

# **CITY OF SISTERS, OREGON**

## **ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2008**



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**CITY OF SISTERS, OREGON**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2008**

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# **INTRODUCTORY SECTION**

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## City of Sisters

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Ph (541) 549-6022

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December 2, 2008

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

The annual financial report of the City of Sisters, Oregon (City) for the fiscal year ended June 30, 2008, together with the unqualified opinion of our independent certified public accountants, Dickey & Tremper, LLP, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including the disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures considered necessary to enable the reader to gain an understanding of the City of Sisters' activities have been included.

State law and local ordinances require that the City of Sisters publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

### ***The Report***

The financial report is presented in three sections: Introductory, Financial, and Reports of Independent Certified Public Accountants. The Introductory Section includes this transmittal letter, organizational chart, and a list of principal officials for the fiscal year ended June 30, 2008. The Financial Section includes the basic financial statements and notes, supplementary schedules, and other financial schedules. The Reports of Independent Certified Public Accountants report includes audit comments and disclosures required by state regulations as well as the auditor's report required under *Governmental Auditing Standards*.

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. Management's discussion and analysis (MD&A) immediately follows the independent auditor's

## Letter of Transmittal, Continued

report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Profile of the Government***

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 1132 acres and serves a population of 1,825, numerous rural subdivisions and outlying ranches surround the city and contribute to a population of the “Greater Sisters Country” in excess of 12,000 people.

The City of Sisters has operated under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and four other members, all elected on a non-partisan basis to terms of two to four years. The Council appoints the government’s city manager, who in turn appoints the heads of the various departments. The City Manager implements policy set by the Council and oversees city operations. The City provides a full range of services, including water and sewer utilities, provides garbage collection services, the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. The report also includes the activity of the Sisters Urban Renewal District, which has the following funds: Urban Renewal Debt Service Fund and Urban Renewal Project Fund.

The 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., personal services, material & services, capital outlay) and the General Fund by department (e.g., administration).

### ***Local Economy***

Sisters is a town with a rich and varied history. Sisters was first settled in the late 1800’s as a military outpost known as Camp Polk. The town was later relocated in the early 1900’s when the post office was moved to the town’s current location. For decades, Sisters was an outpost and supply depot for 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 Sisters. In the 1960’s Black Butte Ranch was platted at the site of the former Brooks-Scanlon logging camp. A strategic decision was made to utilize Sisters as the commercial town center for this new destination resort.

## Letter of Transmittal, Continued

Today, recreation and tourism have become the economic foundation of the town. Sisters has successfully capitalized on its history. A town right out of the Old West, Sisters is complete with 1880's turn of the century storefronts and an authentic annual rodeo. The Sisters Outdoor Quilt Show is internationally famous, drawing thousands of visitors annually. The Sisters Starry Nights Concert Series, the Sisters Folk Festival, Sisters Jazz Festival are all signature music events. The Village Green craft shows, Bead Stampede, Sisters Antique Show Western and Native Arts Show, Harvest Faire and Sisters in Sisters, all draw numerous visitors to Sisters annually. With numerous art galleries and Art Walks, Sisters has become an active arts-based community celebrating and honoring its western roots.

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

In the five-year period between 2002 and 2007, the city's population doubled from 911 to 1,825 persons. If not an unprecedented rate of growth for the population of the City of Sisters, it has been more dynamic period of time in the city's history. In order to keep pace with the rapid growth Sisters has experienced, it requires efficiency and planning. The City's and on-going planning efforts included annual goals set by the City Council, a five-year capital improvement plan, a five-year financial forecast, and strategic plans and reports such as transportation system plan, water and sewer master plans, water rights master plan, utility rate study, and water conservation plan. 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.

### **Budgetary Controls**

The objective of budgeting controls is to ensure compliance with legal provisions embodied in the City's appropriated budget. The City's budget is prepared substantially on the modified

## Letter of Transmittal, Continued

accrual basis of accounting. Please refer to Note II of the basic financial statements for further discussion on the City's appropriations and budgetary controls.

The City maintains an automated on-line accounting system to assist management in maintaining the budgetary controls. For the year ended June 30, 2008, the General Fund, Maintenance Department exceeded its appropriation limit by \$2,491 due to unanticipated reclassification for a material and services payment made.

### Cash Management

The City maximizes its yield on investments by pooling the cash of all funds. The City's idle cash is generally invested in the State of Oregon, Local Government Investment Pool (LGIP) and bank money market account. The City invests its available cash in compliance with Oregon Revised Statutes, Section 294.

### Risk Management

The City is responsible for the protection of its capital assets, property and employees. The City annually reviews its insurance needs to maintain adequate protection at the least possible cost. The City emphasizes risk control techniques, a safe workplace for all employees, and risk prevention training to minimize accident related losses and potential liability claims. For general liability, vehicle and other insurance needs, the City participates in City County Insurance Services (CCIS) and its health insurance program coverage with Blue Cross.

