

# **CITY OF SISTERS, OREGON**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2013**



Prepared by:  
The City of Sisters  
Finance Department  
Lynne Fujita-Conrads  
Finance Officer

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**CITY OF SISTERS, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2013**

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# **INTRODUCTORY SECTION**

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December 12, 2013

Honorable Mayor Brad Boyd,  
Members of the Governing Council, and  
Citizens of the City of Sisters, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Sisters, Oregon (the City) for the fiscal year ended June 30, 2013 is hereby submitted.

This report presents the financial position of the City as of June 30, 2013 and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State. We believe the data, as presented, are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide a reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the report of the independent auditors, beginning on page a.

### ***City Profile***

The City of Sisters (City), incorporated in 1946, is located at the foot of the eastern slope of the Cascades in Central Oregon, 136 miles southeast of Portland and 20 miles west of Bend and Redmond. It currently occupies 1,132 acres and serves a population of 2,115, numerous rural subdivisions and outlying ranches surround the city and contribute to a population of the “Greater Sisters Country” in the range of 10,000 to 12,000 people.

The City of Sisters operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council) consisting of the mayor and four other members, all elected on a non-partisan basis to terms of two to four years. The City Council appoints a city manager, who in turn appoints the heads of the various departments. The City Manager implements policy set by the City Council and oversees city operations. The City provides a full range of services, including general administration; water, sewer and street utilities; planning and community development; and parks and some recreational activities. The City also manages the Sisters Urban Renewal District which is overseen by the City Council acting as the governing body for the Sisters Urban Renewal Agency. The Agency has the following funds: Urban Renewal Debt Service Fund and Urban Renewal Project Fund. The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget services as the foundation for the City’s financial planning and control. The budget is prepared by fund, category (e.g., personnel services, material & services, capital outlay) and the General Fund by department (e.g., council-manager, finance & administration, parks, police, community development, maintenance, etc.)

### ***Local Economy and Outlook***

Sisters was first settled as Camp Polk, a military outpost located along the banks of Whychus Creek in the late 1800’s. In the early 1900’s, the town was relocated to its current location. For decades, the main economic activity of the town was to supply and support wagon travel over the Cascades between Central Oregon and the Willamette Valley. By the mid-1900’s ranching and logging were the predominant economic activities in the town of Sisters which incorporated in 1946. By the 1960’s, Oregon’s economy began to shift toward recreation and tourism to supplement a dwindling natural resources base. Locally, Black Butte Ranch was platted at the site of the former Brooks-Scanlon logging camp northwest of Sisters. A strategic decision was made to utilize Sisters as the commercial town center for this new destination resort and seed money was created to support a newly established western theme for the town.

Today, recreation and tourism comprise the economic foundation of the City of Sisters which is well known for its annual Sisters Rodeo, one of the oldest continuously operating rodeos in the nation; and for the internationally famous Sisters Outdoor Quilt Show which draws tens of thousands of visitors to Sisters on a single day. The Sisters Folk Festival has become a signature

music event. The Village Green craft shows, Antiques in the Park, Wine and Brew Fest, and Harvest Faire all draw numerous visitors to Sisters annually. With numerous art galleries and Art Walks, Sisters is has also become an active arts-based community celebrating and honoring its western heritage.

Sisters continues to struggle with the overall effects of the Great Recession. Vacancies are high, businesses are struggling to hang on and rents and revenues continue to slide. Despite these dismal economic conditions, there is some positive news appearing on the horizon, The Portland metropolitan region job rate grew at a moderate pace of 1.9 percent in 2012. Essentially, most of the job growth in the state of Oregon in 2012 was in the Portland region. Building permit numbers hit a record high of 1,039 units in January and 1,134 in February. The Portland region hasn't seen performance numbers that strong since the summer of 2007 and home values there climbed at a rate of 8.3% over the past 12 months.

These positive events in the major economic center of our state should bode well for the economy in Sisters. As such, we have begun to see a turnaround in the real estate market, activity is up and prices are slowly recovering. Select business sales are up and the general trend appears to be positive. The city has seen a slight increase in business license and building permit requests and the number of inquiries to the planning and building departments has grown over the past several months. Sisters' largest employer, Sisters School District, is budgeting to increase funding slightly for the first time in four (4) years. These factors give a reason to be cautiously optimistic regarding the overall economy here in Sisters.

### ***Community Vision and Goals***

In 2009, the City Council approved the following long term goals designed to integrate the City's Comprehensive Plan, adopted in 2005, with the Sisters County Vision Statement.

- *To have a strong and effective planning process that enhances livability, provides for orderly and sustainable growth, and that honors and preserves Sisters' western village character.*
- *To protect and celebrate the natural majestic beauty that surrounds us, sustains us, gives us our community identity, and is where we recreate.*
- *To support our citizens through diverse economic sectors that reflect their identity, values and interests, and to provide for their well being.*
- *To create and foster opportunities where Sisters Country citizens can easily participate in civic affairs, be active and informed, and partner in community leadership.*

- *To be a professionally managed and innovative municipal government committed to promoting trust and providing the highest quality of city services.*

### ***Long-term Financial Planning***

With a vision and long term goals set for the city, effective financial management means the City focuses on financial sustainability and maintaining high service levels. Continuing a tradition of conservative and strategic spending, the City is in a good position financially for the next fiscal year.

The City's on-going financial planning includes maintaining a five-year financial forecast and a five year capital improvement plan based on various strategic plans and reports including a transportation system plan, water and sewer master plans, water rights master plan, water conservation and management plan, utility rate studies and system development charge updates. Developing and utilizing these plans, enhances the City's ability to address future needs in a proactive and measured approach.

### ***Financial Information***

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### ***Certificate of Achievement***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sisters for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local financial report. This was the 4<sup>th</sup> year that the City received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to the program standards.

***Other Information***

Independent Audit – The State of Oregon requires an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The firm, Dickey and Tremper, LLP was selected. This requirement had been complied with and the auditor's opinion had been included in this report.

***Acknowledgements***

The preparation of the annual Financial Report was a combined effort of dedicated City staff. We wish to thank everyone who made a contribution to this report for their support and expertise.

We would also like to express our appreciation to the Sisters City Council for their continued support and leadership in managing the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Andrew Gorayeb  
City Manager



Lynne Fujita-Conrads  
Finance Officer



# CITY OF SISTERS, OREGON

**FISCAL YEAR ENDING JUNE 30, 2013**

## **ELECTED OFFICIALS OF THE CITY**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Terms</u></b>
Brad Boyd	Mayor	December, 2014
McKibben Womack	Council President	December, 2016
Catherine Childress	Council Member	December, 2016
David Asson	Council Member	December, 2014
Wendy Holzman	Council Member	December, 2014

## **CITY STAFF**

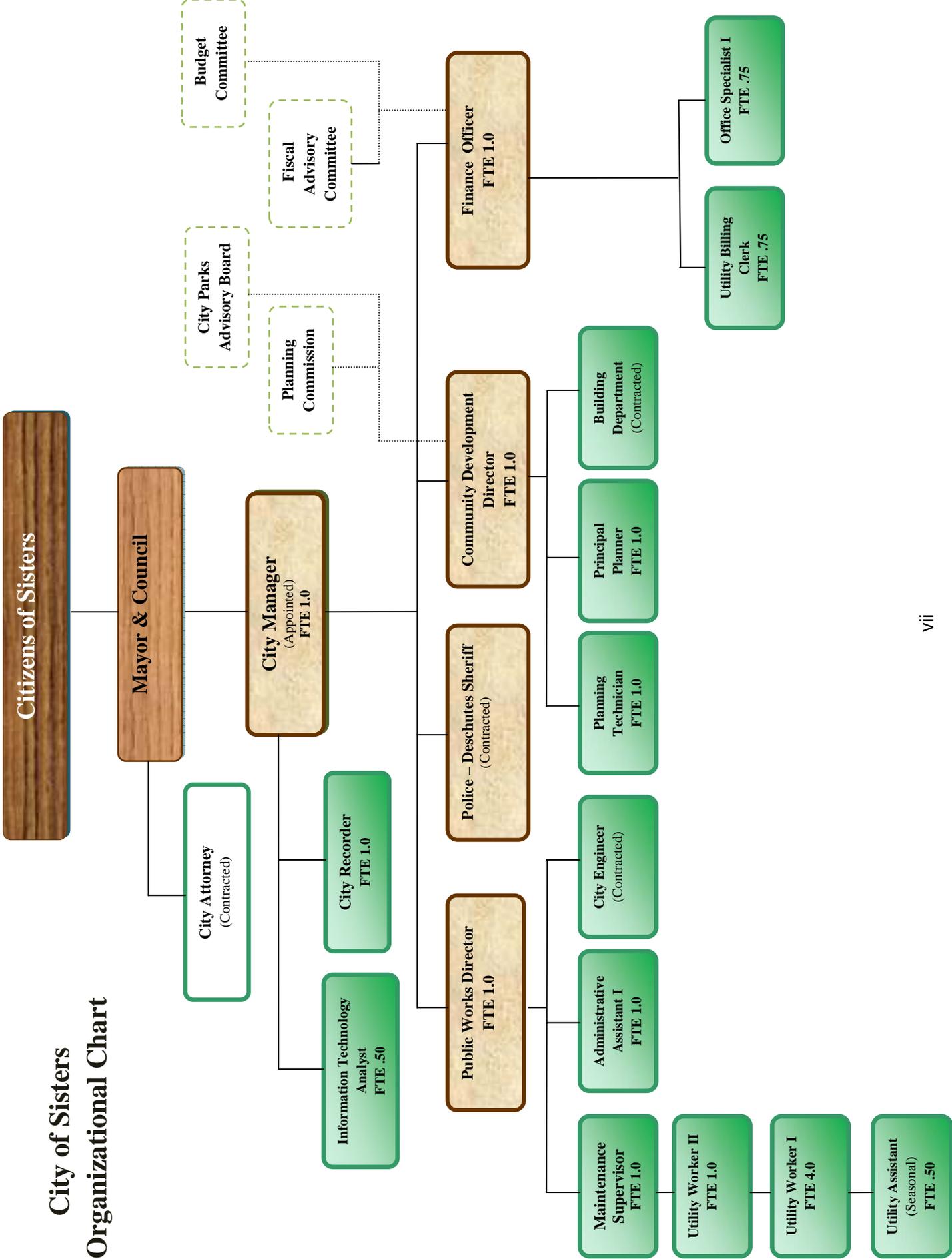
<b><u>Name</u></b>	<b><u>Position</u></b>
Andrew Gorayeb.....	City Manager
Lynne Fujita-Conrads.....	Finance Officer
Paul Bertagna.....	Public Works Director
Pauline Hardie.....	Community Development Director
Erik Huffman .....	City Engineer
Kathy Nelson.....	City Recorder
Steve Bryant.....	City Attorney

### **MAIL ADDRESS**

520 E. Cascade Ave.  
P.O. Box 39  
Sisters, Oregon 97759

[www.ci.sisters.or.us](http://www.ci.sisters.or.us)

# City of Sisters Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sisters  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# FINANCIAL SECTION

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**Dickey and Tremper, LLP**  
Certified Public Accountants and Business Advisors

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P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
Fax: (541) 276-9040  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Sisters, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sisters, Oregon, as of and for the year ended June 30, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sisters, Oregon, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Street Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter Regarding New Accounting Policy**

As described in Note I.D.10, during the year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a to i 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 required supplementary information 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sisters, Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are the responsibility of management and were 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 combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the City of Sisters, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sisters, Oregon's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 12, 2013, on our consideration of the City of Sisters' internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

*Dickey and Tremper, LLP*  
**Dickey and Tremper, LLP**  
**Certified Public Accountants**

December 12, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

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The Management's Discussion and Analysis (MD&A) section of the City of Sisters' (City) financial statements presents a narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in our letter of transmittal, which can be found on pages i to v of this report.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide**

- The City's assets totaled \$34.4 million at the end of the fiscal year, an increase of \$.5 million from last fiscal year primarily due to an increase in cash and equivalents.
- The City's liabilities totaled \$8.8 million at the end of the fiscal year, a decrease of \$.3 million from last fiscal year primarily due to payments on long term debt.
- The net position balance (assets over liabilities) of \$25.6 million increased by \$.83 million over last year. The balance is composed of investments in capital assets such as buildings, infrastructure, and roads (\$19.8 million), restricted amounts for future capital projects and debt service (\$2.9 million) and an unrestricted balance (\$2.9 million). The unrestricted balance is available for use to meet the City's on-going obligations to citizens and creditors.
- Revenues for the City totaled \$4.8 million this fiscal year, an increase of \$.7 million from last year, primarily due to an increase of charges for services and capital grants. Capital grant projects for this year included the Santiam Multi-Use Path, Main Avenue Bikeway/Pathway, Fir Street/Cascade Avenue Waterline, and Lazy Z Reuse and Storage Feasibility Grant.
- Expenses for the City totaled \$4.0 million for this fiscal year, an increase of \$.2 million from last year, primarily due to an increase in expenses of governmental funds.

### **Fund Level**

- The City's governmental funds have a combined fund balance of \$3.8 million, an increase of \$.4 million from last year. The majority of the \$3.8 million combined fund balance is either restricted or assigned. Approximately \$2.9 million is designated for specific programs through legal or contractual provisions, \$2.3 million is within the Combined General Fund which includes the Reserve Fund.
- Total property taxes of \$.95 million increased \$.06 million or 7.51% over last fiscal year. Property taxes were split 80%/20% between taxes for operations versus taxes for debt service. Fuel and hotel taxes increased by \$.03 million to \$.48 million.
- The City's proprietary funds – programs which the city charges for the services it provides – have a combined net position of \$16.1 million at the end of the fiscal year, an increase of \$.07 million from last year.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

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**OVERVIEW OF FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements which include three components:

1. Government-wide financial statements;
2. Fund financial statements; and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

***Government-wide Financial Statements.*** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner that is similar to a private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, revenues and expenses are reported in the year earned or obligated.

The *statement of net position* includes all of the City's assets and liabilities, with the difference between the two reported as net position. Evaluating increases or decreases in net position over time can serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information on how the government's position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in a future period. Examples of this include earned, but uncollected property taxes, and earned but unused compensated absences.

The government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as governmental activities, from business functions intended to recover their costs through user fees and charges. The government-wide financial statements can be found on pages 1 and 2 of this report.

Governmental activities of the City include the following:

- General Government
- Public Safety
- Culture and Recreation
- Community Development
- Highways and Streets

Business-type activities of the City include the following:

- Water Utility
- Wastewater Utility

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

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***Fund Financial Statements.*** A *fund* is a grouping of accounts used to maintain control over resources that have been segregated for specific activities or functions. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds are divided into two categories:

- Governmental Funds
- Proprietary Funds

*Governmental Funds* are used to account for City functions that are supported primarily by taxes and intergovernmental revenues. Governmental fund financial statements focus on the inflows and outflows of spendable resources, as well as available resources at the end of the fiscal year. Such information is useful in evaluating a government's near-term requirements.

Governmental fund financial statements exclude long term assets such as investments in land and buildings, and debt and obligations not expected to be paid within the current year. The following reconciliations are provided to facilitate a comparison between governmental funds as reported in the fund financial statements and governmental activities as reported in the government-wide financial statements:

- A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net position reported on the government-wide Statement of Net Position, and
- A reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the change in net position reported in the government-wide Statement of Activities.

These reconciliations can be found on pages 5 and 7 of this report.

The City maintains nine individual governmental funds. Information is presented separately for the Combined General Fund, which includes the Reserve Fund, and Street Fund which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of combining statements starting on page 38.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison has been provided for each fund to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 3 through 9 of this report.

*Proprietary Funds* are used to account for activities supported by user charges and where the emphasis is on the sufficiency of revenues to cover expenses. The City maintains four enterprise funds which are proprietary funds. These enterprise funds account for the City's

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

water and sewer utilities, and water and sewer system development funds. These funds are combined into two reporting units for the financial statements.

The City adopts an annual budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements are provided on pages 54 through 59 of this report. Basic proprietary fund financial statements can be found on pages 10 through 14.

**Notes to the Basic Financial Statements.** Notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements and are found on pages 15 through 37 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary and actual comparisons for the General Fund and major governmental funds, in the fund financial statements on pages 8 through 9. Supplemental information is found beginning on page 38 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position:**

The following table reflects a summary of Net Position compared to prior fiscal year.

**Table 1**  
**City of Sisters' Net Position**  
**as of June 30**  
**(in millions)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total Change + (-)</b>
	<b>Activities</b>		<b>Activities</b>		<b>Primary Government</b>		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Current and other assets	\$ 4.25	\$ 3.91	\$ 2.44	\$ 2.27	\$ 6.69	\$ 6.18	\$ 0.51
Capital assets	6.86	6.61	20.87	21.09	27.73	27.70	0.03
Total assets	<u>11.10</u>	<u>10.52</u>	<u>23.32</u>	<u>23.36</u>	<u>34.42</u>	<u>33.88</u>	0.54
Current liabilities	0.37	0.38	0.45	0.32	0.83	0.70	0.13
Noncurrent liabilities	1.22	1.39	6.75	7.00	7.97	8.39	-0.41
Total liabilities	<u>1.59</u>	<u>1.76</u>	<u>7.20</u>	<u>7.32</u>	<u>8.80</u>	<u>9.08</u>	-0.29
Net position:							
Invested in capital assets, net of related debt	5.66	5.25	14.14	14.11	19.80	19.36	0.44
Restricted	1.51	1.11	1.35	1.43	2.85	2.54	0.31
Unrestricted	2.34	2.39	0.63	0.50	2.97	2.89	0.08
Total net position	<u>\$ 9.51</u>	<u>\$ 8.75</u>	<u>\$ 16.11</u>	<u>\$ 16.04</u>	<u>\$ 25.62</u>	<u>\$ 24.79</u>	<u>\$ 0.83</u>

As noted earlier, net position serves as a useful indicator of a government's financial position. For the City of Sisters, assets exceeded liabilities by \$25.6 million at the close of fiscal year 2012-13. The largest portion of the City's net position is invested in capital assets (i.e., land,

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**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

building, infrastructure, and equipment), and is reported net of related outstanding debt (\$19.8 million). The City uses these capital assets to provide services to citizens; thus, they do not represent resources available for future spending.

