293,409)
377,550	513,233	1,819,452	10,713	48,031	88,215	3,884,839
\$ 394,559	\$ 515,723	\$ 1,605,269	\$ 10,765	\$ 24,747	\$ 88,642	\$ 3,591,430

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

	<u>Water SDC</u>	<u>Water Capital</u>	<u>Water Depreciation</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	\$ -	\$ -	\$ -
Paid to suppliers	(55,779)	-	(77,977)
Paid to employees	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	(55,779)	-	(77,977)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	25,000
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	-	-	25,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution of capital	25,026	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	3,761	547	2,725
	<hr/>	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	(26,992)	547	(50,252)
CASH AND INVESTMENTS, Beginning of year	<hr/>	<hr/>	<hr/>
	304,331	111,473	564,624
CASH AND INVESTMENTS, End of year	<hr/>	<hr/>	<hr/>
	\$ 277,339	\$ 112,020	\$ 514,372
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (55,779)	\$ -	\$ (77,977)
Depreciation	-	-	-
Accounts receivable	-	-	-
Accounts payable and accrued liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<hr/>	<hr/>	<hr/>
	\$ (55,779)	\$ -	\$ (77,977)

<i>Wastewater SDC</i>	<i>Wastewater Capital</i>	<i>Stormwater</i>	<i>Stormwater SDC</i>	<i>Stormwater Capital</i>	<i>Stormwater Depreciation</i>	<i>Totals</i>
\$ -	\$ -	\$ 59,348	\$ -	\$ -	\$ -	\$ 59,348
-	(4,389)	(1,352)	-	(34,449)	-	(173,946)
-	-	(13,231)	-	-	-	(13,231)
-	(4,389)	44,765	-	(34,449)	-	(127,829)
-	-	-	-	1,500	-	26,500
-	-	(1,500)	-	-	-	(1,500)
-	-	(1,500)	-	1,500	-	25,000
14,906	-	-	-	-	-	39,932
3,481	2,490	205	52	215	427	13,903
18,387	(1,899)	43,470	52	(32,734)	427	(48,994)
343,414	517,622	7,735	10,713	57,481	88,215	2,005,608
<u>\$ 361,801</u>	<u>\$ 515,723</u>	<u>\$ 51,205</u>	<u>\$ 10,765</u>	<u>\$ 24,747</u>	<u>\$ 88,642</u>	<u>\$ 1,956,614</u>
\$ -	\$ -	\$ (212,887)	\$ -	\$ (24,999)	\$ -	\$ (371,642)
-	-	257,606	-	-	-	257,606
-	-	481	-	-	-	481
-	(4,389)	(435)	-	(9,450)	-	(14,274)
<u>\$ -</u>	<u>\$ (4,389)</u>	<u>\$ 44,765</u>	<u>\$ -</u>	<u>\$ (34,449)</u>	<u>\$ -</u>	<u>\$ (127,829)</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,593,458	\$ 1,593,458	\$ 1,598,036	\$ 4,578
Miscellaneous	4,937	4,937	7,877	2,940
<i>Total Revenues</i>	1,598,395	1,598,395	1,605,913	7,518
EXPENDITURES				
Operations	1,173,742	1,193,742	1,177,997	15,745
Debt service				
Principal	322,626	322,626	322,626	-
Interest	178,265	178,265	178,264	1
Capital outlay	12,900	12,900	11,371	1,529
Contingency	100,000	80,000	-	80,000
<i>Total Disbursements</i>	1,787,533	1,787,533	1,690,258	97,275
REVENUES OVER (UNDER)				
EXPENDITURES	(189,138)	(189,138)	(84,345)	104,793
OTHER FINANCING SOURCES (USES)				
Transfers out	(166,034)	(166,034)	(166,034)	-
NET CHANGE IN FUND BALANCE	(355,172)	(355,172)	(250,379)	104,793
FUND BALANCE, beginning of year	358,329	358,329	374,999	16,670
FUND BALANCE, end of year	\$ 3,157	\$ 3,157	\$ 124,620	\$ 121,463