### Independent Audit

State statutes require an annual audit by an independent certified public accountant. The accounting firm of Dickey & Tremper, LLP, Certified Public Accountants and Business Advisors, selected by the City Council has issued an unqualified ("clean") opinion on the City of Sisters' financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

### ***Acknowledgements***

The preparation of the annual Financial Report was a combined effort of the dedicated staff in the Finance Department under the direction of Lisa Young. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We also acknowledge the efforts of other departments who provided information that helped to make the report far more than a presentation of financial statements.

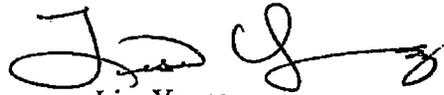
Letter of Transmittal, Continued

In closing, we acknowledge the City Council of the City of Sisters for their continued support and leadership in managing the financial affairs of the City in a responsible and progressive manner.

Sincerely,



Eileen Stein  
City Manger



Lisa Young  
Finance and Administrative Director



**CITY OF SISTERS,  
OREGON  
JUNE 30, 2008**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>Terms</u>
Brad Boyd	Mayor	December, 2008
Bill Merrill	Council President	December, 2010
Lon Kellstrom	Council Member	December, 2008
Shawna Bell	Council Member	December, 2008
Sharlene Weed	Council Member	December, 2010

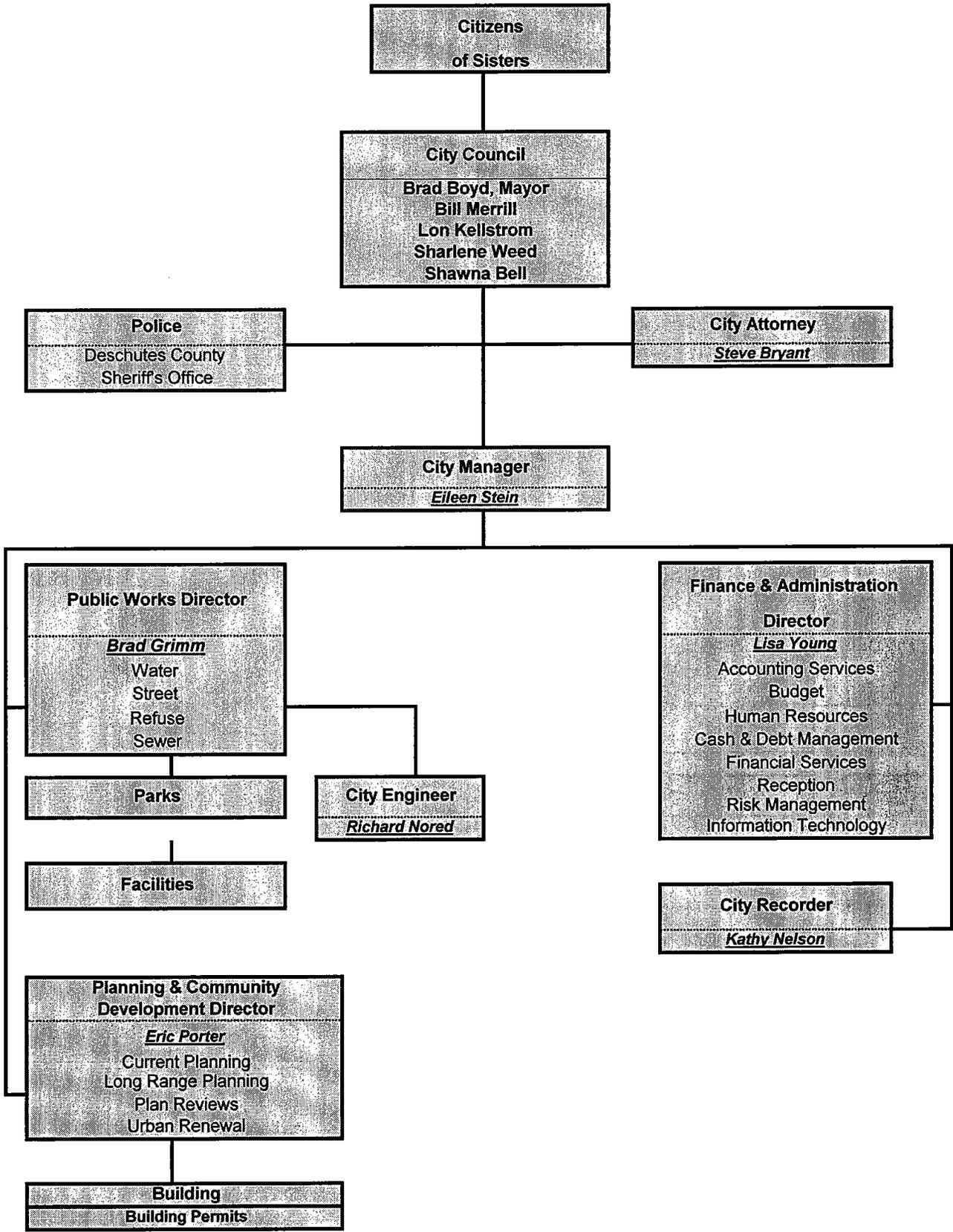
**STAFF**

<u>Name</u>	<u>Position</u>
Eileen Stein.....	City Manager
Lisa Young.....	Finance Director
Brad Grimm.....	Public Works Director
Eric Porter.....	Community Development Director
Richard Nored .....	City Engineer
Kathy Nelson.....	City Recorder
Steve Bryant.....	City Attorney

**MAIL ADDRESS**  
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# CITY OF SISTERS ORGANIZATIONAL CHART



# **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  
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## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, Transportation SDC, and Urban Renewal Project Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A

**INDEPENDENT AUDITOR'S REPORT (Continued)**

The management's discussion and analysis on pages a through l is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and accompanying financial information listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial information listed as supplemental information in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on it.