Restricted net position totals \$2.8 million and represents cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance of unrestricted net position (\$3.0 million or 11.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

**Statement of Activities:**

Net position of the City increased by \$830,057 in the current fiscal year. Governmental activities net position increased by \$756,741, and business-type activities increased by \$73,316.

**Table 2**  
**City of Sisters' Changes in Net Position**

	Governmental Activities		Business-type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 477,242	\$ 407,390	\$ 1,368,170	\$ 1,287,059	\$ 1,845,412	\$ 1,694,449	\$ 150,963
Operating grants and contributions	294,037	292,510	-	-	294,037	292,510	1,527
Capital grants and contributions	713,042	401,386	315,807	164,084	1,028,849	565,470	463,379
General revenues:							
Taxes	954,912	893,866	-	-	954,912	893,866	61,046
Other	675,333	643,464	11,771	12,572	687,104	656,036	31,068
Total revenues	\$ 3,114,566	\$ 2,638,616	\$ 1,695,748	\$ 1,463,715	\$ 4,810,314	\$ 4,102,331	\$ 707,983
Expenses:							
General government	\$ 1,162,204	\$ 1,007,189	\$ -	\$ -	\$ 1,162,204	\$ 1,007,189	\$ 155,015
Public safety	467,954	449,955	-	-	467,954	449,955	17,999
Highways and streets	518,479	403,202	-	-	518,479	403,202	115,277
Culture and recreation	194,903	186,017	-	-	194,903	186,017	8,886
Community development	4,308	3,687	-	-	4,308	3,687	621
Interest on long-term debt	62,365	69,937	-	-	62,365	69,937	(7,572)
Water	-	-	539,719	592,760	539,719	592,760	(53,041)
Sewer	-	-	1,030,325	1,089,808	1,030,325	1,089,808	(59,483)
Total expenses	\$ 2,410,213	\$ 2,119,987	\$ 1,570,044	\$ 1,682,568	\$ 3,980,257	\$ 3,802,555	\$ 177,702
Increase in net position before transfers	\$ 704,353	\$ 518,629	\$ 125,704	\$ (218,853)	\$ 830,057	\$ 299,776	\$ 530,281
Transfers	52,388	57,000	(52,388)	(57,000)	-	-	-
Change in net position	756,741	575,629	73,316	(275,853)	830,057	299,776	530,281
Net position, July 1	8,754,475	8,178,846	16,039,437	16,315,290	24,793,912	24,494,136	299,776
Net position, June 30	\$ 9,511,216	\$ 8,754,475	\$ 16,112,753	\$ 16,039,437	\$ 25,623,969	\$ 24,793,912	\$ 830,057

**Fund-based Financial Analysis**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF SISTERS, OREGON**  
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**For the Year Ended, June 30, 2013**

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**Governmental Funds**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3.8 million. Approximately \$.9 million or 23% of the balance is unassigned for spending at the City's discretion. The remainder of fund balance is assigned, restricted, or unavailable and is not available for future discretionary spending because it has already be committed to other funds for debt service (\$.45 million) and police reinstate and capital investments from the Reserve Fund and capital projects from System Development Charges (\$2.4 million).

The *General Fund* is the chief operating fund of the City. At the end of the audited fiscal year, the unassigned fund balance in the General Fund was \$894,895. This represents a \$3,675 increase from FY 2011-12.

The *Street Fund* provides for the maintenance, and construction of City streets. The revenues received include state highway gas tax, local gas tax, franchise and inspection fees and intergovernmental revenues. The restricted fund balance at June 30, 2013 is \$267,648; an increase of \$261,399 from prior year.

The *Reserve Fund* represents money set aside for replacement of capital assets and reserves. The principal revenue sources are contributions by other funds and earnings on investments. The assigned fund balance at June 30, 2013 is \$1.4 million, which is combined with the General Fund for reporting purposes.

**Proprietary Funds**

Unrestricted net assets of each proprietary fund and its percent to total unrestricted net assets of all proprietary funds are as follows:

All Water (including SDC)	\$ 216,257	(34%)
All Sewer (including SDC)	\$ 413,363	(66%)

The total proprietary fund unrestricted net assets increased by \$130,881 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The budgetary statement for the General Fund, page 8, shows the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2013. Variances between final budget and actual revenue and expenditure were due to an increase in transient room tax collections and an increase in planning and building inspection fees.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$27.7 million (net of accumulated depreciation).

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**Management's Discussion and Analysis**  
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This investment in capital assets includes land, buildings, equipment, and infrastructure (i.e. streets, water and sewer systems). Of all capital assets, 25% is associated with governmental activities and 75% with business-type activities. See Table 3 below.

In total, the City's capital assets increased by \$.032 million from the prior year. Governmental activities account for \$.248 million of the increase and business-type activities account for \$.216 million decrease. Major capital asset events during the fiscal year included the following:

- Fir Street Waterline Improvements
- Safe Routes to School project
- Main Avenue bikeway/pathway improvements
- Santiam multi-use path project

**Table 3**  
**City of Sisters' Capital Assets, Net of Accumulated Depreciation**  
**as of June 30**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>+ (-)</u>
Land	\$ 639,290	\$ 639,290	\$ 4,191,605	\$ 4,191,605	\$ 4,830,895	\$ 4,830,895	\$ -
Art and sculptures	250,000	250,000	-	-	250,000	250,000	-
Construction in progress	41,181	759,214	274,476	316,278	315,657	1,075,492	(759,835)
Buildings	2,321,495	2,387,721	576,551	592,027	2,898,046	2,979,748	(81,702)
Improvements, others than buildings	3,508,452	2,461,021	15,704,481	15,819,086	19,212,933	18,280,107	932,826
Equipment	95,582	111,071	127,192	170,803	222,774	281,874	(59,100)
Total	<u>\$ 6,856,000</u>	<u>\$ 6,608,317</u>	<u>\$ 20,874,305</u>	<u>\$ 21,089,799</u>	<u>\$ 27,730,305</u>	<u>\$ 27,698,116</u>	<u>\$ 32,189</u>

Additional information on the City's capital assets can be found in the notes to the basic financial statements in note II. C. on pages 29 and 30.

**Long-term debt.** At the end of the current fiscal year, the City had total noncurrent liabilities of \$8.0 million. Of this amount, \$1.2 million comprises debt backed by the full faith and credit of the government. While the City may specify an internal revenue stream to service this debt, ultimately the City's General Fund or other legally available funds are liable. Revenue bonds account for \$4.8 million of the total debt outstanding. This debt is secured solely by specified revenue sources (i.e. sewer rate revenue). Contracts and notes payable accounts for \$2.0 million of total debt outstanding.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

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**Table 4**  
**City of Sisters' Outstanding Debt, General Obligation and Revenue Bonds**  
**as of June 30**  
**(in millions)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>				<b>Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>+ (-)</b>
General obligation bonds	\$ 1.2	\$ 1.4	\$ -	\$ -	\$ 1.2	\$ 1.4	\$ (0.2)
Revenue bonds	-	-	4.8	4.8	4.8	4.8	-
Notes and Contracts Payable	-	-	2.0	2.1	2.0	2.1	(0.1)
<b>Total</b>	<b>\$ 1.2</b>	<b>\$ 1.4</b>	<b>\$ 6.8</b>	<b>\$ 6.9</b>	<b>\$ 8.0</b>	<b>\$ 8.3</b>	<b>\$ (0.3)</b>

During the fiscal year ended June 30, 2013 all scheduled debt payments were met. The City did not issue any new debt during the fiscal year.

Under Oregon Revised Statutes, general obligation debt issues are limited to 3% of the real market value of all taxable property within the City's boundaries. The \$1.2 million in City general obligation debt applicable to this limit is below the \$11.3 million ceiling.

Additional information on the City's bonded debt can be found in the notes to the basic financial statements on pages 31 to 33.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Uncertainties about future economic changes and financial impacts are common to all cities. The City has been able to accumulate reserves due to conservative spending in the past. At July 1, 2013, the total FY 13/14 budget operating contingency is \$2.6 million including \$1.7 million set aside for new development and future construction or equipment replacement and \$.9 million available for operating contingencies. In addition, \$2.4 million of unappropriated reserves is set aside for future use beyond the FY 13/14 budget.

In preparing the budget for the coming fiscal year, the City considered various economic factors and used the following assumptions in compiling of the FY 2013 – 2014 budget:

**Property taxes.** Due to the volatile economy and general devaluation in the real estate market of the last years, it has become more difficult to forecast assessed values. The City chose to take a very conservative approach and budget no increase in assessed values from FY 12/13.

The City's current **population** is 2,115. It is assumed that during the upcoming fiscal year the City's population will not significantly increase. This assumption affects the estimates for state shared revenues, such as gasoline tax, which are distributed on a per capita basis. It is

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2013**

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also used in determining the requirement for city services and any associated fees (i.e. estimating water delivery requirements and fees).

The **personnel services** budget includes a 3.0% merit adjustment for all employees which is tied to performance. Cost of living adjustments were budgeted at 2%.

It was assumed that **medical benefit** premiums will increase approximately 5.0%. The City budgets 90% of the health care premium cost for employees. Employees contribute 10% of the premium cost, ranging from \$118 to \$162.

The City's employer contribution rate to the **Public Employee Retirement System (PERS)** is 10.96% and 7.36% of employee salaries for Tier 1/Tier 2 and Oregon Public Service Retirement Plan (OPSRP) General Service respectively. The City picks up the employee's share of 6% PERS contribution.

The assumed **risk management** changes are as follows:

- Property and liability insurance will increase by 9.6%;
- Unemployment insurance will not change;
- Workers compensation insurance rates will increase by 6.1%.

## **REQUESTS FOR INFORMATION**

This City's financial statements are designed to provide present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. The City of Sisters Urban Renewal Agency has issued a separate report, which is available to those who are interested. If you have questions about the report or need addition information, please contact the City's Finance Officer, Lynne Fujita-Conrads at City of Sisters, P.O. Box 39, Sisters, Oregon 97759, or via email to [lconrads@ci.sisters.or.us](mailto:lconrads@ci.sisters.or.us).

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SISTERS, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,412,881	\$ 813,493	\$ 3,226,374
Receivables:			
Accounts, net	108,009	140,418	248,427
Intergovernmental	23,599	99,195	122,794
Property taxes	47,059	-	47,059
Assessments	147,103	10,426	157,529
Inventories	-	32,997	32,997
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,508,764	1,345,740	2,854,504
Capital assets:			
Land	639,290	4,191,605	4,830,895
Art and sculptures	250,000	-	250,000
Construction in progress	41,181	274,476	315,657
Depreciable assets, net of depreciation	<u>5,925,529</u>	<u>16,408,224</u>	<u>22,333,753</u>
 Total assets	 <u>11,103,415</u>	 <u>23,316,574</u>	 <u>34,419,989</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	173,572	174,018	347,590
Deposits	3,108	60,320	63,428
Unearned revenue	186,925	10,776	197,701
Accrued interest payable	4,494	209,875	214,369
Retainage payable	2,151	-	2,151
Long-term obligations:			
Due within one year	193,503	268,861	462,364
Due in more than one year	<u>1,028,446</u>	<u>6,479,971</u>	<u>7,508,417</u>
 Total liabilities	 <u>1,592,199</u>	 <u>7,203,821</u>	 <u>8,796,020</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,664,405	14,137,393	19,801,798
Restricted for:			
Debt service	454,762	313,327	768,089
Highways and streets	267,648	-	267,648
System development	766,506	1,032,413	1,798,919
Other	19,848	-	19,848
Unrestricted	<u>2,338,047</u>	<u>629,620</u>	<u>2,967,667</u>
 Total net position	 <u>\$ 9,511,216</u>	 <u>\$ 16,112,753</u>	 <u>\$ 25,623,969</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,162,204	\$ 248,993	\$ 5,259	\$ -	\$ (907,952)	\$ -	\$ (907,952)
Public safety	467,954	-	21,808	-	(446,146)	-	(446,146)
Culture and recreation	194,903	125,568	9,366	11,034	(48,935)	-	(48,935)
Community development	4,308	-	-	-	(4,308)	-	(4,308)
Highways and streets	518,479	102,681	257,604	702,008	543,814	-	543,814
Interest on long-term obligations	62,365	-	-	-	(62,365)	-	(62,365)
Total governmental activities	<u>2,410,213</u>	<u>477,242</u>	<u>294,037</u>	<u>713,042</u>	<u>(925,892)</u>	<u>-</u>	<u>(925,892)</u>
Business-type activities:							
Water	539,719	543,020	-	187,422	-	190,723	190,723
Sewer	<u>1,030,325</u>	<u>825,150</u>	<u>-</u>	<u>128,385</u>	<u>-</u>	<u>(76,790)</u>	<u>(76,790)</u>
Total business-type activities	<u>1,570,044</u>	<u>1,368,170</u>	<u>-</u>	<u>315,807</u>	<u>-</u>	<u>113,933</u>	<u>113,933</u>
Total primary government	<u>\$ 3,980,257</u>	<u>\$ 1,845,412</u>	<u>\$ 294,037</u>	<u>\$1,028,849</u>	<u>(925,892)</u>	<u>113,933</u>	<u>(811,959)</u>
General revenues:							
Property taxes levied for:							
General purposes					767,699	-	767,699
Debt service					187,213	-	187,213
Franchise and public services taxes					646,157	-	646,157
Interest and investment earnings					22,450	11,771	34,221
Miscellaneous					6,726	-	6,726
Transfers					<u>52,388</u>	<u>(52,388)</u>	<u>-</u>
Total general revenues, special items, and transfers					<u>1,682,633</u>	<u>(40,617)</u>	<u>1,642,016</u>
Change in net position					756,741	73,316	830,057
Net position, beginning					<u>8,754,475</u>	<u>16,039,437</u>	<u>24,793,912</u>
Net position, ending					<u>\$ 9,511,216</u>	<u>\$ 16,112,753</u>	<u>\$25,623,969</u>

The notes to the basic financial statements are an integral part of this statement.

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## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation. The activities of the Reserve Fund have also been combined with the General Fund for external financial reporting.

#### **Street Fund**

The Street Fund accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are state gasoline taxes apportioned from the State of Oregon, local gas taxes, licenses and fees, intergovernmental revenue, and franchise fees.

**CITY OF SISTERS, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013**

	Combined General Fund	Street Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,314,688	\$ 336,126	\$ 1,270,831	\$ 3,921,645
Receivables:				
Property taxes	38,641	-	8,418	47,059
Accounts, net	81,733	26,276	-	108,009
Intergovernmental	13,612	9,987	-	23,599
Assessments, net	-	-	147,103	147,103
Advances to other funds	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
 Total assets	 <u>\$ 2,484,674</u>	 <u>\$ 372,389</u>	 <u>\$ 1,426,352</u>	 <u>\$ 4,283,415</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 80,061	\$ 88,995	\$ 4,516	\$ 173,572
Retainage payable	-	2,151	-	2,151
Deposits	3,108	-	-	3,108
Deferred revenue	69,636	13,595	164,568	247,799
Advances from other funds	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>36,000</u>
 Total liabilities	 <u>152,805</u>	 <u>104,741</u>	 <u>205,084</u>	 <u>462,630</u>
<b>FUND BALANCES</b>				
Nonspendable	36,000	-	-	36,000
Restricted	19,848	267,648	1,221,268	1,508,764
Assigned	1,381,126	-	-	1,381,126
Unassigned	<u>894,895</u>	<u>-</u>	<u>-</u>	<u>894,895</u>
 Total fund balances	 <u>2,331,869</u>	 <u>267,648</u>	 <u>1,221,268</u>	 <u>3,820,785</u>
 Total liabilities and fund balances	 <u>\$ 2,484,674</u>	 <u>\$ 372,389</u>	 <u>\$ 1,426,352</u>	 <u>\$ 4,283,415</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

<b>Fund balances - total governmental funds</b>	\$ 3,820,785
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	6,856,000
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	60,874
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(30,354)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(4,494)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	<u>(1,191,595)</u>
<b>Net Position of governmental activities</b>	<u><u>\$ 9,511,216</u></u>

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Combined General Fund	Street Fund	Other Governmental Funds	Totals
<b>REVENUES</b>				
Property taxes	\$ 782,387	\$ -	\$ 188,850	\$ 971,237
Other taxes	330,912	147,813	-	478,725
Franchise fees	200,062	59,405	-	259,467
Licenses and fees	312,784	89,393	24,002	426,179
Charges for services	25,619	-	-	25,619
Intergovernmental	98,440	559,630	-	658,070
Fines and forfeitures	3,157	-	-	3,157
System development charges	-	-	42,022	42,022
Rental income	9,000	-	-	9,000
Interest on investments	15,409	167	6,874	22,450
Miscellaneous	6,726	13,288	-	20,014
<b>TOTAL REVENUES</b>	<u>1,784,496</u>	<u>869,696</u>	<u>261,748</u>	<u>2,915,940</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,066,934	-	-	1,066,934
Public safety	467,960	-	-	467,960
Culture and recreation	189,724	-	-	189,724
Community development	-	-	4,308	4,308
Highways and streets	-	384,973	-	384,973
Capital outlay	15,183	204,324	38,057	257,564
Debt service	-	-	226,413	226,413
<b>TOTAL EXPENDITURES</b>	<u>1,739,801</u>	<u>589,297</u>	<u>268,778</u>	<u>2,597,876</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>44,695</u>	<u>280,399</u>	<u>(7,030)</u>	<u>318,064</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	156,780	156,780
Transfers out	(62,700)	(19,000)	(18,080)	(99,780)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(62,700)</u>	<u>(19,000)</u>	<u>138,700</u>	<u>57,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(18,005)	261,399	131,670	375,064
<b>FUND BALANCE, Beginning</b>	<u>2,349,874</u>	<u>6,249</u>	<u>1,089,598</u>	<u>3,445,721</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 2,331,869</u>	<u>\$ 267,648</u>	<u>\$ 1,221,268</u>	<u>\$ 3,820,785</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

**Net change in fund balance - governmental funds** \$ 375,064

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues (31,125)

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.