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,821,397	\$ 1,821,397	\$ 1,944,077	\$ 122,680
Miscellaneous	1,834	1,834	8,194	6,360
<i>Total Revenues</i>	1,823,231	1,823,231	1,952,271	129,040
EXPENDITURES				
Operations	1,199,421	1,209,421	1,164,968	44,453
Debt service				
Principal	759,157	759,157	688,407	70,750
Interest	279,695	279,695	238,571	41,124
Capital outlay	16,198	16,198	12,293	3,905
Contingency	70,000	60,000	-	60,000
<i>Total Disbursements</i>	2,324,471	2,324,471	2,104,239	220,232
REVENUES OVER (UNDER)				
EXPENDITURES	(501,240)	(501,240)	(151,968)	349,272
OTHER FINANCING SOURCES (USES)				
Transfers out	(114,534)	(114,534)	(3,500)	111,034
NET CHANGE IN FUND BALANCE	(615,774)	(615,774)	(155,468)	460,306
FUND BALANCE, beginning of year	621,715	621,715	360,514	(261,201)
FUND BALANCE, end of year	\$ 5,941	\$ 5,941	\$ 205,046	\$ 199,105

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,375	\$ 8,375	\$ 6,883	\$ (1,492)
EXPENDITURES				
Materials and services	500,000	500,000	202,035	297,965
Capital outlay	1,015,000	1,015,000	2,940	1,012,060
<i>Total Disbursements</i>	1,515,000	1,515,000	204,975	1,310,025
NET CHANGE IN FUND BALANCE	(1,506,625)	(1,506,625)	(198,092)	1,308,533
FUND BALANCE, beginning of year	1,665,000	1,665,000	1,540,400	(124,600)
FUND BALANCE, end of year	\$ 158,375	\$ 158,375	\$ 1,342,308	\$ 1,183,933

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 24,553	\$ 23,053
Miscellaneous	1,003	1,003	4,234	3,231
<i>Total Revenues</i>	2,503	2,503	28,787	26,284
EXPENDITURES				
Materials and services	40,000	40,000	-	40,000
Capital outlay	180,000	180,000	55,779	124,221
<i>Total Expenditures</i>	220,000	220,000	55,779	164,221
NET CHANGE IN FUND BALANCE	(217,497)	(217,497)	(26,992)	190,505
FUND BALANCE, beginning of year	221,146	221,146	304,331	83,185
FUND BALANCE, end of year	\$ 3,649	\$ 3,649	\$ 277,339	\$ 273,690

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER CAPITAL FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 506	\$ 506	\$ 547	\$ 41
EXPENDITURES				
Capital outlay	75,000	75,000	-	75,000
NET CHANGE IN FUND BALANCE	(74,494)	(74,494)	547	75,041
FUND BALANCE, beginning of year	111,501	111,501	111,473	(28)
FUND BALANCE, end of year	\$ 37,007	\$ 37,007	\$ 112,020	\$ 75,013

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,325	\$ 1,325	\$ 2,725	\$ 1,400
EXPENDITURES				
Materials and services	75,000	75,000	-	75,000
Capital outlay	265,000	265,000	77,977	187,023
<i>Total Expenditures</i>	<u>340,000</u>	<u>340,000</u>	<u>77,977</u>	<u>262,023</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(338,675)	(338,675)	(75,252)	263,423
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
NET CHANGE IN FUND BALANCE	(313,675)	(313,675)	(50,252)	263,423
FUND BALANCE, beginning of year	620,624	620,624	564,624	(56,000)
FUND BALANCE, end of year	<u>\$ 306,949</u>	<u>\$ 306,949</u>	<u>\$ 514,372</u>	<u>\$ 207,423</u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 14,570	\$ 13,570
Miscellaneous	1,632	1,632	3,817	2,185
<i>Total Revenues</i>	2,632	2,632	18,387	15,755
EXPENDITURES				
Materials and services	100,000	100,000	-	100,000
Capital outlay	115,196	115,196	-	115,196
<i>Total Expenditures</i>	215,196	215,196	-	215,196
NET CHANGE IN FUND BALANCE	(212,564)	(212,564)	18,387	230,951
FUND BALANCE, beginning of year	212,564	212,564	343,414	130,850
FUND BALANCE, end of year	\$ -	\$ -	\$ 361,801	\$ 361,801