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

December 2, 2008

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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, 2008**

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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, 2008. 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 assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24.2 million (reported as net assets). This is a \$6.4 million increase over the prior year.
- The net assets balance of \$24.2 million is composed of investments in capital assets such as buildings, infrastructure, roads (\$16.2 million), restricted amounts for future capital projects and debt service (\$2.9 million) and an unrestricted balance (\$5.1 million). The unrestricted balance is available for use to meet the City's on-going obligations to citizens and creditors. The unrestricted balance increased by \$.5 million during the fiscal year.

### **Fund Level**

- The City's governmental funds report a combined fund balance of \$4.6 million, an increase of \$.9 million from last year.
- The City's proprietary funds report a net assets balance of \$17.4 million, an increase of \$4.2 million over the prior year. Much of the increase was due to recording a prior year fixed asset purchase of the Lazy Z property of \$3.6 million.

## **OVERVIEW OF FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 statement themselves.

***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, certain revenues and expenses are reported that will not affect cash flows until future periods.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

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The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Evaluating increases or decreases in net assets 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 net assets changed during the fiscal year. All changes in net assets 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.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as business activities).

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
- Refuse
- Wastewater Utility

The government-wide financial statements can be found on pages 1 and 2 of this report.

***Fund Financial Statements.*** A *fund* is a grouping of related accounts that is 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. All of the funds of the City can be 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. These are essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

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focus on the near-term inflows and outflows of spendable resources, as well as the balances of available spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations can be found on pages 5 and 7 of this report.

The City maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, Street Fund, Transportation SDC Fund, Urban Renewal Project Fund, of which are considered to be major funds. Data from the other five (5) 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 36.

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 11 of this report.

The City maintains one type of *proprietary funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has five (5) budgeted enterprise funds that it uses to account for its water and sewer utilities, refuse collection, and sewer and water system development funds. These funds are combined into three reporting units for the financial statements.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all the water and sewer utility operations and refuse collection, all of which are considered to be major funds.

The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the proprietary funds found on pages 48 through 55 of this report.

The basic proprietary fund financial statements can be found on pages 12 through 16.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 35 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 11. Supplemental information is found beginning on page 30 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Assets:**

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

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

	Governmental Activities		Business-Type Activities		Total		Total Change + (-)
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 4.9	\$ 3.0	\$ 4.0	\$ 5.0	\$ 8.9	\$ 8.0	\$ 0.9
Capital assets	4.1	3.0	21.9	16.9	26	19.9	6.1
Total assets	<u>9.0</u>	<u>6.0</u>	<u>25.9</u>	<u>21.9</u>	<u>34.9</u>	<u>27.9</u>	<u>7.0</u>
Current liabilities	0.3	0.1	0.6	0.6	0.9	0.7	0.2
Noncurrent liabilities	1.9	1.3	7.9	8.1	9.8	9.4	0.4
Total liabilities	<u>2.2</u>	<u>1.4</u>	<u>8.5</u>	<u>8.7</u>	<u>10.7</u>	<u>10.1</u>	<u>0.6</u>
Net assets:							
Invested in capital assets, net of related debt	2.2	1.6	14.0	10.5	16.2	12.1	4.1
Restricted	0.8	0.0	2.1	1	2.9	1.0	1.9
Unrestricted	3.8	3.0	1.3	1.7	5.1	4.7	0.4
Total net assets	<u>\$ 6.8</u>	<u>\$ 4.6</u>	<u>\$ 17.4</u>	<u>\$ 13.2</u>	<u>\$ 24.2</u>	<u>\$ 17.8</u>	<u>\$ 6.4</u>

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. For the City of Sisters, assets exceeded liabilities by \$24.2 million at the close of fiscal year 2007-2008. The largest portion of the City's net assets are invested in capital assets (i.e., land, building, infrastructure, and equipment), and reported net of related outstanding debt (\$16.2 million). The City uses these capital assets to provide services to citizens; thus, they do not represent resources available for future spending. Although the

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

City's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets total \$2.9 million and represent cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance are unrestricted net assets (\$5.1 million or 21%) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's Capital Assets increased by \$6.1 million from \$19.9 million to \$26.0 million and represents 31% of total assets. The increase is a result of the completion of two buildings; City Hall and Recycle Center and recording a prior year adjustment for the purchase of the Lazy Z land.