163,444

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds.

Change in compensated absences 1,073

Change in accrued interest payable 605

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense.

Capital asset purchases \$ 257,563

Donated capital assets 229,753

Capital asset transfer (4,612)

Depreciation expense (235,024)

247,680

**Change in net position - governmental activities** **\$ 756,741**

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 744,500	\$ 744,500	\$ 782,387	\$ 37,887
Other taxes	280,000	280,000	330,912	50,912
Franchise fees	195,000	195,000	200,062	5,062
Licenses and fees	264,500	291,500	312,784	21,284
Charges for services	23,600	23,600	25,619	2,019
Intergovernmental	78,111	83,977	98,440	14,463
Fines and forfeitures	1,200	1,200	3,157	1,957
Rental income	9,000	9,000	9,000	-
Interest on investments	6,200	6,200	7,911	1,711
Miscellaneous	-	-	6,726	6,726
<b>TOTAL REVENUES</b>	<u>1,602,111</u>	<u>1,634,977</u>	<u>1,776,998</u>	<u>142,021</u>
<b>EXPENDITURES</b>				
Current:				
General government	987,408	1,092,017	1,066,934	25,083
Public safety	467,960	467,960	467,960	-
Culture and recreation	196,329	196,329	189,724	6,605
Contingency	867,559	783,316	-	783,316
<b>TOTAL EXPENDITURES</b>	<u>2,519,256</u>	<u>2,539,622</u>	<u>1,724,618</u>	<u>815,004</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(917,145)</u>	<u>(904,645)</u>	<u>52,380</u>	<u>957,025</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan proceeds	22,100	24,580	37,080	12,500
Interfund loan payment	(3,000)	(17,980)	(18,080)	(100)
Transfers out	(62,700)	(62,700)	(62,700)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(43,600)</u>	<u>(56,100)</u>	<u>(43,700)</u>	<u>12,400</u>
<b>NET CHANGE IN FUND BALANCE</b>	(960,745)	(960,745)	8,680	969,425
Budgetary basis adjustment	-	-	(19,000)	(19,000)
<b>FUND BALANCE, Beginning</b>	<u>960,745</u>	<u>960,745</u>	<u>961,063</u>	<u>318</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 950,743</u>	<u>\$ 950,743</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**STREET FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Other taxes	\$ 140,000	\$ 140,000	\$ 147,813	\$ 7,813
Franchise fees	57,450	57,450	59,405	1,955
Licenses and fees	59,500	59,500	89,393	29,893
Intergovernmental	273,700	550,857	559,630	8,773
Interest on investments	500	500	167	(333)
Miscellaneous	7,000	7,000	13,288	6,288
<b>TOTAL REVENUES</b>	<u>538,150</u>	<u>815,307</u>	<u>869,696</u>	<u>54,389</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	214,501	226,579	218,180	8,399
Materials and services	179,275	181,075	166,793	14,282
Capital outlay	222,000	202,856	204,324	(1,468)
Contingency	86,109	192,048	-	192,048
<b>TOTAL EXPENDITURES</b>	<u>701,885</u>	<u>802,558</u>	<u>589,297</u>	<u>213,261</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(163,735)</u>	<u>12,749</u>	<u>280,399</u>	<u>267,650</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(19,000)	(19,000)	(19,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(182,735)	(6,251)	261,399	267,650
<b>FUND BALANCE, Beginning</b>	<u>182,735</u>	<u>6,251</u>	<u>6,249</u>	<u>(2)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,648</u>	<u>\$ 267,648</u>

The notes to the basic financial statements are an integral part of this statement.

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## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

The City of Sisters uses two Proprietary Funds comprised entirely of Enterprise Funds.

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the water and sewer activities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Water**
- **Sewer**

For budgetary purposes (see budget schedules in Supplemental Information), the above funds are accounted for in the following separate funds:

- **All Water Funds**
  - Water
  - Water SDC
- **All Sewer Funds**
  - Sewer
  - Sewer SDC

**CITY OF SISTERS, OREGON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	<b>Business - type Activities - Enterprise Funds</b>		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 240,567	\$ 572,926	\$ 813,493
Receivables:			
Accounts, net	71,367	69,051	140,418
Intergovernmental	93,257	5,938	99,195
Assessments	-	10,426	10,426
Inventories	32,997	-	32,997
Total current assets	<u>438,188</u>	<u>658,341</u>	<u>1,096,529</u>
Noncurrent assets:			
Restricted cash and cash equivalents	775,203	570,537	1,345,740
Capital assets:			
Land	10,022	4,181,583	4,191,605
Construction in progress	145,125	129,351	274,476
Depreciable assets, net of depreciation	<u>5,876,615</u>	<u>10,531,609</u>	<u>16,408,224</u>
Total noncurrent assets	<u>6,806,965</u>	<u>15,413,080</u>	<u>22,220,045</u>
Total assets	<u>7,245,153</u>	<u>16,071,421</u>	<u>23,316,574</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	154,840	19,178	174,018
Accrued interest payable	-	209,875	209,875
Deposits	60,320	-	60,320
Unearned revenue	350	10,426	10,776
Compensated absences payable	4,815	4,124	8,939
Current portion of long-term debt	<u>-</u>	<u>259,922</u>	<u>259,922</u>
Total current liabilities	<u>220,325</u>	<u>503,525</u>	<u>723,850</u>
Long-term debt, net of current portion:			
Compensated absences payable	1,606	1,375	2,981
Notes and contracts payable	-	1,804,077	1,804,077
Bonds payable	<u>-</u>	<u>4,672,913</u>	<u>4,672,913</u>
Total long-term debt, net of current portion	<u>1,606</u>	<u>6,478,365</u>	<u>6,479,971</u>
Total liabilities	<u>221,931</u>	<u>6,981,890</u>	<u>7,203,821</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	6,031,762	8,105,631	14,137,393
Restricted for system development	775,203	257,210	1,032,413
Restricted for debt service	-	313,327	313,327
Unrestricted	<u>216,257</u>	<u>413,363</u>	<u>629,620</u>
Total net position	<u>\$ 7,023,222</u>	<u>\$ 9,089,531</u>	<u>\$ 16,112,753</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Business - type Activities - Enterprise Funds</b>		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 540,096	\$ 686,731	\$ 1,226,827
Licenses and fees	1,588	1,588	3,176
Rental income	-	48,000	48,000
Miscellaneous	1,336	88,831	90,167
<b>TOTAL OPERATING REVENUES</b>	<u>543,020</u>	<u>825,150</u>	<u>1,368,170</u>
<b>OPERATING EXPENSES</b>			
Personal services	199,024	193,448	392,472
Materials and services	164,719	218,024	382,743
Depreciation	175,976	303,971	479,947
<b>TOTAL OPERATING EXPENSES</b>	<u>539,719</u>	<u>715,443</u>	<u>1,255,162</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,301</u>	<u>109,707</u>	<u>113,008</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest on investments	5,730	6,041	11,771
Interest expense	-	(314,882)	(314,882)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>5,730</u>	<u>(308,841)</u>	<u>(303,111)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	9,031	(199,134)	(190,103)
<b>CAPITAL CONTRIBUTIONS</b>			
Intergovernmental	93,643	21,210	114,853
System development charges	93,779	107,175	200,954
Capital asset transfers	2,306	2,306	4,612
<b>TRANSFERS</b>			
Transfers out	(24,000)	(33,000)	(57,000)
<b>CHANGE IN NET POSITION</b>	174,759	(101,443)	73,316
<b>NET POSITION, Beginning</b>	<u>6,848,463</u>	<u>9,190,974</u>	<u>16,039,437</u>
<b>NET POSITION, Ending</b>	<u>\$ 7,023,222</u>	<u>\$ 9,089,531</u>	<u>\$ 16,112,753</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 512,926	\$ 818,370	\$ 1,331,296
Payments to suppliers	(181,290)	(237,211)	(418,501)
Payments to employees	(132,919)	(127,660)	(260,579)
Payments for interfund services used	(34,788)	(43,217)	(78,005)
Net cash provided from (used by) operating activities	<u>163,929</u>	<u>410,282</u>	<u>574,211</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(24,000)	(33,000)	(57,000)
Net cash provided from (used by) non-capital financing activities	<u>(24,000)</u>	<u>(33,000)</u>	<u>(57,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from intergovernmental revenue	386	15,272	15,658
System development charges	93,779	107,175	200,954
Acquisition of capital assets	(141,088)	-	(141,088)
Principal paid on long-term obligations	-	(245,156)	(245,156)
Interest paid on long-term obligations	-	(320,123)	(320,123)
Net cash provided from (used by) capital and related financing activities	<u>(46,923)</u>	<u>(442,832)</u>	<u>(489,755)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	5,730	6,041	11,771
Net cash provided (used) by investing activities	<u>5,730</u>	<u>6,041</u>	<u>11,771</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	98,736	(59,509)	39,227
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>917,034</u>	<u>1,202,972</u>	<u>2,120,006</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 1,015,770</u>	<u>\$ 1,143,463</u>	<u>\$ 2,159,233</u>
<b>COMPRISED AS FOLLOWS</b>			
Cash and cash equivalents	\$ 240,567	\$ 572,926	\$ 813,493
Restricted cash and cash equivalents	<u>775,203</u>	<u>570,537</u>	<u>1,345,740</u>
	<u>\$ 1,015,770</u>	<u>\$ 1,143,463</u>	<u>\$ 2,159,233</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>			
Operating income (loss)	\$ 3,301	\$ 109,707	\$ 113,008
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	175,976	303,971	479,947
(Increase) decrease in assets:			
Receivables	(24,036)	(6,780)	(30,816)
Inventories	(4,742)	-	(4,742)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	21,703	5,975	27,678
Deposits	(6,058)	-	(6,058)
Compensated absences payable	(2,215)	(2,591)	(4,806)
Net cash provided from (used by) operating activities	<u>\$ 163,929</u>	<u>\$ 410,282</u>	<u>\$ 574,211</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Transfer of capital assets between funds	<u>\$ 2,306</u>	<u>\$ 2,306</u>	<u>\$ 4,612</u>
Total noncash investing, capital, and financing activities	<u>\$ 2,306</u>	<u>\$ 2,306</u>	<u>\$ 4,612</u>

The notes to the basic financial statements are an integral part of this statement.

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF SISTERS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Sisters, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the Mayor and four Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Manager, who is appointed by the City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criterion the City is a primary government with the following includable component unit.

**Sisters Urban Renewal Agency**

The Agency was formed to undertake urban renewal projects and activities pursuant to the City's redevelopment plan. The Board of Directors of the Agency consists of the Mayor and the four elected City Council members. The City is required to certify to the County Assessor any incremental taxes to be levied for the benefit of the Agency. Since the City Council acts as its governing board, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained at the City's administrative offices at 520 E. Cascade Avenue, Sisters, Oregon 97759.

**B. Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-types activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For Governmental Funds, funds are funded by a variety of resources, which include Restricted, Committed, Assigned, and Unassigned sources. Unless specifically tracked, expenditures are assumed to begin with Restricted, Committed, Assigned, and lastly, Unassigned.

For Proprietary Funds, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

The *General Fund* (includes Reserve Fund as sub fund) is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation. The Reserve Fund accounts for money set aside for replacement of capital assets. The principal sources are contributions by other funds and earnings on investments.

The *Street Fund* accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are state gasoline taxes apportioned from the State of Oregon, local gas taxes, licenses and fees, intergovernmental revenue, and franchise fees.

The City reports the following major proprietary funds:

The *Water Funds* account for revenues and expenses related to the City's water utility operations.

The *Sewer Funds* account for revenues and expenses related to the City's wastewater utility operations.

The City also includes the following fund types as other governmental funds:

*Special revenue funds* account for revenue derived from specific taxes or other revenue sources, which are legally restricted or committed to finance particular functions or activities. The purpose of each major Special Revenue Fund and its revenue, other than Street Fund disclosed above, is the following:

*Urban Renewal Project Fund* The Urban Renewal Project Fund accounts for construction projects related to the downtown core area of the Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.

*Reserve (now a sub-fund of the General Fund)* Accounts for money set aside for replacement of capital assets. The principal revenue sources are contributions by other funds and earnings on investments.

*Debt service funds* account for the financial resources that are restricted, committed, or assigned to expenditure for payment made for principal and interest on long-term debt for governmental funds.

*Capital projects funds* account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other capital assets. Capital Project Funds exclude those types of capital related outflows financed by proprietary funds.

## **D. Assets, Liabilities and Equity**

### **1. Cash, Cash Equivalents, and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities of three months or less from the date of acquisition.

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the Local Government Investment Pool, U.S. Government and Agency Obligations, Corporate indebtedness rated A-1 or AA or better, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at fair value.

### **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. An allowance for uncollectible accounts has been established for the Water, Sewer, Parking District, and General Funds and represents the portion of receivables not expected to be collected.

### **3. Inventories and Prepaid Expenses**

Inventory in the Water Fund is determined by physical count and is stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 75
Machinery and equipment	5 - 10

#### 5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

#### 6. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation, holiday and sick pay benefits. No liability is reported for unpaid accumulated sick pay benefits. All vacation and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Compensated absences are normally paid from the General, Street, Water, and Sewer funds.

## 7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

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

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. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

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 passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources. Fund balances by classification for the year ended June 30, 2013 were as follows:

	Combined General Fund	Street Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>				
<b>Nonspendable:</b>				
Inventory				
Notes Receivable	\$ 36,000	\$ -	\$ -	\$ 36,000
<b>Restricted for:</b>				
CATS Grant	14,848	-	-	14,848
Roundhouse Foundation	5,000	-	-	5,000
Highways and Streets	-	267,648	-	267,648
Debt Service	-	-	454,762	454,762
Capital Projects	-	-	766,506	766,506
<b>Assigned to:</b>				
Operational Reserve	500,000	-	-	500,000
Police Reinstatement Reserve	500,000	-	-	500,000
Equipment Reserve	75,000	-	-	75,000
Building Reserve	231,126	-	-	231,126
Vehicle Reserve	75,000	-	-	75,000
<b>Unassigned:</b>				
	894,895	-	-	894,895
<b>Total Fund Balance</b>	<u>\$ 2,331,869</u>	<u>\$ 267,648</u>	<u>\$ 1,221,268</u>	<u>\$ 3,820,785</u>

## 8. Restricted Net Position

Restrictions on net position that are imposed either by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net position.

## 9. 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 the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

## 10. Recently Issued and Adopted Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This Statement requires governmental operators to report all sharing revenues and expenses. As well as disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The City has no transactions applicable to Statement 60.

The GASB issued Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34*. Organizations that were previously included as a component unit by meeting fiscal dependency criteria are now required to have a financial benefit/burden relationship with the primary government to be included in the reporting entity as a component unit. The statement also amends and clarifies when a potential component unit should be included in the primary governments reporting entity because it is misleading to exclude them. Component units that were blended based on substantively the same governing body criteria now additionally require that either the same financial benefit/burden relationship discussed above exist or that primary government manage the component unit in essentially the same manner in which it manages it's own program, department or agencies.

The GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The City adopted GASB Statement 62 in the current year. The adoption of GASB 62 does not have any impact on the City's financial statements, except for the removal of a note disclosure describing the application of pre-November 30, 1989 guidance.

The GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and included four components assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City adopted GASB Statement 63 in the current year. The adoption of GASB 63 does not have an impact on the City's financial statements, except for terminology changes to the statements.

## **11. Pending Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement restricts the use of the term "deferred" to only those items designed as deferred outflow or deferred inflow of resources by the standards. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB 27*. GASB 68 revises existing standards of financial reporting for most pension plans. This Statement establishes standards for measuring

and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2014.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds, the General fund, Reserve Fund, and the Urban Renewal Debt Service fund. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. The General fund and Urban Renewal Debt Service fund budget interfund loan repayments, as required by Oregon Local Budget Law, which is not consistent with GAAP. The Reserve Fund is budgeted as a separate special revenue fund under Oregon Local Budget Law, but the fund does not qualify as a Special Revenue Fund under GASB 54 and has been combined with the General Fund for GAAP. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Management develops budget recommendations through early spring with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds, which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, operating contingency, interfund transfers, debt service, and other uses.

Unexpected additional resources may be added to the budget and appropriated for expenditure by using a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2013, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

## B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amount:

General Fund:	
Support Services	\$ 3,496
Interfund Loan Payment	\$ 100
Street Fund:	
Capital Outlay	\$ 1,468
Urban Renewal Project Fund:	
Materials and Services	\$ 208
City Hall Debt Service Fund:	
Debt Service	\$ 65
Sewer Fund:	
Materials and Services	\$ 2,314

## C. General Fund Budgetary Basis to GAAP Reconciliation

Net change in General fund balance	\$ 8,680
Budgets required by Oregon Budget Law:	
Interfund loan proceeds	(37,080)
Interfund loan payments	18,080
Net change in General Fund GAAP fund balance	\$ (10,320)
Net change in Reserve Fund (sub-fund of General Fund)	(7,685)
Net change in combined General fund balance	\$ (18,005)

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2013. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

Effective July 1, 2008, there were significant changes to Oregon Revised Statutes Chapter 295, which governs the collateralization of Oregon public funds. ORS 295 now requires depository institutions to pledge a percentage of their uninsured public fund deposits. The percentage required to be pledged depends on how well the depository institution is capitalized. A well-capitalized institution is required to pledge collateral valued at least 10% of their quarter-end public fund deposits, while adequately capitalized and undercapitalized bank depositories are required to pledge collateral valued at 110% of their uninsured public fund deposits. Public officials are no longer

required to request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, they are required to ensure the institutions holding deposits have pledged the appropriate amount of collateral and are approved by the Office of the State Treasurer (OST). Public officials are also required to report all bank depositories in which they deposit public funds to the OST.