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WASTEWATER CAPITAL FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,500	\$ 2,500	\$ 2,490	\$ (10)
EXPENDITURES				
Materials and services	150,000	150,000	-	150,000
Capital outlay	360,000	360,000	-	360,000
<i>Total Expenditures</i>	510,000	510,000	-	510,000
NET CHANGE IN FUND BALANCE	(507,500)	(507,500)	2,490	509,990
FUND BALANCE, beginning of year	514,919	514,919	513,233	(1,686)
FUND BALANCE, end of year	\$ 7,419	\$ 7,419	\$ 515,723	\$ 508,304

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 60,000	\$ 60,000	\$ 58,867	\$ (1,133)
Miscellaneous	118	118	201	83
<i>Total Revenues</i>	60,118	60,118	59,068	(1,050)
EXPENDITURES				
Materials and services	72,739	72,739	14,566	58,173
Capital outlay	250	250	-	250
<i>Total Expenditures</i>	72,989	72,989	14,566	58,423
REVENUES OVER (UNDER)				
EXPENDITURES	(12,871)	(12,871)	44,502	57,373
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,500)	(1,500)	(1,500)	-
NET CHANGE IN FUND BALANCE	(14,371)	(14,371)	43,002	57,373
FUND BALANCE, beginning of year	14,692	14,692	16,746	2,054
FUND BALANCE, end of year	\$ 321	\$ 321	\$ 59,748	\$ 59,427

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 48	\$ 48	\$ 52	\$ 4
EXPENDITURES				
Materials and services	10,763	10,763	-	10,763
NET CHANGE IN FUND BALANCE	(10,715)	(10,715)	52	10,767
FUND BALANCE, beginning of year	10,715	10,715	10,713	(2)
FUND BALANCE, end of year	\$ -	\$ -	\$ 10,765	\$ 10,765

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 276	\$ 276	\$ 216	\$ (60)
EXPENDITURES				
Materials and services	22,000	22,000	-	22,000
Capital outlay	35,000	35,000	25,000	10,000
<i>Total Expenditures</i>	<u>57,000</u>	<u>57,000</u>	<u>25,000</u>	<u>32,000</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(56,724)	(56,724)	(24,784)	31,940
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(55,224)	(55,224)	(23,284)	31,940
FUND BALANCE, beginning of year	<u>57,494</u>	<u>57,494</u>	<u>48,031</u>	<u>(9,463)</u>
FUND BALANCE, end of year	<u><u>\$ 2,270</u></u>	<u><u>\$ 2,270</u></u>	<u><u>\$ 24,747</u></u>	<u><u>\$ 22,477</u></u>

CITY OF SWEET HOME, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER DEPRECIATION FUND
YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 492	\$ 492	\$ 427	\$ (65)
EXPENDITURES				
Materials and services	10,000	10,000	-	10,000
Capital outlay	41,076	41,076	-	41,076
<i>Total Expenditures</i>	51,076	51,076	-	51,076
NET CHANGE IN FUND BALANCE	(50,584)	(50,584)	427	51,011
FUND BALANCE, beginning of year	50,584	50,584	88,215	37,631
FUND BALANCE, end of year	\$ -	\$ -	\$ 88,642	\$ 88,642

OTHER FINANCIAL SCHEDULES

CITY OF SWEET HOME, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2013</i>	<i>2013-2014 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2014</i>
2013-2014	\$ -	\$ 2,341,910	\$ 14,242	\$ (76,503)	\$ (2,181,633)	\$ 98,016
2012-2013	91,951	-	13,152	(576)	(41,181)	63,346
2011-2012	52,343	-	11,515	(276)	(20,312)	43,270
2010-2011	41,706	-	11,621	(248)	(20,600)	32,479
2009-2010	17,158	-	11,171	(230)	(12,107)	15,992
2008-2009	2,836	-	-	(237)	(1,117)	1,482
2007-2008	694	-	-	(111)	(290)	293
Prior Years	3,536	-	-	(35)	(413)	3,088
Total	\$ 210,224	\$ 2,341,910	\$ 61,701	\$ (78,216)	\$ (2,277,653)	\$ 257,966

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Jim Gourley, Mayor
and Members of the City Council
1140 12th Avenue
City of 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, 2014, and have issued our report thereon dated December 23, 2014.

Compliance and Other Matters

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

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

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

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

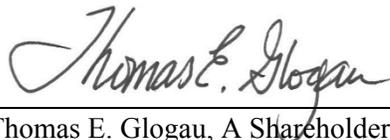
Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By: 

Thomas E. Glogau, A Shareholder
December 23, 2014