**Statement of Activities:**

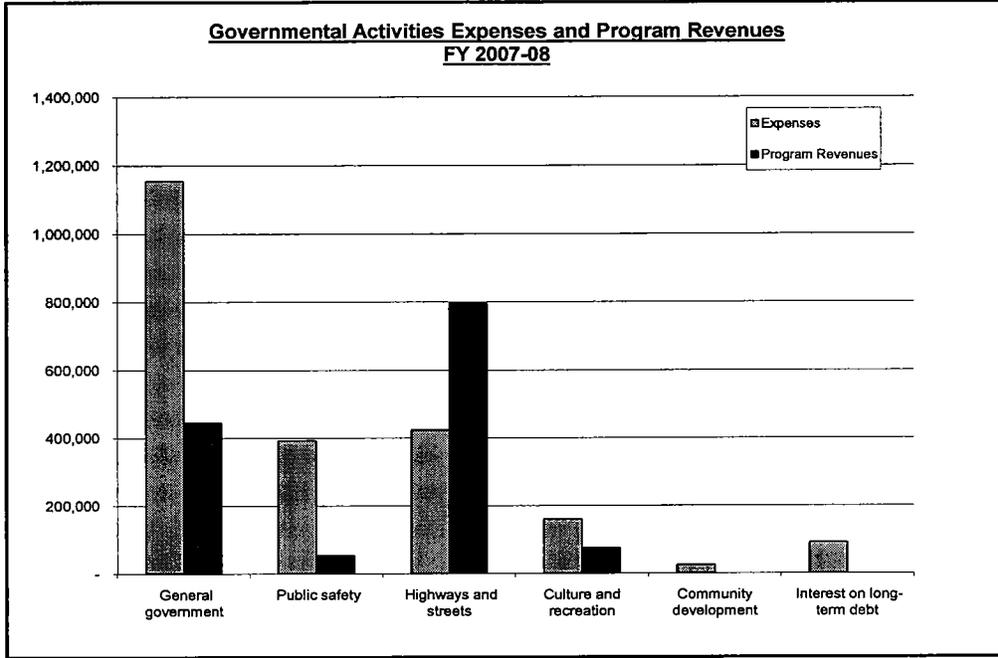
Total net assets of the City increase by \$6.4 million, or 36%, in the current fiscal year. Governmental activities net assets increased \$2.2 million, and business-type activities increased by \$4.2 million.

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

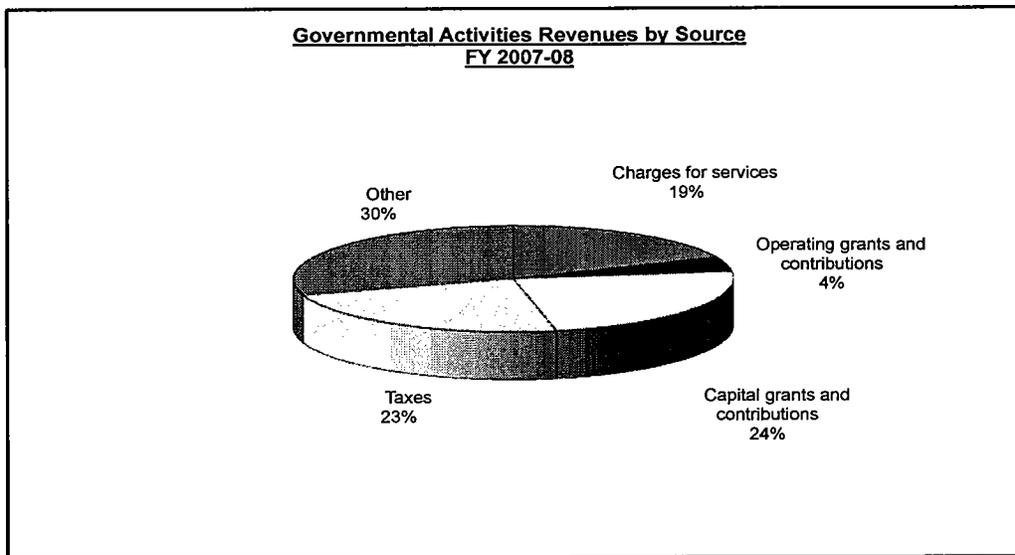
	Governmental Activities		Business-type Activities		Total		Total Change
	2008	2007	2008	2007	2008	2007	+ (-)
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 543,875	\$ 1,125,644	\$ 1,605,003	\$ 1,885,814	\$ 2,148,878	\$ 3,011,458	\$ (862,580)
Operating grants and contributions	132,802	70,184	-	-	132,802	70,184	62,618
Capital grants and contributions	695,780	-	759,531	651,717	1,455,311	651,717	803,594
General revenues:							
Property taxes	788,964	692,315	-	-	788,964	692,315	96,649
Contributed revenue	-	-	-	-	-	-	-
Other	766,544	253,735	205,431	277,864	971,975	531,599	440,376
Total revenues	<u>\$ 2,927,965</u>	<u>\$ 2,141,878</u>	<u>\$ 2,569,965</u>	<u>\$ 2,815,395</u>	<u>\$ 5,497,930</u>	<u>\$ 4,957,273</u>	<u>\$ 540,657</u>
<b>Expenses:</b>							
General government	\$ 1,154,608	\$ 820,393	\$ -	\$ -	\$ 1,154,608	\$ 820,393	\$ 334,215
Public safety	393,254	400,484	-	-	393,254	400,484	(7,230)
Highways and streets	423,513	92,655	-	-	423,513	92,655	330,858
Culture and recreation	160,518	125,284	-	-	160,518	125,284	35,234
Community development	24,338	1,163,882	-	-	24,338	1,163,882	(1,139,544)
Interest on long-term debt	91,435	71,935	-	-	91,435	71,935	19,500
Water	-	-	540,337	533,044	540,337	533,044	7,293
Sewer	-	-	1,032,411	4,625,056	1,032,411	4,625,056	(3,592,645)
Refuse	-	-	436,092	281,401	436,092	281,401	154,691
Total expenses	<u>\$ 2,247,666</u>	<u>\$ 2,674,633</u>	<u>\$ 2,008,840</u>	<u>\$ 5,439,501</u>	<u>\$ 4,256,506</u>	<u>\$ 8,114,134</u>	<u>\$ (3,857,628)</u>
Increase in net assets before transfers	\$ 680,299	\$ (532,755)	\$ 561,125	\$ (2,624,106)	\$ 1,241,424	\$ (3,156,861)	\$ 4,398,285
Transfers	3,793	(51,000)	(3,793)	51,000	-	-	-
Net assets, July 1	4,631,542	5,215,297	13,222,893	15,795,999	17,854,435	21,011,296	(3,156,861)
Prior period adjustment	1,525,233	-	3,647,195	-	5,172,428	-	5,172,428
Net assets, June 30	<u>\$ 6,840,867</u>	<u>\$ 4,631,542</u>	<u>\$ 17,427,420</u>	<u>\$ 13,222,893</u>	<u>\$ 24,268,287</u>	<u>\$ 17,854,435</u>	<u>\$ 6,413,852</u>

