

The Honorable Mayor and Members of the City Council
City of Sweet Home
3225 Main Street
Sweet Home, Oregon 97386

In planning and performing our audit of the basic financial statements of the City of Sweet Home (the "City") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in the City’s internal control to be material weaknesses in the current year:

Account Reconciliations (Continuation from Prior Year)

Situation:

During our audit, we noted that periodic reconciliations on various major accounts was not performed in a timely manner (accounts receivable, deferred revenue, and capital assets). It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger to ensure the accuracy of financial information and minimize the risk of misstatement or misappropriation.

Recommendation:

We strongly recommend that a policy be implemented, whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger or on a monthly or otherwise timely basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and document evidence of their review for audit purposes.

Management’s Response:

Turnover in management and the Finance Director position after the end of the fiscal year under audit caused the difficulty in reconciling accounts in a timely manner. The lack of reconciliation was known at the conclusion of the prior-year audit and the City expects to correct this deficiency for fiscal year 2024 and have hired consultants to assist bringing the City’s reconciliations and financial records current with appropriate review mechanisms.

Failure to Submit Audited Financial Statements Timely (Continuation from Prior Year)

Situation:

According to Oregon state regulations, municipalities are required to submit audited financial statements within six months of the fiscal year end. For a fiscal year ending on June 30, the audited financial statements must be submitted by December 31 of the same year. The financial statements for the fiscal year ended June 30, 2024, were submitted in May 2026, causing the City to be out of compliance.

Failure to submit the audited financial statements timely can have several adverse effects, including:

- Noncompliance with state regulations.
- Reduced transparency and accountability to the City’s stakeholders, including residents, investors, and regulatory bodies.
- Potential impacts on the City’s credit rating, which could affect future borrowing costs and the ability to finance public projects.

Recommendation:

It is recommended that the City establish and implement a plan to ensure the timely preparation and submission of audited financial statements. This plan should include:

- Assigning clear responsibilities and deadlines for financial reporting tasks.
- Ensuring adequate staffing and resources are allocated to the financial reporting process.
- Establishing regular communication and coordination with external auditors to monitor progress and address any issues promptly.
- Implementing internal controls and monitoring mechanisms to ensure adherence to reporting timelines.

Management's Response:

The City's management concurs with the finding and acknowledges the importance of timely submission of audited financial statements. Steps are being taken to address the weaknesses identified, including maintaining established staff, improving internal processes, and enhancing coordination with the external auditors. The management commits to implementing these measures to ensure future compliance with the submission deadlines.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance of the City of Sweet Home the scope of our testing of internal control over financial reporting and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

REDW LLC

Salem, Oregon

May 11, 2026