The City's deposits are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2013, the carrying amount of the City's deposits was \$257,717 and the bank balance was \$266,392. All deposits are held in the name of the City. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining \$16,392 was collateralized under ORS 295.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

**Investments.** The City of Sisters has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

**Credit Risk.** State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk.** The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

**Interest Rate Risk.** The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments held by the City at June 30, 2013 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 5,822,461
Less amounts classified as cash equivalents			<u>(5,822,461)</u>
Total Investments			<u>\$ -</u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

Cash on hand	\$ 700
Carrying amounts of deposits	257,717
Local Government Investment Pool	<u>5,822,461</u>
Total cash and cash equivalents	<u>\$ 6,080,878</u>
Funds:	
<u>Governmental Activities</u>	
General	\$ 2,314,688
Street	336,126
Other Governmental Funds	<u>1,270,831</u>
Total Governmental Activities	<u>3,921,645</u>
<u>Business-Type Activities</u>	
Water (\$775,203 restricted)	1,015,770
Sewer (\$570,537 restricted)	<u>1,143,463</u>
Total Business-Type Activities	<u>2,159,233</u>
Total cash and cash equivalents	<u>\$ 6,080,878</u>

Governmental activities cash and cash equivalents are restricted for debt service for \$454,762, street and system development of \$1,034,154 (including \$263,148 deposited into the ODOT construction account for Cascade avenue improvements, and \$19,848 for other purposes). Business type activities are restricted for system development of \$1,032,413 and debt service of \$313,327.

## B. Receivables

Receivables as of fiscal year end for the governmental activities individual major funds, and non-major funds in the aggregate are as follows:

	General	Street	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 38,641	\$ -	\$ 8,418	\$ 47,059
Accounts	81,807	26,276	-	108,083
Intergovernmental	13,612	9,987	-	23,599
Assessments	-	-	180,758	180,758
Allowance For Doubtful Account	(74)	-	(33,655)	(33,729)
	<u>\$ 133,986</u>	<u>\$ 36,263</u>	<u>\$ 155,521</u>	<u>\$ 325,770</u>

Receivables as of June 30, 2013 for the business-type activities individual major funds are as follows:

	Water	Sewer	Total Business-Type Activities
Accounts	\$ 72,201	\$ 69,824	\$ 142,025
Intergovernmental	93,257	5,938	99,195
Assessments	-	10,426	10,426
Allowance for doubtful accounts	(834)	(773)	(1,607)
	<u>\$ 164,624</u>	<u>\$ 85,415</u>	<u>\$ 250,039</u>

Uncollected property taxes in governmental funds are shown on the statement of net position as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Deschutes County, and remittance to the City is made at periodic intervals.

For the fiscal year 2012-2013, the City levied property taxes in the net amount of \$788,794 after reductions for offsets and increases for additional taxes and penalties. The tax rate for the fiscal year was \$2.6417, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2013 was \$311,781,487. The Sisters Urban Renewal Agency, a blended component unit of the City, levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$192,572.

Following is a summary of property tax transactions for the year ended June 30, 2013:

	July 1, 2012	2012-13 Levy	Adjustments	Interest (Discounts)	Collections	June 30, 2013
2012-13	\$ -	\$ 981,366	\$ (7,359)	\$ (23,368)	\$ (927,418)	\$ 23,221
2011-12	28,475	-	(443)	980	(18,637)	10,375
2010-11	15,851	-	(363)	1,290	(10,291)	6,487
2009-10	10,102	-	2	1,733	(9,670)	2,167
2008-09	4,324	-	(72)	1,049	(4,778)	523
2007-08	476	-	(25)	88	(308)	231
2006-07	108	-	(10)	29	(83)	44
2005-06	52	-	(2)	10	(30)	30
2004-05	34	-	(1)	4	(10)	27
Prior years	98	-	(1)	4	(10)	91
	<u>\$ 59,520</u>	<u>\$ 981,366</u>	<u>\$ (8,274)</u>	<u>\$ (18,181)</u>	<u>\$ (971,235)</u>	<u>43,196</u>
				Cash with County		<u>3,863</u>
				Total Receivable		<u>\$ 47,059</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary, in most cases. The City issued assessments under reimbursement agreements and not all agreements have been signed or formally agreed upon. An allowance for \$33,655 has been established for the unsigned agreements.

Other accounts and intergovernmental receivables are considered fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

### C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2013, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletion/ Transfer</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 639,290	\$ -	\$ -	\$ 639,290
Art and sculptures	250,000	-	-	250,000
Construction in progress	759,214	472,135	(1,190,168)	41,181
<b>Total capital assets, not being depreciated</b>	<b>1,648,504</b>	<b>472,135</b>	<b>(1,190,168)</b>	<b>930,471</b>
Capital assets, being depreciated:				
Buildings and improvements	4,142,578	-	13,168	4,155,746
Tools and equipment	717,970	15,183	(12,877)	720,276
Office equipment	359,970	-	8,265	368,235
Street Improvements	2,911,237	-	1,177,000	4,088,237
<b>Total capital assets, being depreciated</b>	<b>8,131,755</b>	<b>15,183</b>	<b>1,185,556</b>	<b>9,332,494</b>
Accumulated depreciation for:				
Buildings	(1,754,857)	(79,394)	-	(1,834,251)
Tools and equipment	(624,237)	(16,468)	-	(640,705)
Office equipment	(342,632)	(9,592)	-	(352,224)
Street Improvements	(450,216)	(129,569)	-	(579,785)
<b>Total accumulated depreciation</b>	<b>(3,171,942)</b>	<b>(235,023)</b>	<b>-</b>	<b>(3,406,965)</b>
<b>Total capital assets, being depreciated, net</b>	<b>4,959,813</b>	<b>(219,840)</b>	<b>1,185,556</b>	<b>5,925,529</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,608,317</b>	<b>\$ 252,295</b>	<b>\$ (4,612)</b>	<b>\$ 6,856,000</b>

Depreciation expense for governmental activities is charged to governmental functions as follows:

#### Governmental activities

General government	\$ 97,016
Culture and recreation	5,029
Highways and streets	132,978
<b>Total depreciation expense - governmental activities</b>	<b>\$ 235,023</b>

Capital asset activity for the business-type activities for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,191,605	\$ -	\$ -	\$ 4,191,605
Construction in progress	316,278	259,841	(301,643)	274,476
Total capital assets, not being depreciated	<u>4,507,883</u>	<u>259,841</u>	<u>(301,643)</u>	<u>4,466,081</u>
Capital assets, being depreciated:				
Buildings and improvements	625,272	-	-	625,272
Tools and equipment	531,980	-	4,612	536,592
Office equipment	67,419	-	-	67,419
Infrastructure	19,997,099	-	301,643	20,298,742
Total capital assets, being depreciated	<u>21,221,770</u>	<u>-</u>	<u>306,255</u>	<u>21,528,025</u>
Less accumulated depreciation for:				
Buildings and improvements	(33,245)	(15,476)	-	(48,721)
Tools and equipment	(361,177)	(48,223)	-	(409,400)
Office equipment	(67,419)	-	-	(67,419)
Infrastructure	(4,178,013)	(416,248)	-	(4,594,261)
Total accumulated depreciation	<u>(4,639,854)</u>	<u>(479,947)</u>	<u>-</u>	<u>(5,119,801)</u>
Total capital assets, being depreciated, net	<u>16,581,916</u>	<u>(479,947)</u>	<u>306,255</u>	<u>16,408,224</u>
Business-type activities capital assets, net	<u>\$ 21,089,799</u>	<u>\$ (220,106)</u>	<u>\$ 4,612</u>	<u>\$ 20,874,305</u>

Depreciation expense for the business-type activities was charged to functions/programs of the City as follows:

Business-type activities

Water	\$ 175,976
Sewer	<u>303,971</u>
Total depreciation expense - business-type activities	<u>\$ 479,947</u>

**D. Deferred revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, there was \$186,925 in unearned deferred revenue for governmental activities and \$10,776 for business-type activities.

The various components of deferred revenue reported in the governmental funds were as follows:

	General	Street	Other Governmental Funds	Totals
Property taxes	\$ 35,476	\$ -	\$ 7,720	\$ 43,196
Fuel Taxes	-	12,595	-	12,595
Intergovernmental	5,083	-	-	5,083
Unearned	29,077	1,000	156,848	186,925
	<u>\$ 69,636</u>	<u>\$ 13,595</u>	<u>\$ 164,568</u>	<u>\$ 247,799</u>

**E. Long-term obligations**

**1. Full Faith and Credit Obligation Bonds – Governmental Activities**

The City issued full faith and credit obligation bonds in 2008 to finance the costs of East Cascade Realignment to Fire Hall and to repay the City for costs initially internally financed. Security for the loan is the full faith and credit of the City, but is payable from Urban Renewal Agency property tax increment revenues. The obligations are payable in semi-annual payments of \$42,724, including interest at 3.95%.

The City issued full faith and credit obligation bonds in April 2006 to finance the construction of City Hall and to pay loan costs. The bond principal is payable annually and the interest is payable semiannually at 4.80%, with final payments due June 1, 2020. The bonds are direct obligations and pledge the full faith and credit of the City.

Future maturities of the combined issues are as follows:

2014	\$ 170,737	\$ 53,236
2015	178,355	45,617
2016	186,318	37,653
2017	194,638	29,334
2018	203,242	20,639
2019	126,125	12,398
2020	132,180	6,344
	<u>\$ 1,191,595</u>	<u>\$ 205,221</u>

**2. Revenue Bonds Payable – Business-Type Activities – Sewer Fund**

In September of 2000, sewer revenue bonds were issued in the amount of \$3,325,700 and \$2,382,300 to construct a sewer system. These bonds carry an interest rate of 4.5% and are to be repaid in annual installments of \$180,752 and \$129,479 for 40 years. These bonds are held by Rural Development of the USDA and require that a reserve of retained earnings be established for debt service of \$31,028 annually (reserve of \$310,280 as of June 30, 2013 until a total reserve of \$310,280 is established. The total unpaid principal on these two bonds as of June 30, 2013 was \$4,768,559. Future maturities of the bonds are as follows:

2014	\$	95,646	\$	214,585
2015		99,950		210,281
2016		104,448		205,783
2017		109,147		201,084
2018		114,059		196,172
2019-2023		652,067		899,088
2024-2028		812,593		738,562
2029-2033		1,012,636		538,519
2034-2038		1,261,930		289,225
2039-2041		506,083		39,105
		<u>4,768,559</u>		<u>3,532,404</u>
	\$	<u>4,768,559</u>	\$	<u>3,532,404</u>

**3. Loans Payable – Business-Type Activities – Sewer Fund**

On May 9, 1999, a loan in the amount of \$42,080 was borrowed from the State of Oregon Department of Environmental Quality (DEQ) to assist in the financing of the construction of a sewer wastewater system facility. The loan requires annual payments of \$1,483 for 40 years, including interest at 3.39%, and a reserve of \$3,047 is required. The unpaid principal balance as of June 30, 2013 was \$21,752.

On April 12, 2000, a loan in the amount of \$1,000,000 was borrowed from the State of Oregon Economic Development Department (OEDD) to assist in the financing of the construction of a sewer system. The loan requires 25 annual payments of approximately \$75,000, including interest at 5.53%. The unpaid principal balance at June 30, 2013 was \$643,909.

On July 23, 2002, a loan in the amount of \$250,000 was borrowed from the State of Oregon Economic Development Department (OEDD) to assist in the financing of the construction of a sewer system. The loan requires 25 annual payments of \$18,637, including interest at 5.5%. The unpaid principal balance at June 30, 2013 was \$178,726.

In December 2006, a loan in the amount of \$1,700,000 was borrowed from the Bank of America to purchase 230.89 acres of property for effluent disposal and reuse. The loan requires quarterly interest and principal payments of \$39,803, including interest at 4.40%. The unpaid principal balance at June 30, 2013 was \$1,123,966.

Future maturities of the loans payable are as follows:

2014	\$	164,276	\$	93,993
2015		170,194		86,150
2016		176,384		78,035
2017		187,859		69,634
2018		194,633		60,660
2019-2023		871,313		161,840
2024-2027		203,729		21,060
	\$	<u>1,968,388</u>	\$	<u>571,372</u>

#### 4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2013, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Full Faith and Credit Bonds	\$ 1,355,039	\$ -	\$ 163,444	\$ 1,191,595	\$ 170,737
Compensated Absences	31,429	30,354	31,429	30,354	22,766
Governmental activity Long-term obligations	<u>\$ 1,386,468</u>	<u>\$ 30,354</u>	<u>\$ 194,873</u>	<u>\$ 1,221,949</u>	<u>\$ 193,503</u>
<b>Business - type activities</b>					
Revenue Bonds Payable	\$ 4,860,086	\$ -	\$ 91,527	\$ 4,768,559	\$ 95,646
Loans Payable	2,121,936	-	153,583	1,968,353	164,276
Compensated Absences	16,726	11,920	16,726	11,920	8,939
Business-type activity Long-term obligations	<u>\$ 6,998,748</u>	<u>\$ 11,920</u>	<u>\$ 261,836</u>	<u>\$ 6,748,832</u>	<u>\$ 268,861</u>

#### F. Advances to/from Other Funds

The General Fund loaned the Urban Renewal Debt Service Fund \$100,000 for capital projects. The Capital Project loan is scheduled to be paid off over the next two years, with interest at 4.0%. However, the loan repayment terms are subject to change and the entire balance is reported as advances to/from other funds. The outstanding balance at June 30, 2013 is \$36,000.

**G. Transfers**

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers into the governmental activities from the business-type activities in the amount of \$52,338.

A reconciliation of transfers in the fund financial statements is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ -	\$ 62,700
Street	-	19,000
Other funds	156,780	18,080
Business-type activities:		
Water	-	24,000
Sewer	-	33,000
	<u>\$ 156,780</u>	<u>\$ 156,780</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. Other transfers are to provide resources to pay debt service.

**IV. Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

**B. Defined Benefit Pension Plan – Public Employees Retirement System**

**1. Plan Description**

The City of Sisters contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost sharing, multiple employer Defined Benefit Pension Plan, administrated by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revises Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan

consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. 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 and a factor that varies based on the type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, by calling 1-503-598-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

## **2. Funding Policy**

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 11.09% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 7.72% of covered payroll. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2013, 2012, and 2011 were \$125,116, \$124,548 and \$81,175 respectively, equal to the required contributions each year.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

## **C. Termination Benefits**

The City of Sisters terminated City Manager Eileen Stein as of 4/1/2013. She received a severance package that included eleven months of salary in the amount of \$75,523.07; accrued vacation leave in the amount of \$5,052.91; and a value of up to 11 months of health care coverage. The former City Manager has since taken a position with another city and received a total of \$8,438.20 in health care benefits for a total cost of severance in the amount of \$89,014.18.

## **D. Construction in Progress**

The City is committed under various construction contracts at June 30, 2013. Major projects in progress at June 30, 2013 are as follows:

The Well #2 Improvements project is approximately 66% complete. Costs incurred to date are \$100,755 with total estimated costs of \$152,755. The reservoir development project is 1% complete. Costs incurred to date are \$27,487 with estimated total costs of \$4,750,714. The Creekside water loop upsizing project is 4% complete. Costs incurred to date are \$10,016 with estimated costs of \$250,000. The Barclay and Locust utility relocation project is approximately 24% complete. Costs incurred to date are \$3,929 with estimated costs of \$28,959.

Lazy Z Effluent Disposal Design is approximately 12% complete. Costs incurred to date are \$125,285 with total estimated costs of \$1,031,285. SCADA upgrades are approximately 4% complete. Costs incurred to date are \$4,066, with total estimated costs of \$97,200.

The Barclay Signal/Roundabout Design project is 11% complete. Costs incurred to date are \$13,425 with estimated costs of \$120,000. The Locust Signal/Roundabout design project is 14% complete. Costs incurred to date are \$13,425 with estimated costs of \$92,500. The Jefferson multi-use path project is 7% complete. Costs incurred to date are \$7,239 with total estimated costs of \$106,854.

The Fir Street improvements design is approximately 77% complete. Costs incurred to date are \$3,642 with total estimated costs of \$4,700. The Village Green parking design is approximately 96% complete. Costs incurred to date are \$3,450 with total estimated costs of \$3,600.

The City has decided to phase several construction projects. Upon obtaining additional funding these projects will progress to the next phase of construction. These projects are: Well #2 improvements, Jefferson multi-use path, SCADA upgrades, reservoir development, and upsizing Creekside water loop.

## **E. Commitments and Contingencies**

The Oregon Department of Transportation (ODOT) will be constructing most of the Cascade Avenue improvements starting in the 2014 fiscal year. The City was awarded a Transportation Enhancement Program grant of approximately \$1,139,030, with a built-in matching of \$130,367. Total funding awarded to both Oregon Department of Transportation and the City is \$4,906,231 while total estimated project costs are \$5,145,456 creating a funding gap and City match of \$239,225. ODOT has requested the City deposit 110% of their portion to a construction LGIP account and \$263,148 was deposited into the LGIP account for State to use as the project progresses.

The City's Sewer Fund has technically not met the net operating revenue requirement of the DEQ loan for the last couple of years and has had operating losses that may affect other loans. None of the lenders have considered the City in default, but the City needs to increase operating revenues. The City is currently discussing a new model for Sewer rates where commercial accounts will be billed based on actual monthly usage, as opposed to the current method of paying an amount determined by the average usage for the first three months of the year. The model would also allow businesses to install a separate irrigation meter. The City is also discussing a change in methodology for the water utility rates.

The City Council authorized issuance of refunding bonds to refinance several of the City's outstanding debt obligations. The debt issuance is currently on hold waiting for more favorable rates and terms.