**CITY OF SISTERS, OREGON**  
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**For the Year Ended, June 30, 2008**

The following chart compares program revenues and expenses for individual governmental activities for the current year.



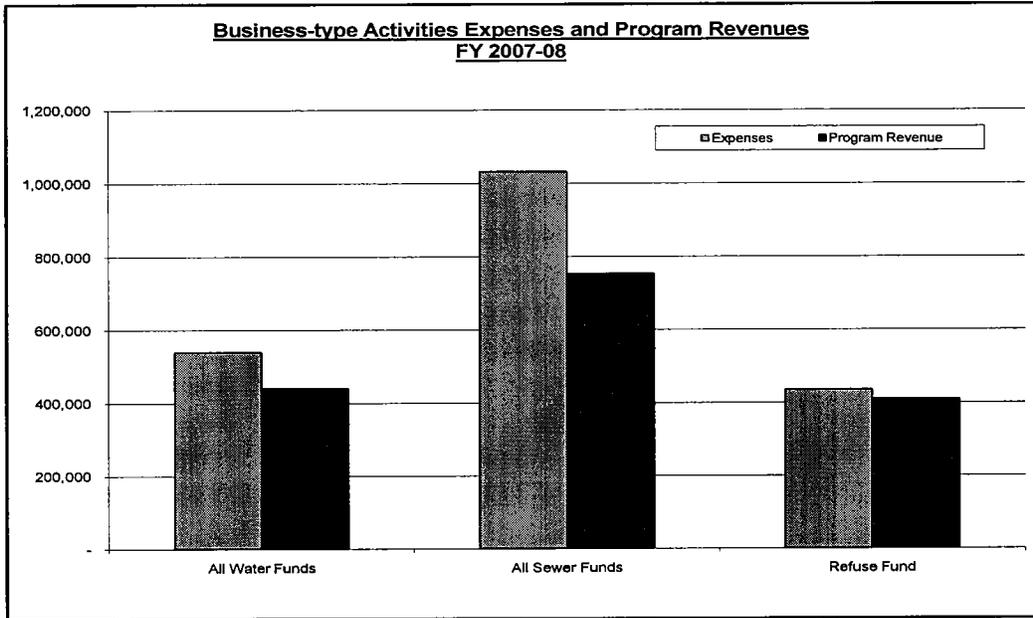
The next chart shows the share of revenues supporting governmental activities.