## **F. Subsequent Events**

In August 2013, the City adopted Ordinance 425 to add approximately 34.3 acres of land known as the Sisters Eagle Airport property and the eastern 30 feet of Camp Polk road. In addition, the City approved the exchange of real property between the City and Camp Sherman Fire District.

In September 2013, the City and Urban Renewal Agency approved an amendment to the Downtown Urban Renewal Plan to add construction of the Fir Street Park as a project. They also approved a resolution authorizing an interfund loan of up to \$442,000 from the General Fund to the Urban Renewal Project Fund to finance up to \$100,000 in downtown façade improvements, \$135,000 for Fir Street improvements, and \$207,000 for the Fir Street Park. The first round of façade improvement grants were awarded in October 2013 for approximately \$40,000.

Also in September 2013, the City awarded a construction services contract of \$128,580 for the South Fir Street Roadway, Parking, and Pedestrian Improvement Project and approved the Local Government Grant Program Agreement with Oregon Department of Parks and Recreation for the Fir Street Park. The City also accepted water and sewer public improvements installed by a developer for Village at Cold Springs Phase IV.

In October 2013, the City approved resolutions amending the City of Sisters Comprehensive Financial Management Policies for reserves and contingencies and to close the Reserve Fund and transfer the balance to the City's General Fund. Also in October, the City Council approved a resolution requesting the transfer of County right-of-ways from Deschutes County for Camp Polk Road and Barclay Drive and approved a design contract for Fir Street Park in an amount not to exceed \$36,367.

The City also approved a vacant land real estate sale agreement to offer to purchase property for \$550,000. As part of the purchase, the seller is donating a second parcel of land and the property totals approximately 11.5 acres. The property is to be used for recreation purposes and the City has 150 days to conduct "Due Diligence" on the subject property and decide whether to go forward with the purchase.

## **SUPPLEMENTAL INFORMATION**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

**Capital Project Funds-** These funds account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from long-term obligations issued to finance capital acquisitions, improvements and development charges. Funds included in this category are:

- *Transportation SDC Fund* – accounts for system development charges to construct transportation facilities necessitated by new development.
- *Park SDC* – provides the accounting for system development charges accounts. The funds are reserved for future park improvement projects in accordance with the terms of collection.
- *Parking District* – provides the accounting for development fees collected from developers or businesses located in Commercial Parking District for parking improvements per the City's Parking Master Plan.

**Special Revenue Funds-** These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Urban Renewal Project Fund* – The Urban Renewal Project Fund accounts for construction projects related to the downtown core area of the Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.
- *Reserve (now a sub-fund of the General Fund)* Accounts for money set aside for replacement of capital assets. The principal revenue sources are contributions by other funds and earnings on investments.

**Debt Service Funds** – These funds account for revenues and expenditures related to the repayment of long-term indebtedness. Funds included in this category are:

- *City Hall Debt Service* – accounts for the funds set aside City Hall related debt service. The principal revenue sources are loan proceeds, transfers, and interest.
- *Urban Renewal Debt Service* – accounts for debt service associated with the downtown core area construction projects. The principal resource of revenue to pay the debt comes from urban renewal taxes.

**CITY OF SISTERS, OREGON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2013**

	Capital Project		Special Revenue	Debt Service		Totals	
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	Urban Renewal Project Fund	City Hall Debt Service Fund		Urban Renewal Debt Service Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 534,333	\$ 123,731	\$ 114,044	\$ 8,659	\$ 15,330	\$ 474,734	\$ 1,270,831
Receivables:							
Property taxes	-	-	-	-	-	8,418	8,418
Assessments, net	-	-	147,103	-	-	-	147,103
 Total assets	<u>\$ 534,333</u>	<u>\$ 123,731</u>	<u>\$ 261,147</u>	<u>\$ 8,659</u>	<u>\$ 15,330</u>	<u>\$ 483,152</u>	<u>\$ 1,426,352</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ 3,706	\$ -	\$ 810	\$ -	\$ -	\$ 4,516
Deferred revenue	-	-	156,848	-	-	7,720	164,568
Advances from other funds	-	-	-	-	-	36,000	36,000
 Total liabilities	<u>-</u>	<u>3,706</u>	<u>156,848</u>	<u>810</u>	<u>-</u>	<u>43,720</u>	<u>205,084</u>
<b>FUND BALANCES</b>							
Restricted	<u>534,333</u>	<u>120,025</u>	<u>104,299</u>	<u>7,849</u>	<u>15,330</u>	<u>439,432</u>	<u>1,221,268</u>
 Total fund balances	<u>534,333</u>	<u>120,025</u>	<u>104,299</u>	<u>7,849</u>	<u>15,330</u>	<u>439,432</u>	<u>1,221,268</u>
 Total liabilities and fund balances	<u>\$ 534,333</u>	<u>\$ 123,731</u>	<u>\$ 261,147</u>	<u>\$ 8,659</u>	<u>\$ 15,330</u>	<u>\$ 483,152</u>	<u>\$ 1,426,352</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Capital Project			Special Revenue	Debt Service		Totals
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	Urban Renewal Project Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,850	\$ 188,850
Licenses and fees	-	-	24,002	-	-	-	24,002
System development charges	30,988	11,034	-	-	-	-	42,022
Interest on investments	<u>2,820</u>	<u>627</u>	<u>513</u>	<u>151</u>	<u>72</u>	<u>2,691</u>	<u>6,874</u>
<b>TOTAL REVENUES</b>	<u>33,808</u>	<u>11,661</u>	<u>24,515</u>	<u>151</u>	<u>72</u>	<u>191,541</u>	<u>261,748</u>
<b>EXPENDITURES</b>							
Current:							
Community development	-	-	-	4,308	-	-	4,308
Capital outlay	-	-	-	38,057	-	-	38,057
Debt service	-	-	-	-	<u>138,765</u>	<u>87,648</u>	<u>226,413</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,365</u>	<u>138,765</u>	<u>87,648</u>	<u>268,778</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>33,808</u>	<u>11,661</u>	<u>24,515</u>	<u>(42,214)</u>	<u>(138,693)</u>	<u>103,893</u>	<u>(7,030)</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers in	-	-	-	18,080	138,700	-	156,780
Transfers out	-	-	-	-	-	<u>(18,080)</u>	<u>(18,080)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,080</u>	<u>138,700</u>	<u>(18,080)</u>	<u>138,700</u>
<b>NET CHANGE IN FUND BALANCE</b>	33,808	11,661	24,515	(24,134)	7	85,813	131,670
<b>FUND BALANCE, Beginning</b>	<u>500,525</u>	<u>108,364</u>	<u>79,784</u>	<u>31,983</u>	<u>15,323</u>	<u>353,619</u>	<u>1,089,598</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 534,333</u>	<u>\$ 120,025</u>	<u>\$104,299</u>	<u>\$ 7,849</u>	<u>\$ 15,330</u>	<u>\$ 439,432</u>	<u>\$ 1,221,268</u>

See auditor's report.

**CITY OF SISTERS, OREGON  
 COMBINING BALANCE SHEET  
 COMBINED GENERAL FUND  
 June 30, 2013**

	General Fund	Reserve Fund	Totals
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 926,085	\$ 1,388,603	\$ 2,314,688
Receivables:			
Property taxes	38,641	-	38,641
Accounts	95,345	-	95,345
Advances to other funds	<u>36,000</u>	<u>-</u>	<u>36,000</u>
 Total assets	 <u>\$ 1,096,071</u>	 <u>\$ 1,388,603</u>	 <u>\$ 2,484,674</u>
 <b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 72,584	\$ 7,477	\$ 80,061
Deposits	3,108	-	3,108
Deferred revenue	<u>69,636</u>	<u>-</u>	<u>69,636</u>
 Total liabilities	 <u>145,328</u>	 <u>7,477</u>	 <u>152,805</u>
 <b>FUND BALANCES</b>			
Nonspendable	36,000	-	36,000
Restricted	19,848	-	19,848
Assigned	-	1,381,126	1,381,126
Unassigned	<u>894,895</u>	<u>-</u>	<u>894,895</u>
 Total fund balances	 <u>950,743</u>	 <u>1,381,126</u>	 <u>2,331,869</u>
 Total liabilities and fund balances	 <u>\$ 1,096,071</u>	 <u>\$ 1,388,603</u>	 <u>\$ 2,484,674</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**COMBINED GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**

	General Fund	Reserve Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 782,387	\$ -	\$ 782,387
Other taxes	330,912	-	330,912
Franchise fees	200,062	-	200,062
Licenses and fees	312,784	-	312,784
Charges for services	25,619	-	25,619
Intergovernmental	98,440	-	98,440
Fines and forfeitures	3,157	-	3,157
Rental income	9,000	-	9,000
Interest on investments	7,911	7,498	15,409
Miscellaneous	6,726	-	6,726
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<u>1,776,998</u>	<u>7,498</u>	<u>1,784,496</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,066,934	-	1,066,934
Public safety	467,960	-	467,960
Culture and recreation	189,724	-	189,724
Capital outlay	-	15,183	15,183
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENDITURES</b>	<u>1,724,618</u>	<u>15,183</u>	<u>1,739,801</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>52,380</u>	<u>(7,685)</u>	<u>44,695</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers out	(62,700)	-	(62,700)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(62,700)</u>	<u>-</u>	<u>(62,700)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,320)	(7,685)	(18,005)
<b>FUND BALANCE, Beginning</b>	<u>961,063</u>	<u>1,388,811</u>	<u>2,349,874</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 950,743</u>	<u>\$ 1,381,126</u>	<u>\$ 2,331,869</u>

See auditor's report.

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## **BUDGETARY COMPARISON SCHEDULES**

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Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (currently only the Street fund) are presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.

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**SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT**

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▪ **General Fund**

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>EXPENDITURES AND TRANSFERS</b>				
Administration	\$ 413,005	\$ 483,748	\$ 465,122	\$ 18,626
Maintenance	111,200	115,566	108,750	6,816
Parks	196,329	196,329	189,723	6,606
Police	467,960	467,960	467,960	-
Planning	316,242	345,742	342,606	3,136
Support services	146,961	146,961	150,457	(3,496)
Interfund loan payment	3,000	17,980	18,080	(100)
Transfer	62,700	62,700	62,700	-
Contingency	867,559	783,316	-	783,316
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<u>\$ 2,584,956</u>	<u>\$ 2,620,302</u>	<u>\$ 1,805,398</u>	<u>\$ 814,904</u>

See auditor's report.

**SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Governmental Funds**

**Capital Project Funds**

- Transportation SDC
- Park SDC
- Parking District

**Special Revenue Funds**

- Urban Renewal Project
- Reserve (Sub-fund of the General Fund)

**Debt Service Funds**

- City Hall Debt Service
- Urban Renewal Debt Service

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**TRANSPORTATION SDC FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 20,000	\$ 20,000	\$ 30,988	\$ 10,988
Interest on investments	<u>2,500</u>	<u>2,500</u>	<u>2,820</u>	<u>320</u>
<b>TOTAL REVENUES</b>	<u>22,500</u>	<u>22,500</u>	<u>33,808</u>	<u>11,308</u>
<b>EXPENDITURES</b>				
Contingency	<u>523,730</u>	<u>523,730</u>	<u>-</u>	<u>523,730</u>
<b>TOTAL EXPENDITURES</b>	<u>523,730</u>	<u>523,730</u>	<u>-</u>	<u>523,730</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(501,230)</u>	<u>(501,230)</u>	<u>33,808</u>	<u>535,038</u>
<b>NET CHANGE IN FUND BALANCE</b>	(501,230)	(501,230)	33,808	535,038
<b>FUND BALANCE, Beginning</b>	<u>501,230</u>	<u>501,230</u>	<u>500,525</u>	<u>(705)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,333</u>	<u>\$ 534,333</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PARK SDC FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 5,000	\$ 5,000	\$ 11,034	\$ 6,034
Interest on investments	500	500	627	127
<b>TOTAL REVENUES</b>	<u>5,500</u>	<u>5,500</u>	<u>11,661</u>	<u>6,161</u>
<b>EXPENDITURES</b>				
Contingency	117,058	117,058	-	117,058
<b>TOTAL EXPENDITURES</b>	<u>117,058</u>	<u>117,058</u>	<u>-</u>	<u>117,058</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(111,558)</u>	<u>(111,558)</u>	<u>11,661</u>	<u>123,219</u>
<b>NET CHANGE IN FUND BALANCE</b>	(111,558)	(111,558)	11,661	123,219
<b>FUND BALANCE, Beginning</b>	<u>111,558</u>	<u>111,558</u>	<u>108,364</u>	<u>(3,194)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,025</u>	<u>\$ 120,025</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PARKING DISTRICT FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 14,500	\$ 14,500	\$ 24,002	\$ 9,502
Interest on investments	400	400	513	113
<b>TOTAL REVENUES</b>	<u>14,900</u>	<u>14,900</u>	<u>24,515</u>	<u>9,615</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Materials and services	-	5,000	-	5,000
Contingency	<u>94,631</u>	<u>89,631</u>	<u>-</u>	<u>89,631</u>
<b>TOTAL EXPENDITURES</b>	<u>94,631</u>	<u>94,631</u>	<u>-</u>	<u>94,631</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(79,731)</u>	<u>(79,731)</u>	<u>24,515</u>	<u>104,246</u>
<b>NET CHANGE IN FUND BALANCE</b>	(79,731)	(79,731)	24,515	104,246
<b>FUND BALANCE, Beginning</b>	<u>79,731</u>	<u>79,731</u>	<u>79,784</u>	<u>53</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,299</u>	<u>\$ 104,299</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**URBAN RENEWAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 151	\$ 151
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>151</u>	<u>151</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Materials and services	4,100	4,100	4,308	(208)
Capital outlay	-	43,586	38,057	5,529
Contingency	36	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>4,136</u>	<u>47,686</u>	<u>42,365</u>	<u>5,321</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,136)</u>	<u>(47,686)</u>	<u>(42,214)</u>	<u>5,472</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan proceeds	3,100	18,080	18,080	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,100</u>	<u>18,080</u>	<u>18,080</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,036)	(29,606)	(24,134)	5,472
<b>FUND BALANCE, Beginning</b>	<u>1,036</u>	<u>29,606</u>	<u>31,983</u>	<u>2,377</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,849</u>	<u>\$ 7,849</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**RESERVE FUND (SUB-FUND OF THE GENERAL FUND)**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 7,500	\$ 7,500	\$ 7,498	\$ (2)
<b>TOTAL REVENUES</b>	<u>7,500</u>	<u>7,500</u>	<u>7,498</u>	<u>(2)</u>
<b>EXPENDITURES</b>				
Capital outlay	23,455	30,755	15,183	15,572
Contingency	<u>1,353,238</u>	<u>1,353,238</u>	<u>-</u>	<u>1,353,238</u>
<b>TOTAL EXPENDITURES</b>	<u>1,376,693</u>	<u>1,383,993</u>	<u>15,183</u>	<u>1,368,810</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,369,193)</u>	<u>(1,376,493)</u>	<u>(7,685)</u>	<u>1,368,808</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,369,193)	(1,376,493)	(7,685)	1,368,808
<b>FUND BALANCE, Beginning</b>	<u>1,369,193</u>	<u>1,376,493</u>	<u>1,388,811</u>	<u>12,318</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,381,126</u>	<u>\$ 1,381,126</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CITY HALL DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 100	\$ 100	\$ 72	\$ (28)
<b>TOTAL REVENUES</b>	<u>100</u>	<u>100</u>	<u>72</u>	<u>(28)</u>
<b>EXPENDITURES</b>				
Debt service	138,700	138,700	138,765	(65)
Contingency	<u>14,949</u>	<u>14,949</u>	<u>-</u>	<u>14,949</u>
<b>TOTAL EXPENDITURES</b>	<u>153,649</u>	<u>153,649</u>	<u>138,765</u>	<u>14,884</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(153,549)</u>	<u>(153,549)</u>	<u>(138,693)</u>	<u>14,856</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>138,700</u>	<u>138,700</u>	<u>138,700</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>138,700</u>	<u>138,700</u>	<u>138,700</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(14,849)	(14,849)	7	14,856
<b>FUND BALANCE, Beginning</b>	<u>14,849</u>	<u>14,849</u>	<u>15,323</u>	<u>474</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,330</u>	<u>\$ 15,330</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**URBAN RENEWAL DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 129,600	\$ 129,600	\$ 188,850	\$ 59,250
Interest on investments	2,000	2,000	2,691	691
<b>TOTAL REVENUES</b>	<u>131,600</u>	<u>131,600</u>	<u>191,541</u>	<u>59,941</u>
<b>EXPENDITURES</b>				
Debt service	88,200	88,200	87,648	552
Contingency	387,162	372,182	-	372,182
<b>TOTAL EXPENDITURES</b>	<u>475,362</u>	<u>460,382</u>	<u>87,648</u>	<u>372,734</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(343,762)</u>	<u>(328,782)</u>	<u>103,893</u>	<u>432,675</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan repayment	(22,100)	(37,080)	(37,080)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(22,100)</u>	<u>(37,080)</u>	<u>(37,080)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(365,862)	(365,862)	66,813	432,675
Budgetary basis adjustment	-	-	19,000	19,000
<b>FUND BALANCE, Beginning</b>	<u>365,862</u>	<u>365,862</u>	<u>353,619</u>	<u>(12,243)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,432</u>	<u>\$ 439,432</u>

See auditor's report.

**SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Proprietary Funds**

**Enterprise Funds**

- All Water Funds
  - Water
  - Water SDC
  
- All Sewer Funds
  - Sewer
  - Sewer SDC

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 3,500	\$ 3,500	\$ 1,588	\$ (1,912)
Charges for services	502,850	502,850	540,096	37,246
Intergovernmental	-	108,904	93,643	(15,261)
Interest on investments	400	400	1,088	688
Miscellaneous	-	-	1,336	1,336
<b>TOTAL REVENUES</b>	<u>506,750</u>	<u>615,654</u>	<u>637,751</u>	<u>22,097</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	195,734	207,812	201,240	6,572
Materials and services	170,250	173,650	164,720	8,930
Capital outlay	32,208	141,112	124,650	16,462
Contingency	148,917	133,439	-	133,439
<b>TOTAL EXPENDITURES</b>	<u>547,109</u>	<u>656,013</u>	<u>490,610</u>	<u>165,403</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(40,359)</u>	<u>(40,359)</u>	<u>147,141</u>	<u>187,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(24,000)	(24,000)	(24,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(64,359)	(64,359)	123,141	187,500
<b>FUND BALANCE, Beginning</b>	<u>64,359</u>	<u>64,359</u>	<u>99,537</u>	<u>35,178</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,678</u>	<u>\$ 222,678</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER SDC FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 50,000	\$ 50,000	\$ 93,779	\$ 43,779
Interest on investments	4,000	4,000	4,642	642
<b>TOTAL REVENUES</b>	<u>54,000</u>	<u>54,000</u>	<u>98,421</u>	<u>44,421</u>
<b>EXPENDITURES</b>				
Capital outlay	190,192	190,192	135,191	55,001
Contingency	664,095	664,095	-	664,095
<b>TOTAL EXPENDITURES</b>	<u>854,287</u>	<u>854,287</u>	<u>135,191</u>	<u>719,096</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(800,287)</u>	<u>(800,287)</u>	<u>(36,770)</u>	<u>763,517</u>
<b>NET CHANGE IN FUND BALANCE</b>	(800,287)	(800,287)	(36,770)	763,517
<b>FUND BALANCE, Beginning</b>	<u>800,287</u>	<u>800,287</u>	<u>811,973</u>	<u>11,686</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,203</u>	<u>\$ 775,203</u>

See auditor's report.

**CITY OF SISTERS, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL WATER FUNDS  
For the Fiscal Year Ended June 30, 2013**

<b>BUDGETARY BASIS FUND BALANCE (NON-GAAP):</b>	
Water	\$ 222,678
Water SDC	<u>775,203</u>
	997,881
Adjustments:	
Capital assets, net of depreciation	6,031,762
Compensated absences	<u>(6,421)</u>
<b>GENERALLY ACCEPTED ACCOUNTING  PRINCIPLES BASIS (GAAP) NET POSITION</b>	<u><u>\$ 7,023,222</u></u>

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 4,000	\$ 4,000	\$ 1,588	\$ (2,412)
Charges for services	689,100	689,100	686,731	(2,369)
Intergovernmental	-	21,210	21,210	-
Rental income	48,000	48,000	48,000	-
Interest on investments	4,000	4,000	4,414	414
Miscellaneous	-	14,500	88,831	74,331
<b>TOTAL REVENUES</b>	<u>745,100</u>	<u>780,810</u>	<u>850,774</u>	<u>69,964</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	184,655	197,662	196,038	1,624
Materials and services	178,200	215,710	218,024	(2,314)
Debt service	406,800	406,800	406,065	735
Contingency	516,056	501,249	-	501,249
<b>TOTAL EXPENDITURES</b>	<u>1,285,711</u>	<u>1,321,421</u>	<u>820,127</u>	<u>501,294</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(540,611)</u>	<u>(540,611)</u>	<u>30,647</u>	<u>571,258</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(33,000)	(33,000)	(33,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(573,611)	(573,611)	(2,353)	571,258
<b>FUND BALANCE, Beginning</b>	<u>573,611</u>	<u>573,611</u>	<u>944,417</u>	<u>370,806</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 942,064</u>	<u>\$ 942,064</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER SDC FUND**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 56,000	\$ 56,000	\$ 107,175	\$ 51,175
Interest on investments	1,000	1,000	1,627	627
<b>TOTAL REVENUES</b>	<u>57,000</u>	<u>57,000</u>	<u>108,802</u>	<u>51,802</u>
<b>EXPENDITURES</b>				
Debt service	159,500	159,500	159,214	286
Contingency	177,314	177,314	-	177,314
<b>TOTAL EXPENDITURES</b>	<u>336,814</u>	<u>336,814</u>	<u>159,214</u>	<u>177,600</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(279,814)</u>	<u>(279,814)</u>	<u>(50,412)</u>	<u>229,402</u>
<b>NET CHANGE IN FUND BALANCE</b>	(279,814)	(279,814)	(50,412)	229,402
<b>FUND BALANCE, Beginning</b>	<u>279,814</u>	<u>279,814</u>	<u>307,622</u>	<u>27,808</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,210</u>	<u>\$ 257,210</u>

See auditor's report.

**CITY OF SISTERS, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL SEWER FUNDS  
For the Fiscal Year Ended June 30, 2013**

**BUDGETARY BASIS FUND BALANCE (NON-GAAP):**

Sewer	\$ 942,064
Sewer SDC	<u>257,210</u>
	1,199,274

Adjustments:

Capital assets, net of depreciation	14,842,543
Compensated absences	(5,499)
Accrued interest payable	(209,875)
Long-term debt	<u>(6,736,912)</u>

**GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES BASIS (GAAP) NET ASSETS**

\$ 9,089,531

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## **OTHER FINANCIAL SCHEDULES**

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**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF OUTSTANDING DEBT PRINCIPAL**  
**AND INTEREST TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2013**

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2013	Interest Matured and Paid
				Outstanding July 1, 2012	Issued	Matured and Paid		
<u>Governmental Funds</u>								
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	\$ 1,400,000	\$ 902,595	\$ -	\$ 95,200	\$ 807,395	\$ 43,325
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	\$ 700,000	452,444	-	68,244	384,200	17,204
				<u>1,355,039</u>	<u>-</u>	<u>163,444</u>	<u>1,191,595</u>	<u>60,529</u>
<u>Enterprise Funds</u>								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,073,981	-	36,150	2,037,831	93,329
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,786,105	-	55,377	2,730,728	125,375
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	23,935	-	2,183	21,752	913
OEDD Loan Payable	5.25-5.625	4/12/2000	\$ 1,000,000	680,200	-	36,291	643,909	37,810
OEDD Loan Payable	5.50%	7/23/2002	\$ 250,000	187,074	-	8,348	178,726	10,289
Lazy Z Real Estate Loan	4.40%	12/14/2006	\$ 1,700,000	1,230,727	-	106,761	1,123,966	52,408
				<u>6,982,022</u>	<u>-</u>	<u>245,110</u>	<u>6,736,912</u>	<u>320,124</u>
Total				<u>\$ 8,337,061</u>	<u>\$ -</u>	<u>\$ 408,554</u>	<u>\$ 7,928,507</u>	<u>\$ 380,653</u>

See auditor's report.

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS**  
**June 30, 2013**

Year Ending June 30	2006 Full Faith and Credit Bonds		2008 Full Faith and Credit Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 99,769	\$ 38,754	\$ 70,968	\$ 14,482	\$ 170,737	\$ 53,236
2015	104,558	33,966	73,797	11,651	178,355	45,617
2016	109,577	28,948	76,741	8,705	186,318	37,653
2017	114,836	23,688	79,802	5,646	194,638	29,334
2018	120,350	18,176	82,892	2,463	203,242	20,639
2019	126,125	12,398	-	-	126,125	12,398
2020	132,180	6,344	-	-	132,180	6,344
	<u>\$ 807,395</u>	<u>\$ 162,274</u>	<u>\$ 384,200</u>	<u>\$ 42,947</u>	<u>\$ 1,191,595</u>	<u>\$ 205,221</u>

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE**  
**June 30, 2013**

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 37,777	\$ 91,702	\$ 57,869	\$ 122,883	\$ 95,646	\$ 214,585
2015	39,477	90,002	60,473	120,279	99,950	210,281
2016	41,253	88,226	63,195	117,557	104,448	205,783
2017	43,109	86,370	66,038	114,714	109,147	201,084
2018	45,049	84,430	69,010	111,742	114,059	196,172
2019	47,077	82,402	72,116	108,636	119,193	191,038
2020	49,195	80,284	75,361	105,391	124,556	185,675
2021	51,409	78,070	78,752	102,000	130,161	180,070
2022	53,722	75,757	82,296	98,456	136,018	174,213
2023	56,140	73,339	85,999	94,753	142,139	168,092
2024	58,666	70,813	89,869	90,883	148,535	161,696
2025	61,306	68,173	93,913	86,839	155,219	155,012
2026	64,065	65,414	98,139	82,613	162,204	148,027
2027	66,948	62,531	102,556	78,196	169,504	140,727
2028	69,960	59,519	107,171	73,581	177,131	133,100
2029	73,108	56,371	111,993	68,759	185,101	125,130
2030	76,398	53,081	117,033	63,719	193,431	116,800
2031	79,836	49,643	122,299	58,453	202,135	108,096
2032	83,429	46,050	127,803	52,949	211,232	98,999
2033	87,183	42,296	133,554	47,198	220,737	89,494
2034	91,106	38,373	139,564	41,188	230,670	79,561
2035	95,206	34,273	145,844	34,908	241,050	69,181
2036	99,490	29,989	152,407	28,345	251,897	58,334
2037	103,968	25,511	159,266	21,486	263,234	46,997
2038	108,646	20,833	166,433	14,319	275,079	35,152
2039	113,535	15,944	151,775	6,830	265,310	22,774
2040	118,644	10,835	-	-	118,644	10,835
2041	122,129	5,496	-	-	122,129	5,496
	<u>\$ 2,037,831</u>	<u>\$ 1,585,727</u>	<u>\$ 2,730,728</u>	<u>\$ 1,946,677</u>	<u>\$ 4,768,559</u>	<u>\$ 3,532,404</u>

See auditor's report.

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE**  
**June 30, 2013**

Year Ending June 30	DEQ Loan Payable		OEDD Loan Payable		OEDD Loan Payable		Lazy Z Real Estate Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,247	\$ 719	\$ 41,638	\$ 35,814	\$ 8,807	\$ 9,830	\$ 111,584	\$ 47,630	\$ 164,276	\$ 93,993
2015	2,324	642	42,003	33,524	9,292	9,345	116,575	42,639	170,194	86,150
2016	2,403	563	42,388	31,214	9,803	8,834	121,790	37,424	176,384	78,035
2017	2,486	480	47,794	28,882	10,342	8,295	127,237	31,977	187,859	69,634
2018	2,571	395	48,222	26,254	10,911	7,726	132,929	26,285	194,633	60,660
2019	2,658	308	48,676	23,601	11,511	7,126	138,875	20,339	201,720	51,374
2020	2,749	217	54,153	20,924	12,144	6,493	145,087	14,127	214,133	41,761
2021	2,843	123	54,657	17,946	12,812	5,825	151,577	7,637	221,889	31,531
2022	1,471	25	60,201	14,871	13,517	5,121	78,312	1,295	153,501	21,312
2023	-	-	65,775	11,485	14,260	4,377	-	-	80,035	15,862
2024	-	-	66,381	7,785	15,044	3,593	-	-	81,425	11,378
2025	-	-	72,021	4,051	15,872	2,766	-	-	87,893	6,817
2026	-	-	-	-	16,745	1,893	-	-	16,745	1,893
2027	-	-	-	-	17,666	972	-	-	17,666	972
	<u>\$ 21,752</u>	<u>\$ 3,472</u>	<u>\$ 643,909</u>	<u>\$ 256,351</u>	<u>\$ 178,726</u>	<u>\$ 82,196</u>	<u>\$ 1,123,966</u>	<u>\$ 229,353</u>	<u>\$ 1,968,353</u>	<u>\$ 571,372</u>

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# **STATISTICAL SECTION**

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**CITY OF SISTERS, OREGON**  
**Net Position By Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental Activities:</b>										
Invested in capital assets, net of related debt	\$ 5,664	\$ 5,253	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185	\$ 1,646	\$ 1,256	\$ 1,652	\$ 1,258
Restricted	1,509	1,111	1,071	926	922	841	-	-	-	1,432
Unrestricted	2,338	2,390	2,509	2,863	3,442	3,814	2,986	3,960	2,397	943
Total governmental activities net position	<u>\$ 9,511</u>	<u>\$ 8,754</u>	<u>\$ 8,179</u>	<u>\$ 8,527</u>	<u>\$ 7,112</u>	<u>\$ 6,840</u>	<u>\$ 4,632</u>	<u>\$ 5,216</u>	<u>\$ 4,049</u>	<u>\$ 3,633</u>
<b>Business-Type Activities:</b>										
Invested in capital assets, net of related debt	\$ 14,137	\$ 14,107	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025	\$ 10,534	\$ 9,822	\$ 8,766	\$ 8,839
Restricted	1,346	1,433	1,479	1,684	2,107	2,069	1,029	4,309	3,355	96
Unrestricted	630	499	574	826	1,307	1,333	1,660	1,665	1,563	4,090
Total business-type activities net position	<u>\$ 16,113</u>	<u>\$ 16,039</u>	<u>\$ 16,315</u>	<u>\$ 16,042</u>	<u>\$ 17,207</u>	<u>\$ 17,427</u>	<u>\$ 13,223</u>	<u>\$ 15,796</u>	<u>\$ 13,684</u>	<u>\$ 13,025</u>
<b>Primary Government:</b>										
Invested in capital assets, net of related debt	\$ 19,801	\$ 19,360	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211	\$ 12,180	\$ 11,078	\$ 10,418	\$ 10,097
Restricted	2,855	2,544	2,550	2,610	3,029	2,911	1,029	4,309	3,355	1,528
Unrestricted	2,968	2,889	3,083	3,689	4,749	5,147	4,646	5,625	3,960	5,033
Total primary government net position	<u>\$ 25,624</u>	<u>\$ 24,793</u>	<u>\$ 24,494</u>	<u>\$ 24,569</u>	<u>\$ 24,319</u>	<u>\$ 24,269</u>	<u>\$ 17,855</u>	<u>\$ 21,012</u>	<u>\$ 17,733</u>	<u>\$ 16,658</u>

**CITY OF SISTERS, OREGON**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Program Revenues</b>										
Governmental activities:										
Charges for services, fees and fines										
General government	\$ 249	\$ 210	\$ 181	\$ 194	\$ 259	\$ 443	\$ 559	\$ 546	\$ 318	\$ 221
Public safety	-	-	-	-	-	-	273	10	10	8
Culture and recreation	125	115	127	103	59	60	163	32	25	55
Community Development	-	-	-	-	-	-	-	-	-	-
Highways and streets	103	82	65	79	46	41	131	21	6	119
Operating grants and contributions	294	293	402	168	76	133	70	64	8	30
Capital grants and contributions	713	401	76	730	385	696	-	47	63	-
Total governmental activities program revenues	<u>1,484</u>	<u>1,101</u>	<u>851</u>	<u>1,274</u>	<u>825</u>	<u>1,373</u>	<u>1,196</u>	<u>720</u>	<u>430</u>	<u>433</u>
Business-type activities:										
Charges for services:										
Water	543	513	487	474	426	441	488	406	351	588
Refuse	-	-	-	0	104	410	420	388	355	351
Sewer	825	774	750	717	798	754	978	888	803	1,202
Operating grants	-	-	4	4	10	-	-	-	-	-
Capital grants	316	164	160	97	179	759	652	892	626	-
Total business-type activities program revenues	<u>1,684</u>	<u>1,451</u>	<u>1,401</u>	<u>1,292</u>	<u>1,517</u>	<u>2,364</u>	<u>2,538</u>	<u>2,574</u>	<u>2,135</u>	<u>2,141</u>
Total primary government program revenues	<u>3,168</u>	<u>2,552</u>	<u>2,252</u>	<u>2,566</u>	<u>2,342</u>	<u>3,737</u>	<u>3,734</u>	<u>3,294</u>	<u>2,565</u>	<u>2,574</u>
<b>Expenses</b>										
Governmental activities:										
General government	1,162	1,007	1,094	1,099	1,127	1,155	820	1,393	634	540
Public safety	468	450	433	416	400	393	400	374	351	312
City Hall Remodel	-	-	-	-	-	-	1,164	128	-	-
Culture and recreation	195	186	210	199	175	161	125	105	145	80
Community development	4	4	3	5	5	24	-	-	-	-
Highways and streets	519	403	420	377	399	423	93	148	104	122
Interest on long term obligations	62	70	80	90	104	92	72	12	-	-
Depreciation	-	-	-	-	-	-	-	-	-	85
Total governmental activities expenses	<u>2,410</u>	<u>2,120</u>	<u>2,240</u>	<u>2,186</u>	<u>2,210</u>	<u>2,248</u>	<u>2,674</u>	<u>2,160</u>	<u>1,234</u>	<u>1,139</u>
Business-type activities:										
Water	540	593	623	574	578	540	533	434	342	341
Refuse	-	-	-	-	65	437	281	329	303	293
Sewer	1,030	1,090	1,076	1,098	1,085	1,032	4,625	889	823	842
Total business-type activities expenses	<u>1,570</u>	<u>1,683</u>	<u>1,699</u>	<u>1,672</u>	<u>1,728</u>	<u>2,009</u>	<u>5,439</u>	<u>1,652</u>	<u>1,468</u>	<u>1,476</u>
Total primary government expenses	<u>3,980</u>	<u>3,803</u>	<u>3,939</u>	<u>3,858</u>	<u>3,938</u>	<u>4,257</u>	<u>8,113</u>	<u>3,812</u>	<u>2,702</u>	<u>2,615</u>
<b>Net Expense</b>										
Governmental activities	(926)	(1,019)	(1,389)	(912)	(1,385)	(875)	(1,478)	(1,440)	(804)	(706)
Business-type activities	114	(232)	(298)	(380)	(211)	355	(2,901)	922	667	665
Total primary government net expense	<u>\$ (812)</u>	<u>\$ (1,251)</u>	<u>\$ (1,687)</u>	<u>\$ (1,292)</u>	<u>\$ (1,596)</u>	<u>\$ (520)</u>	<u>\$ (4,379)</u>	<u>\$ (518)</u>	<u>\$ (137)</u>	<u>\$ (41)</u>

\*2008 governmental & business activities included a prior period adjustment of \$1,525,233 and \$3,647,195 for the capitalization of infrastructure.