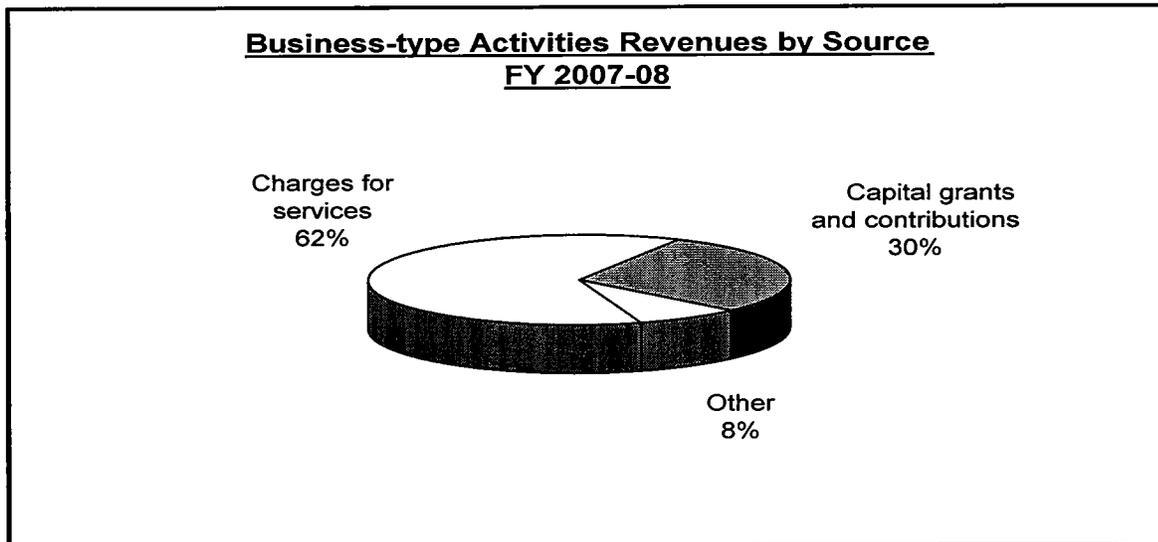
**CITY OF SISTERS, OREGON**  
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**Business-type Activities** increased the City's net assets by \$4.2 million which is 32% of the total increase.

The following chart compares charges for services program revenue to expenses by business-type activity for the audited fiscal year.



The following chart shows that 62% of revenues for business-type activities are generated from charges for services rendered.



**CITY OF SISTERS, OREGON**  
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**Fund-based Financial Analysis**

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

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4.6 million. Approximately \$3.4 million or 74% of the balance is unreserved for spending at the City's discretion. The remainder of fund balance is reserved or designated and is not available for future discretionary spending because it has already been committed to other funds and debt service (\$.6 million) and capital projects from System Development Charges (\$.5 million).

The *General Fund* is the chief operating fund of the City. At the end of the audited fiscal year, the unreserved fund balance in the General Fund was \$1.5 million. This represents a \$.3 million increase from FY 2006-07 and is a slightly more than prior year.

The *Street Fund* provides for the maintenance, and construction of City streets. The revenues received include state highway gas tax, franchise and inspection fees and intergovernmental revenues. The fund balance at June 30, 2008 is \$41,244 which is reserved for street system maintenance and construction.

The *Transportation SDC Fund* accounts for construction of transportation system improvements that are paid by the collection of system development charges and interest income. The fund balance at June 30, 2008 is \$481,236 which is reserved for street system construction needed due to population growth.

The *Urban Renewal Project Fund* accounts for the accumulation of project construction costs related to the Urban Renewal District. The fund balance at June 30, 2008 is \$371,780, which is a major operating fund. As required by law, funding for this activity is derived through debt financing.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

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

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

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All Water (including SDC)	\$ 166,188	(12%)
All Sewer (including SDC)	\$1,097,351	(83%)
Refuse Collection	\$ 69,084	( 5%)

The total proprietary fund unrestricted net assets decreased by \$412,794 from the prior year. This is mainly attributable to normal business activity associated with providing these services to a growing customer base.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The budgetary statement for the General Fund, page 8, shows the original budget, final budget, actual revenues, expenditures and transfer in and out for the fiscal year ended June 30, 2008. Revisions to the adopted budget include a \$13,000 increase to material and services for unanticipated professional services, equipment purchases and training.

**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, 2008 amounts to \$26.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure (i.e. streets, water and sewer systems). Of all capital assets, 16% is associated with governmental activities and 84% with business-type activities. See table below. In total, the City's capital assets increased by \$6.1 million or 25% from the prior year. Governmental activities account for \$1.2 million of the increase and business-type activities account for \$4.9 million. Major capital asset events during the fiscal year included the following:

- Prior period adjustment for a land purchase of \$3.7 million in the Sewer SDC fund;
- Completion of the Recycle Center building for \$259k;
- Prior period adjustment for the balance of completing of City Hall of \$945,335;
- Construction in progress for East Cascade Re-alignment and Fire Hall Street Improvement project.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2008	2007	2008	2007	2008	2007	+ (-)
Land	\$ 639,290	\$ 639,290	\$ 4,191,605	\$ 4,191,605	\$ 4,830,895	\$ 4,830,895	\$ -
Construction in progress	346,176	64,018	78,618	9,776	424,794	73,794	(351,000)
Buildings	2,061,137	2,130,494	549,450	301,720	2,610,587	2,432,214	(178,373)
Improvements, others than buildings	846,141	687,563	16,795,996	15,862,210	17,642,137	16,549,773	(1,092,364)
Equipment	234,221	293,472	273,032	294,823	507,253	588,295	81,042
Total	<u>\$ 4,126,965</u>	<u>\$ 3,814,837</u>	<u>\$ 21,888,701</u>	<u>\$ 20,660,134</u>	<u>\$ 26,015,666</u>	<u>\$ 24,474,971</u>	<u>\$ (1,540,695)</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 27 and 28.

**Long-term debt.** At the end of the current fiscal year, the City had total noncurrent liabilities of \$9.7 million. Of this amount, \$1.9 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 \$5.2 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 \$2.6 million. See table below.

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2008	2007	2008	2007	2008	2007	+ (-)
General obligation bonds	\$ 1.9	\$ 1.3	\$ -	\$ -	\$ 1.9	\$ 1.3	\$ 0.6
Revenue bonds	-	-	5.2	5.3	5.2	5.3	(0.1)
Notes and Contracts Payable	-	-	2.6	2.8	2.6	2.8	(0.2)
Total	<u>\$ 1.9</u>	<u>\$ 1.3</u>	<u>\$ 7.8</u>	<u>\$ 8.1</u>	<u>\$ 9.7</u>	<u>\$ 9.4</u>	<u>\$ 0.3</u>

During the fiscal year ended June 30, 2008 all scheduled debt payments were met and \$700,000 of new debt was incurred for the costs of the Urban renewal projects; East Cascade Re-alignment and Fire Hall Street Improvements.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

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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 \$1.9 million in City general obligation debt applicable to this limit is well below the \$86.0 million ceiling.

Additional information on the City's bonded debt can be found in the notes to the basic financial statements on pages 29 to 31.

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

Uncertainties about future economic changes and financial impacts are common to all cities. To deal with the swings in the economy and to plan for future capital expansion, the City has been able to accumulate reserves due to conservative spending in the past. Overall, the City's financial condition remains in good shape, however some funds are in better shape than others. At June 30, 2008, the total budget operating contingency is \$7.0 million include \$4.4 million set aside for future construction or equipment replacement and \$2.6 million is available for operating contingencies.

The City had adopted new system development charges (SDCs) in FY 2006/07 and conducted a rate study for utility services which is necessary to pay for future improvements to the water and sewer systems.

During preparation of the budget for the ensuing fiscal year, the City considered several economic factors. The following assumptions were utilized in the compilation of the FY 2008-2009 budget:

It was assumed that property tax revenues to the City will increase by 7.5% over FY 2008-09 collections. This increase consists of two components. The current assessed **property values** will increase 3.0%. This is based on historical increases and is consistent with the maximum 3.0% increase allowed under Measure 50. The new construction and new land partitions represent a 4.5% increase in added value.

The City's current **population** is 1,825. It is assumed that during the upcoming fiscal year the City's population will increase 3%. This is more conservative than the Comprehensive Plan, but reflects a slower economy. This assumption affects the estimates for state shared revenues, such as gasoline tax, which are distributed on a per capita basis. It is also used in determining the requirement for city services and any associated fees (i.e estimating water delivery requirements and fees).

The **personal services** budget includes a 3.0% cost of living adjustment and an additional 3.0% merit adjustment for all employees effective July 1, 2008.

It was assumed that **medical benefit** premiums will increase approximately 10%. The City budgets the full premium cost of all city employees.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2008**

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In FY 2007-2008, the City's employer contribution rate to the **Public Employee Retirement System (PERS)** is 11.06% and 12.55% of employee salaries for Tier 1/Tier 2 and Oregon Public Service Retirement Plan (OPSRP) General Service respectively. The employee contribution rate is the same FY 2007/08 and is not anticipated to change until July 2009.

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

- Property and casualty insurance will decrease by 6.5%;
- Unemployment Insurances will remain constant;
- Workers Compensation Insurance rates will increase by 2.0%.

### **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. If you have questions about the report, need addition information, or to obtain a copy of the report for the Sisters Urban Renewal Agency, please contact the City's Finance Director, Lisa Young at City of Sisters, P.O. Box 39, Sisters, Oregon 97759.

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SISTERS, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,941,566	\$ 1,713,945	\$ 5,655,511
Receivables:			
Accounts, net	65,443	155,414	220,857
Intergovernmental	70,071	-	70,071
Property taxes	42,881	-	42,881
Assessments	-	49,260	49,260
Prepaid items	148	-	148
Inventories	-	19,601	19,601
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	841,393	2,069,362	2,910,755
Capital assets:			
Land	639,290	4,191,605	4,830,895
Construction in progress	346,176	78,618	424,794
Depreciable assets, net of depreciation	3,141,499	17,618,478	20,759,977
<b>Total assets</b>	<b>9,088,467</b>	<b>25,896,283</b>	<b>34,984,750</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	265,417	154,204	419,621
Deposits	4,012	147,879	151,891
Unearned revenue	5,184	49,610	54,794
Accrued interest payable	7,310	234,056	241,366
Retainage payable	-	1,723	1,723
Compensated absences payable	23,935	18,195	42,130
Long-term obligations:			
Due within one year	137,055	205,154	342,209
Due in more than one year	1,804,687	7,658,042	9,462,729
<b>Total liabilities</b>	<b>2,247,600</b>	<b>8,468,863</b>	<b>10,716,463</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,185,223	14,025,505	16,210,728
Restricted for:			
Debt service	318,913	251,271	570,184
Highways and streets	522,480	-	522,480
System development	-	1,818,091	1,818,091
Unrestricted	3,814,251	1,332,553	5,146,804
<b>Total net assets</b>	<b>\$ 6,840,867</b>	<b>\$ 17,427,420</b>	<b>\$ 24,268,287</b>