\*\*2007 business activities included a prior period adjustment of \$15,000.

**CITY OF SISTERS, OREGON**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Revenues and Other Changes in Net Position</b>										
General revenues:										
Property taxes levied for:										
General purposes	\$ 768	\$ 762	\$ 771	\$ 764	\$ 736	\$ 681	\$ 692	\$ 602	\$ 483	\$ 424
Debt service	187	132	172	134	133	108	176	-	-	-
Franchise and public service taxes	646	608	614	573	583	566	29	734	567	488
Interest and investment earnings	23	25	28	41	112	192	-	183	52	28
Miscellaneous	7	10	14	5	3	8	49	-	28	5
Contributed Revenue	-	-	-	-	-	-	-	539	-	-
Gain on disposal of asset	-	-	-	-	-	-	-	467	(23)	-
Transfers	52	57	(558)	810	90	4	(51)	81	112	116
Total governmental activities	1,683	1,594	1,041	2,327	1,657	1,559	895	2,606	1,219	1,061
Business-type activities:										
Contributed Revenue	-	-	-	-	-	-	-	1,030	-	-
Interest and investment earnings	11	13	13	24	81	205	278	225	105	6
Miscellaneous	-	-	-	-	-	-	-	-	-	55
Transfers	(52)	(57)	558	(810)	(90)	(4)	51	(81)	(112)	(116)
Total business-type activities	(41)	(44)	571	(786)	(9)	201	329	1,174	(7)	(55)
Total primary government	1,642	1,550	1,612	1,541	1,648	1,760	1,224	3,780	1,212	1,006
<b>Change in Net Position</b>										
Governmental activities	757	575	(348)	1,415	272	684	(583)	1,167	415	355
Business-type activities	74	(276)	273	(1,166)	(220)	556	(2,572)	2,097	660	610
Total primary government change in net position	831	299	(75)	249	52	1,240	(3,155)	3,264	1,075	965
<b>Net Position Beginning</b>										
Governmental activities	8,754	8,179	8,527	7,112	6,841	6,157	5,215	4,049	3,633	3,279
Business-type activities	16,039	16,315	16,042	17,207	17,427	16,870	15,796	13,699	13,026	12,416
Total primary government net position-beginning	24,793	24,494	24,569	24,319	24,268	23,027	21,011	17,748	16,659	15,695
<b>Net Position Ending</b>										
Governmental activities	9,511	8,754	8,179	8,527	7,113	6,841	4,632	5,216	4,048	3,633
Business-type activities	16,113	16,039	16,315	16,042	17,207	17,427	13,224	15,796	13,686	13,026
<b>Total Primary Government Net Position</b>	<b>\$ 25,624</b>	<b>\$ 24,793</b>	<b>\$ 24,494</b>	<b>\$ 24,569</b>	<b>\$ 24,320</b>	<b>\$ 24,268</b>	<b>\$ 17,856</b>	<b>\$ 21,012</b>	<b>\$ 17,734</b>	<b>\$ 16,659</b>

\*2008 governmental & business activities included a prior period adjustment of \$1,525,233 and \$3,647,195 for the capitalization of infrastructure.

\*\*2007 business activities included a prior period adjustment of \$15,000.

**CITY OF SISTERS, OREGON**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years <sup>1</sup>**  
**(modified accrual basis of accounting)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Combined General Fund										
Advance to Other Funds	\$ 36,000	\$ 55,000	\$ 75,000	\$ 150,000	\$ 200,000	\$ 350,000	\$ -	\$ -	\$ -	\$ -
Restricted	19,848	14,848	30,444	-	-	-	-	-	-	-
Assigned for Police,Capital & Reserved	1,381,126	1,388,811	1,401,719							
Unassigned	894,895	891,220	664,780	624,755	1,375,521	1,556,021	1,246,149	894,317	1,073,060	952,308
<b>Total general fund</b>	<b>2,331,869</b>	<b>2,349,879</b>	<b>2,171,943</b>	<b>774,755</b>	<b>1,575,521</b>	<b>1,906,021</b>	<b>1,246,149</b>	<b>894,317</b>	<b>1,073,060</b>	<b>952,308</b>
All Other Governmental Funds										
Restricted: Debt Service	454,762	368,942	394,366	311,646	368,628	318,913	-	-	-	-
Sys Dev, Paths, Streets	1,034,154	726,905	852,990	614,378	553,496	522,480	-	-	-	-
Unreserved/Unassigned	-	-	-	2,034,392	1,802,921	1,885,641	1,747,383	3,069,989	1,321,264	1,132,243
<b>Total all other governmental funds</b>	<b>1,488,916</b>	<b>1,095,847</b>	<b>1,247,356</b>	<b>2,960,416</b>	<b>2,725,045</b>	<b>2,727,034</b>	<b>1,747,383</b>	<b>3,069,989</b>	<b>1,321,264</b>	<b>1,132,243</b>
<b>Total governmental funds</b>	<b>\$ 3,820,785</b>	<b>\$ 3,445,726</b>	<b>\$ 3,419,299</b>	<b>\$ 3,735,171</b>	<b>\$ 4,300,566</b>	<b>\$ 4,633,055</b>	<b>\$ 2,993,532</b>	<b>\$ 3,964,306</b>	<b>\$ 2,394,324</b>	<b>\$ 2,084,551</b>

<sup>1</sup> Information is present for years ended subsequent to the implementation of GASB 34. The City implemented GASB 54 in the 2011 fiscal year and the Reserve Fund was combined with the General Fund for external reporting. Information on the new fund balance categories is shown on a prospective basis.

**CITY OF SISTERS, OREGON**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years <sup>1</sup>**  
**(modified accrual basis of accounting)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Property taxes	\$ 971,237	\$ 903,370	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384	\$ 606,245	\$ 539,658	\$ 480,935
Other taxes	478,725	444,425	427,723	306,332	280,279	267,551	-	-	-	-
Intergovernmental	658,070	635,413	274,320	398,297	119,346	215,523	123,094	325,737	202,082	208,958
Franchise Fees	259,467	260,103	267,291	249,422	254,122	243,443	-	-	-	-
Licenses and Fines	426,179	353,217	331,457	339,994	317,995	496,848	1,125,644	1,106,255	651,118	637,197
Fines and forfeitures	3,157	1,766	1,338	1,828	2,729	4,728	-	10,592	10,477	8,175
System development charges	42,022	55,914	21,722	13,609	123,427	445,324	-	-	-	-
Charges for services	25,619	24,700	18,600	18,600	22,475	27,900	-	-	-	-
Rental income	9,000	9,000	12,161	15,000	15,000	14,300	-	-	59,089	-
Interest on Investments	22,450	24,693	27,947	41,231	112,536	192,082	175,708	183,335	51,630	28,474
Miscellaneous Revenues	20,014	28,881	19,555	8,225	9,244	57,019	25,116	11,537	32,691	14,046
Total revenues	<u>2,915,940</u>	<u>2,741,482</u>	<u>2,345,617</u>	<u>2,290,189</u>	<u>2,094,728</u>	<u>2,733,798</u>	<u>2,132,946</u>	<u>2,243,701</u>	<u>1,546,745</u>	<u>1,377,785</u>
<b>Expenditures</b>										
Current:										
General Government	1,066,934	900,854	953,851	940,768	952,762	984,572	867,682	1,356,497	591,953	536,799
Public safety	467,960	449,961	432,655	416,015	400,014	393,255	374,529	356,694	327,290	311,705
Culture and recreation	189,724	180,366	207,409	194,673	170,978	156,967	117,164	100,072	135,058	80,614
Community development	4,308	3,687	3,269	5,254	4,863	24,338	-	-	-	-
Highways and streets	384,973	288,713	310,693	293,712	358,486	323,388	86,650	140,656	97,192	113,491
Capital outlay	257,564	721,494	577,860	1,016,692	388,121	447,065	1,468,171	644,210	197,879	438,403
Debt service										
Principal	163,444	156,466	149,787	143,397	137,055	75,306	71,857	11,095	-	-
Interest	62,969	70,506	80,785	90,975	104,942	89,394	66,667	10,453	-	-
Total expenditures	<u>2,597,876</u>	<u>2,772,047</u>	<u>2,716,309</u>	<u>3,101,486</u>	<u>2,517,221</u>	<u>2,494,285</u>	<u>3,052,720</u>	<u>2,619,677</u>	<u>1,349,372</u>	<u>1,481,012</u>
Revenues over (under) expenditures	<u>318,064</u>	<u>(30,565)</u>	<u>(370,692)</u>	<u>(811,297)</u>	<u>(422,493)</u>	<u>239,513</u>	<u>(919,774)</u>	<u>(375,976)</u>	<u>197,373</u>	<u>(103,227)</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	-	-	-	-	-	700,000	-	1,398,100	-	-
Sale of fixed assets	-	-	3,905	-	-	-	-	466,859	-	-
Operating transfers in	156,780	213,600	209,000	1,395,064	740,610	737,000	288,000	243,634	220,000	378,593
Operating transfers out	(99,780)	(156,600)	(154,000)	(1,149,162)	(650,610)	(710,000)	(339,000)	(162,634)	(107,600)	(262,593)
Total other financing sources (uses)	<u>57,000</u>	<u>57,000</u>	<u>58,905</u>	<u>245,902</u>	<u>90,000</u>	<u>727,000</u>	<u>(51,000)</u>	<u>1,945,959</u>	<u>112,400</u>	<u>116,000</u>
Net change in fund balances	<u>\$ 375,064</u>	<u>\$ 26,435</u>	<u>\$ (311,787)</u>	<u>\$ (565,395)</u>	<u>\$ (332,493)</u>	<u>\$ 966,513</u>	<u>\$ (970,774)</u>	<u>\$ 1,569,983</u>	<u>\$ 309,773</u>	<u>\$ 116,000</u>
Debt service as a percentage of noncapital expenditures	<u>10.7%</u>	<u>12.4%</u>	<u>12.1%</u>	<u>12.7%</u>	<u>12.8%</u>	<u>8.7%</u>	<u>9.6</u>	<u>1.1</u>	<u>0.0%</u>	<u>0.0%</u>

<sup>1</sup> Information is presented for years ended subsequent to the implementation of GASB 34.

**CITY OF SISTERS, OREGON**  
**Program Revenues by Function/Program**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Function/Program</b>										
Governmental activities										
General government	\$ 254,252	\$ 215,851	\$ 268,158	\$ 199,438	\$ 512,754	\$ 445,436	\$ 558,873	\$ 609,247	\$ 319,410	\$ 220,674
Public safety	21,808	26,606	61,895	21,937	-	54,128	272,820	10,592	10,477	8,175
Culture and recreation	145,968	119,136	173,098	134,355	71,093	76,037	162,877	54,803	47,577	55,211
Highways and streets	1,062,293	739,693	348,244	918,012	241,048	796,856	201,258	45,587	53,555	148,843
Total governmental activities	<u>1,484,321</u>	<u>1,101,286</u>	<u>851,395</u>	<u>1,273,742</u>	<u>824,895</u>	<u>1,372,457</u>	<u>1,195,828</u>	<u>720,229</u>	<u>431,019</u>	<u>432,903</u>
Business-type activities										
Water	730,442	585,906	565,795	510,978	517,862	838,823	751,160	834,065	657,497	588,006
Refuse	-	-	-	26	104,281	409,935	419,849	387,956	354,644	350,700
Sewer	953,535	865,237	835,719	781,428	894,319	1,115,776	1,366,522	1,352,003	1,122,073	1,201,704
Total business-type activities	<u>1,683,977</u>	<u>1,451,143</u>	<u>1,401,514</u>	<u>1,292,432</u>	<u>1,516,462</u>	<u>2,364,534</u>	<u>2,537,531</u>	<u>2,574,024</u>	<u>2,134,214</u>	<u>2,140,410</u>
Total Primary government	<u>\$ 3,168,298</u>	<u>\$ 2,552,429</u>	<u>\$ 2,252,909</u>	<u>\$ 2,566,174</u>	<u>\$ 2,341,357</u>	<u>\$ 3,736,991</u>	<u>\$ 3,733,359</u>	<u>\$ 3,294,253</u>	<u>\$ 2,565,233</u>	<u>\$ 2,573,313</u>

**CITY OF SISTERS, OREGON**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<b>Year</b>	<b>General Fund Property Taxes</b>	<b>Transient Room Taxes</b>
<b>2004</b>	423,963	152,066
<b>2005</b>	469,056	185,604
<b>2006</b>	535,374	212,930
<b>2007</b>	603,733	223,532
<b>2008</b>	666,430	267,551
<b>2009</b>	709,934	280,279
<b>2010</b>	763,768	270,219
<b>2011</b>	773,030	292,588
<b>2012</b>	769,256	307,575
<b>2013</b>	782,387	330,912

Source: Current and prior year's financial statements

**CITY OF SISTERS, OREGON**  
**Assessed Valuation and Actual Values of Taxable Property \***  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended December 31</b>	<b>Real Property</b>	<b>Manufactured Structures</b>	<b>Personal Property</b>	<b>Public Utility</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Measure 5 Real Market Value (RMV)</b>
<b>2004</b>	174,989,645	142,460	6,733,101	4,027,000	185,892,206	2.6417	262,193,635
<b>2005</b>	200,318,254	176,090	6,956,565	3,199,100	210,650,009	2.6417	320,811,827
<b>2006</b>	230,681,761	196,740	7,764,154	3,101,400	241,744,055	2.6417	416,131,125
<b>2007</b>	259,662,042	269,090	8,627,120	2,647,400	271,205,652	2.6417	586,314,650
<b>2008</b>	279,355,466	202,480	8,390,970	2,834,900	290,783,816	2.6417	641,825,525
<b>2009</b>	293,239,921	196,270	9,595,580	2,310,100	305,341,871	2.6417	518,138,455
<b>2010</b>	299,029,708	159,640	8,986,640	2,858,400	311,034,388	2.6417	451,070,086
<b>2011</b>	294,195,678	178,990	8,188,750	2,843,630	305,407,048	2.6417	393,299,238
<b>2012</b>	301,988,249	171,390	7,728,030	2,474,000	312,361,669	2.6417	386,590,358
<b>2013</b>	306,870,940	209,820	6,945,910	2,799,800	316,826,470	2.6417	375,985,330

**CITY OF SISTERS, OREGON**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Per \$1,000 of Assessed Valuation)**  
**Last Ten Fiscal Years**

Fiscal Year	City of Sisters*			Overlapping Rates					Total Direct & Overlapping Rates
	General Fund	Urban Renewal	Total	Deschutes County	School <sub>1</sub> District #6	COCC <sub>2</sub>	SPRD <sub>3</sub>	Camp Sherman Fire Dist	
2004	2.64	0.00	2.64	3.23	6.73	0.73	0.22	2.73	16.28
2005	2.58	0.34	2.92	3.20	6.61	0.71	0.22	2.67	16.33
2006	2.57	0.39	2.96	3.18	6.60	0.70	0.21	2.66	16.31
2007	2.58	0.33	2.91	3.15	6.53	0.70	0.21	2.67	16.17
2008	2.57	0.41	2.98	3.14	6.41	0.69	0.21	2.97	16.40
2009	2.56	0.47	3.03	3.37	6.36	0.69	0.21	2.88	16.54
2010	2.56	0.45	3.01	3.32	6.30	0.71	0.21	2.86	16.41
2011	2.56	0.45	3.01	3.34	5.86	0.73	0.21	2.89	16.04
2012	2.53	0.63	3.16	3.32	5.76	0.73	0.21	2.84	16.02
2013	2.53	0.60	3.13	3.21	5.72	0.72	0.21	2.85	15.84

\*The table reflects permanent rates that were levied each fiscal year by the entity identified

<sub>1</sub> School District #6 includes Sisters School District and Education Service District (ESD)

<sub>2</sub> COCC - Central Oregon Community College

<sub>3</sub> SPRD - Sisters Parks and Recreation District

**CITY OF SISTERS, OREGON**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

Fiscal Year Ended June 30,	Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	432,665	407,181	94.11%	25,478	432,659	100.00%
2005	544,880	513,917	94.32%	30,936	544,853	100.00%
2006	626,751	597,065	95.26%	29,656	626,721	100.00%
2007	710,141	664,595	93.59%	45,502	710,097	99.99%
2008	807,122	753,572	93.37%	53,319	806,891	99.97%
2009	879,759	806,487	91.67%	72,750	879,237	99.94%
2010	920,414	851,565	92.52%	66,682	918,247	99.76%
2011	968,063	901,769	93.15%	59,808	961,577	99.33%
2012	918,015	862,038	93.90%	45,602	907,640	98.87%
2013	981,366	927,418	94.50%	-	927,418	94.50%

Source: Current and prior years' financial statements and Deschutes County, Assessor's Office

CITY OF SISTERS, OREGON  
Principal Taxpayers  
City of Sisters  
January 1, 2013 and December 31, 2003

<b>January 1, 2013</b>				
<b>Taxpayer</b>	<b>Real Property Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>	
SISTERS CORPORATION	\$ 7,341,890	1	2.32%	
3 SISTERS PARTNERS LLC	4,620,190	2	1.46%	
BEST WESTERN PONDEROSA LODGE INC	4,194,550	3	1.33%	
SISTERS COMMERCIAL II LLC,	3,188,180	4	1.01%	
THREEWIND ASSOCIATES L L C	3,180,920	5	1.01%	
WILLITTS LLC	3,133,430	6	0.99%	
DINSDALE, PETER B	1,936,500	7	0.61%	
COLD SPRINGS LLC	1,832,800	8	0.58%	
JAQUA, STEPHEN	1,560,090	9	0.49%	
141 E CASCADE LLC	1,483,950	10	0.47%	
	<u>\$ 32,472,500</u>			
Total Assessed Valuation	<u>\$ 316,287,784</u>			

<b>December 31, 2003</b>				
<b>Taxpayer</b>	<b>Real Property Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>	
N/A	N/A	1	N/A	
N/A	N/A	2	N/A	
N/A	N/A	3	N/A	
N/A	N/A	4	N/A	
N/A	N/A	5	N/A	
N/A	N/A	6	N/A	
N/A	N/A	7	N/A	
N/A	N/A	8	N/A	
N/A	N/A	9	N/A	
N/A	N/A	10	N/A	
	<u>\$ -</u>			
Total Assessed Valuation (estimated)	<u>N/A</u>			

N/A - Information at City level not available.

**CITY OF SISTERS,  
OREGON  
Ratios of Outstanding Debt By Type  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Population
	General Obligation Bonds	Loans Payable	Revenue Bonds	Loans Payable			
2004	-	-	5,540,256	1,194,198	6,734,454	0.1425	1,490
2005	-	-	5,442,992	1,162,935	6,605,927	0.1203	1,660
2006	1,388,905	-	5,382,072	1,132,096	7,903,073	0.1274	1,745
2007	1,317,048	-	5,311,789	2,799,952	9,428,789	0.1409	1,825
2008	1,941,742	-	5,188,442	2,674,754	9,804,938	0.1412	1,875
2009	1,804,688	-	5,111,691	2,546,339	9,462,718	0.1367	1,925
2010	1,661,292	-	5,031,486	2,413,225	9,106,003	N/A	1,925
2011	1,511,504	-	4,947,672	2,270,157	8,729,333	N/A	2,038
2012	1,355,039	-	4,860,086	2,121,936	8,337,061	N/A	2,055
2013	1,191,595	-	4,768,559	1,968,353	7,928,507	0.1482	2,115

N/A - Information at City level not available.

Source: Current and prior years' financial Statements, Department of Commerce- Bureau of Economic Analysis, Center for Population Research and Census at Portland State University.

**CITY OF SISTERS, OREGON**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>General Obligation Bonds</b>	<b>Total Taxable Assessed Value (000)'s</b>	<b>Percentage of Debt to Value of Property</b>	<b>Net Bonded Debt Per Capita Value (000)'s</b>
2004	1,490	-	185,892	0.00%	0
2005	1,660	-	210,650	0.00%	0
2006	1,745	1,388,905	241,744	0.57%	796
2007	1,825	1,317,048	271,206	0.49%	722
2008	1,875	1,941,742	290,784	0.67%	1,036
2009	1,925	1,804,688	305,342	0.59%	938
2010	1,925	1,661,292	311,034	0.53%	863
2011	2,038	1,511,504	305,407	0.49%	742
2012	2,055	1,355,039	312,362	0.43%	659
2013	2,115	1,191,595	316,826	0.38%	563

Source: Current and prior years' financial statements, Deschutes County, Assessor's Office, and Center for Population Research and Census at Portland State University

**CITY OF SISTERS, OREGON**  
**Legal Debt Margin Information**  
**Last Ten fiscal Years**  
**(unaudited)**

ORS 287.004 provides a debt limit on general obligation bonds of 3% of the real market value of all taxable property within the City's boundaries.

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Real market value	\$ 375,985,330	\$ 386,590,358	\$ 393,299,238	\$ 451,070,086
Debt limit rate	3%	3%	3%	3%
Debt limit	11,279,560	11,597,711	11,798,977	13,532,103
Less general bonded debt June 30,	1,191,595	1,355,039	1,511,504	1,661,292
Legal debt margin	<u>\$ 10,087,965</u>	<u>\$ 10,242,672</u>	<u>\$ 10,287,473</u>	<u>\$ 11,870,811</u>
Total net bonded debt applicable to the limit as a percentage of debt limit	0.32%	0.35%	0.38%	0.37%

**CITY OF SISTERS, OREGON**  
**Legal Debt Margin Information**  
**Last Ten fiscal Years**  
**(unaudited)**

<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
\$ 518,138,455	\$ 641,825,525	\$ 586,314,650	\$ 416,131,125	\$ 320,811,827	\$ 262,193,635
3%	3%	3%	3%	3%	3%
15,544,154	19,254,766	17,589,440	12,483,934	9,624,355	7,865,809
1,804,688	1,941,742	1,317,048	1,388,905	-	-
<u>\$ 13,739,466</u>	<u>\$ 17,313,024</u>	<u>\$ 16,272,392</u>	<u>\$ 11,095,029</u>	<u>\$ 9,624,355</u>	<u>\$ 7,865,809</u>
0.35%	0.30%	0.22%	0.33%	0.00%	0.00%

**CITY OF SISTERS, OREGON**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup></b>	<b>Per Capita Personal Income<sup>3</sup></b>	<b>School Enrollment<sup>4</sup></b>	<b>Unemployment Rate<sup>5</sup></b>
<b>2004</b>	1,490	47,262,800	31,720	1,299	6.50%
<b>2005</b>	1,660	54,917,780	33,083	1,329	5.50%
<b>2006</b>	1,745	62,024,280	35,544	1,436	4.30%
<b>2007</b>	1,825	66,895,375	36,655	1,332	4.40%
<b>2008</b>	1,875	69,429,375	37,029	1,303	6.90%
<b>2009</b>	1,925	69,234,550	35,966	1,306	14.70%
<b>2010</b>	1,935	N/A	N/A	1,296	13.60%
<b>2011</b>	2,038	N/A	N/A	1,218	12.20%
<b>2012</b>	2,080	N/A	N/A	1,155	10.90%
<b>2013</b>	2,115	53,498,925	25,295	1,148	9.70%

*Data Sources*

- <sup>1</sup> Center for Population Research and Census, Portland State University
- <sup>2</sup> Estimation; Calculated, Population multiplied by Per Capita Personal Income
- <sup>3</sup> Per Capita Income as reported by Worksource, Oregon Employment Department
- <sup>4</sup> Sisters School District #6
- <sup>5</sup> Unemployment Rate is at the Deschutes County level.

N/A: Data was not available for this year

**CITY OF SISTERS, OREGON  
Principal Employers  
Current Year and Nine Years Ago**

<b>2012-13</b>		
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>
Sisters School District	131	1
GFP Enterprises	96	2
Sisters Coffee Company	65	3
FivePine Lodge & Conference Center	60	4
Three Creeks Brewing	58	5
Ray's Food Place	54	6
McDonald's Sisters	50	7
Energynearing Systems	40	8
Metabolic Maintenance	32	9
Sisters Athletic Club	31	10
	617	

**2002-03**

Information for 2002-03 is not readily available.

Total employment and each employer's percentage is not available.

**CITY OF SISTERS, OREGON**  
**Full Time Equivalent City Employees**  
**by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Governmental activities:</b>										
General government	2.44	2.62	2.49	2.30	1.50	1.70	1.40	1.40	1.20	N/A
Culture and recreation	1.48	1.51	1.04	1.30	1.00	0.90	0.80	1.30	0.60	N/A
Community development	0.85	0.85	1.03	2.00	2.00	1.50	1.40	1.30	0.70	N/A
Streets and highways	1.91	1.91	1.11	1.20	1.10	1.10	1.20	1.10	0.80	N/A
<b>Total governmental activities</b>	<b>6.68</b>	<b>6.89</b>	<b>5.67</b>	<b>6.80</b>	<b>5.60</b>	<b>5.20</b>	<b>4.80</b>	<b>5.10</b>	<b>3.30</b>	<b>-</b>
<b>Business-type activities:</b>										
Water	1.92	2.09	2.50	2.50	2.40	2.00	1.70	2.60	1.70	N/A
Sewer	1.90	2.02	2.83	3.20	2.30	1.80	1.40	1.40	1.10	N/A
Refuse	-	-	-	-	2.20	2.00	2.10	1.90	1.90	N/A
<b>Total business-type activities</b>	<b>3.82</b>	<b>4.11</b>	<b>5.33</b>	<b>5.70</b>	<b>6.90</b>	<b>5.80</b>	<b>5.20</b>	<b>5.90</b>	<b>4.70</b>	<b>-</b>
<b>Total primary government budgeted FTE</b>	<b>10.50</b>	<b>11.00</b>	<b>11.00</b>	<b>12.50</b>	<b>12.50</b>	<b>11.00</b>	<b>10.00</b>	<b>11.00</b>	<b>8.00</b>	<b>-</b>
<b>City of Sisters</b>										
Management and exempt	6.00	6.00	6.00	7.00	6.00	6.00	4.00	3.00	3.00	N/A
Temporary employees	0.50	0.50	0.50	0.50	0.50	0.33	0.33	0.33	0.33	N/A
<b>Total Employees</b>	<b>17.00</b>	<b>17.50</b>	<b>17.50</b>	<b>20.00</b>	<b>19.00</b>	<b>17.33</b>	<b>14.33</b>	<b>14.33</b>	<b>11.33</b>	<b>N/A</b>

N/A: Data was not available for this year.

**CITY OF SISTERS, OREGON**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal years**

<b>FUNCTION/PROGRAM</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Governmental Activities:</b>										
<b>Street</b>										
Street miles	28.2	28.2	28.2	19	19	19	18	17.5	17	16.5
Street resurfing miles	1.5	2	2	1.5	1.5	0.5	0.5	0	0	0
<b>Culture and recreation</b>										
Parks	7	7	7	7	7	7	7	7	7	7
Special event permits issued	56	54	52	47	47	34	32	29	32	28
<b>Public Safety (1)</b>										
Calls for service	N/A	N/A	N/A	784	784	967	N/A	N/A	N/A	N/A
Number of arrests	N/A	N/A	N/A	115	115	186	N/A	N/A	N/A	N/A
<b>Business-type Activities:</b>										
<b>Water</b>										
Water mains (miles)	33.5	33.5	33.5	33.5	33.5	33.5	33	32	31.4	31
Average daily water consumption -CCF(2)	75,166	71,275	68,244	73,641	73,641	73,752	75,591	64,004	64,473	75,506
<b>Sewer</b>										
Sanitary sewers (miles)	23	23	23	23	23	23	23	22.5	22	21.5
Maximum daily treatment capacity	396,000 gpd									
Average daily sewer treatment	196,000 gpd	194,000 gpd	182,000 gpd	168,000 gpd	168,000 gpd	168,000 gpd	160,000 gpd	150,000 gpd	140,000 gpd	130,000 gpd

(1) Police statistics are for the calendar year.

(2) 1,000 cubic feet

N/A: Data was not available for this year.

**CITY OF SISTERS, OREGON**  
**Capital Asset and Infrastructure Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>FUNCTION/PROGRAM</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Governmental Activities</b>										
<b>General Government</b>										
Buildings owned-all structures	18	18	19	18	18	18	17	16	16	16
Vehicles/Equip (i.e. trailers, mowers)	5	5	5	5	5	5	5	4	4	4
Vehicles (i.e. cars & pick ups)-excluding police	12	15	15	15	15	15	15	14	14	14
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	8	7	7	7	7	5	5	5	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	8	8	7	7	7	7	7	5	5	5
<b>Streets and Highways</b>										
Miles of streets maintained by City:										
Paved	26.5	26.5	26.5	18.5	18.5	18.5	17.5	17.0	16.5	16.0
Unpaved	1.5	1.5	1.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	3	3	3	3	2	2	2	2	2
<b>Business-type Activities</b>										
<b>Water</b>										
Reservoirs	1	1	1	1	1	1	1	1	1	1
Wells	3	3	3	3	3	3	3	2	2	2
<b>Wastewater</b>										
Treatment plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	4	4	4	3	3	3

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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## **Independent Auditor's Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Sisters as of and for the year ended June 30, 2013, and have issued our report thereon dated December 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Sisters financial statements are free of material misstatement, 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 included, 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).**

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

The City prepared supplemental budgets during the year for the interfund loan activity between the General Fund and URA. The loan repayment income budgeted in the general fund does not appear to have been fully adjusted with the supplemental budgets and does not balance with the URA amounts budgeted even though the actual amounts agree. Oregon budget law requires the amounts budgeted for interfund activity to balance between the funds so as to not skew budgeted revenues and expenditures.

Expenditures exceeded appropriations for the 2012-2013 budget in the following amount:

General Fund:	
Support Services	\$ 3,496
Interfund Loan Payment	\$ 100
Street Fund:	
Capital Outlay	\$ 1,468
Urban Renewal Project Fund:	
Materials and Services	\$ 208
City Hall Debt Service Fund:	
Debt Service	\$ 65
Sewer Fund:	
Materials and Services	\$ 2,314

The City of Sisters is required to notify the Oregon State Treasury Department about any changes regarding the contact person for the government within 3 days. The Finance Director position was eliminated on 6/28/13 and the change notification was not made until 8/28/13.

For the 2013-2014 budget, several non-operating funds were appropriated with operating contingency when only operating funds are allowed one appropriation for a general operating contingency according to Oregon Budget Law.

#### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City of Sisters internal control over financial reporting as a basis for designing our auditing procedures 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 of Sisters internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sisters internal control over financial reporting.

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated December 12, 2013.

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

Dickey and Tremper, LLP

*Dickey and Tremper, LLP*

December 12, 2013



Dickey and Tremper, LLP  
Certified Public Accountants and Business Advisors

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Sisters, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sisters, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Sisters, Oregon's basic financial statements and have issued our report thereon dated December 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Sisters, Oregon's internal control over financial reporting (internal control) to determine the 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 City of Sisters, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sisters, Oregon's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2013-01 to be a material weakness.

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

with governance. We consider the deficiencies described in the accompany schedule of findings and responses as 2013-02 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Sisters, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Sisters, Oregon's Response to Findings**

City of Sisters, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Sisters, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dickey and Tremper, LLP*

Dickey and Tremper, LLP  
Certified Public Accountants

Pendleton, Oregon  
December 12, 2013

**CITY OF SISTERS, OREGON  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Fiscal Year Ended June 30, 2013**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

01 The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Sisters.

02 Significant deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Sisters. The deficiency described below as 2013-01 is reported as a material weakness.

03 No instances of noncompliance material to the financial statements of the City of Sisters, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

**2013-01**

*Condition and criteria:* The City's controls over the fiscal year-end reporting of capital assets rely largely on manual schedules to reconcile the activity. Significant adjustments were required to the schedules to properly report the City's capital asset activity.

*Effect:* There were several items on the capital outlay listing that were marked as being final, but when reviewing the capital asset schedules, the items were still categorized as construction in progress instead of having been transferred to the capital asset category. In addition, depreciation expense was not initially calculated for the new assets in the schedules. Also, the City partnered with the Oregon Department of Transportation (ODOT) on the Safe Routes to School project and the improvements were contributed to the City upon completion of the project. However, the contribution of approximately \$230,000 in public improvements was not reflected in the capital asset schedules.

*Cause:* Capital asset schedules are done through a manual process, which increases the risk of human error. In addition, there were changes in staff preparing the schedules and a lack of secondary review prior to presenting the schedules to the auditor. There also is not a formal process in place for receiving contributions of capital assets from outside parties and the Urban Renewal Agency.

*Auditor's recommendation:* We recommend that management review its year-end reporting of capital assets process to incorporate additional oversight and review of staff work. We further recommend that the City establish and follow a policy for receiving contributions of public improvements from outside parties and the Urban Renewal Agency. We recommend the City Council review and accept the public improvements after they have been provided an estimate of values and discuss the potential liabilities involved. The approval should be reflected in the minutes to assist staff to know to include them in the capital asset records.

*Management's response:* Because of a change in staff the methodology used in classifying assets and calculating depreciation was unknown at the time schedules were prepared. The assumption was made that depreciation for construction in progress completed in the current year would not be taken until the next fiscal year, when the asset had been in service for a full year. After consultation with the auditor the change was made to the schedules, and a correcting journal entry was provided by staff.

In the future all audit schedules will be reviewed and initialed by both the Finance Officer and City Manager. The acceptance of contributed capital assets will be incorporated into the City's Policies and Procedures to ensure items will not be overlooked in the future.

## SIGNIFICANT DEFICIENCY

### **2013-02**

*Condition and criteria:* In reviewing the current year utility billings, we noted an unusual increase in the reporting of water consumption and other minor errors in the billing and accounts receivable calculation. The large increase in water consumption reporting was due to errors in the billing system, where the amount billed was correct, but the consumption was not correctly reflected in the system. Leaving the consumption amounts uncorrected can skew historical reporting and the calculation of EDU's for the sewer charges. In addition, none of the reports we received for the utility accounts receivable, billing calculation, and calculation of Sewer EDU's were signed off by the preparer or reviewer, so we were unable to verify if the secondary review process was in place.

*Effect:* Additional procedures were required during the audit to verify the utility revenues and receivables and the audit area was assigned a higher level of risk due to the lack of indication of secondary review.

*Cause:* There have been changes in staff in utility billing and management in the last couple of years and the focus in utility billing has been on the dollar amount billed to the customer, rather than consumption. If billings are corrected, the consumption is not always adjusted. In addition, many of the consumption errors were for City accounts not being charged for water usage, so staff did not notice the large consumption increase on the bill calculation. Management has asserted that the above reports were subject to secondary review, but they have not documented the review.

*Auditor's recommendation:* We recommend that there be an enhanced review of the billing calculation on a monthly basis so errors may be detected in a timely manner and that the consumption amounts along with the dollar amounts be corrected in Incode if errors are found. We also suggest that the preparer and reviewer sign off and date all reports to document the timeliness and occurrence of secondary review.

*Management's response:* Billing calculation is generated by the Utility Billing Clerk during the billing process. The billing calculation may be run several times as errors are found and corrected. The final bill calculation will be initialed by the Utility Billing Clerk. The Finance Officer will review the final bill calculation and note any questionable items, initial, and return to the Utility Billing Clerk for investigation and correction if needed. Questionable items may include a notable increase or decrease in billing or consumption.

The sewer EDU calculation process for commercial accounts involves a separate calculation and review. Increases or decreases in consumption are also investigated at this time. Staff will be more diligent in signing off on reports to verify the review process.

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