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

**CITY OF SISTERS, OREGON**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,154,608	\$ 442,986	\$ 1,000	\$ 1,450	\$ (709,172)	\$ -	\$ (263,736)
Public safety	393,254	-	54,128	-	(339,126)	-	(284,998)
Culture and recreation	160,518	60,099	-	15,938	(84,481)	-	(8,444)
Community development	24,338	-	-	-	(24,338)	-	(24,338)
Highways and streets	423,513	40,790	77,674	678,392	373,343	-	1,170,199
Interest on long-term obligations	91,435	-	-	-	(91,435)	-	(91,435)
<b>Total governmental activities</b>	<b>2,247,666</b>	<b>543,875</b>	<b>132,802</b>	<b>695,780</b>	<b>(875,209)</b>	<b>-</b>	<b>497,248</b>
<b>Business-type activities:</b>							
Water	540,337	441,431	-	397,392	-	298,486	1,137,309
Refuse	436,092	409,935	-	-	-	(26,157)	383,778
Sewer	1,032,411	753,637	-	362,139	-	83,365	1,199,141
<b>Total business-type activities</b>	<b>2,008,840</b>	<b>1,605,003</b>	<b>-</b>	<b>759,531</b>	<b>-</b>	<b>355,694</b>	<b>2,720,228</b>
<b>Total primary government</b>	<b>\$ 4,256,506</b>	<b>\$ 2,148,878</b>	<b>\$ 132,802</b>	<b>\$ 1,455,311</b>	<b>(875,209)</b>	<b>355,694</b>	<b>3,217,476</b>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					681,096	-	681,096
Debt service					107,868	-	107,868
Franchise and public services taxes					566,293	-	566,293
Interest and investment earnings					192,082	205,431	397,513
Miscellaneous					8,169	-	8,169
Transfers					3,793	(3,793)	-
<b>Total general revenues, special items, and transfers</b>					<b>1,559,301</b>	<b>201,638</b>	<b>1,760,939</b>
<b>Change in net assets</b>					<b>684,092</b>	<b>557,332</b>	<b>1,241,424</b>
<b>Net assets, beginning</b>					<b>4,631,542</b>	<b>13,222,893</b>	<b>17,854,435</b>
Prior period adjustment					<b>1,525,233</b>	<b>3,647,195</b>	<b>5,172,428</b>
<b>Net assets, beginning, as restated</b>					<b>6,156,775</b>	<b>16,870,088</b>	<b>23,026,863</b>
<b>Net assets, ending</b>					<b>\$ 6,840,867</b>	<b>\$ 17,427,420</b>	<b>\$ 24,268,287</b>

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.

#### **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, licenses and fees, intergovernmental revenue, and franchise fees.

#### **Transportation SDC Fund**

The Transportation SDC Fund accounts for system development charges to construct transportation facilities necessitated by new development.

#### **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.

**CITY OF SISTERS, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**

	General Fund	Street Fund	Transportation SDC Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,566,986	\$ 20,332	\$ 507,947	\$ 502,894	\$ 2,184,800	\$ 4,782,959
Receivables:						
Property taxes	37,048	-	-	-	5,833	42,881
Accounts	65,443	-	-	-	-	65,443
Intergovernmental	20,788	49,283	-	-	-	70,071
Advances to other funds	350,000	-	-	-	-	350,000
Prepaid items	148	-	-	-	-	148
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,040,413</u>	<u>\$ 69,615</u>	<u>\$ 507,947</u>	<u>\$ 502,894</u>	<u>\$ 2,190,633</u>	<u>\$ 5,311,502</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 80,515	\$ 24,436	\$ 26,711	\$ 131,114	\$ 2,641	\$ 265,417
Deposits	4,012	-	-	-	-	4,012
Deferred revenue	49,865	3,935	-	-	5,218	59,018
Advances from other funds	-	-	-	-	350,000	350,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>134,392</u>	<u>28,371</u>	<u>26,711</u>	<u>131,114</u>	<u>357,859</u>	<u>678,447</u>
<b>FUND BALANCES (DEFICIT)</b>						
Reserved for:						
Advances to other funds	350,000	-	-	-	-	350,000
Debt service	-	-	-	-	318,913	318,913
Highways and streets	-	41,244	481,236	-	-	522,480
Unreserved, reported in:						
Major funds	1,556,021	-	-	371,780	-	1,927,801
Capital projects funds	-	-	-	-	255,390	255,390
Special revenue funds	-	-	-	-	1,258,471	1,258,471
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,906,021</u>	<u>41,244</u>	<u>481,236</u>	<u>371,780</u>	<u>1,832,774</u>	<u>4,633,055</u>
Total liabilities and fund balances	<u>\$ 2,040,413</u>	<u>\$ 69,615</u>	<u>\$ 507,947</u>	<u>\$ 502,894</u>	<u>\$ 2,190,633</u>	<u>\$ 5,311,502</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 ASSETS**  
**June 30, 2008**

<b>Fund balances - total governmental funds</b>	<b>\$ 4,633,055</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	4,126,965
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	53,834
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(23,935)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(7,310)
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>(1,941,742)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 6,840,867</u></b>

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund	Street Fund	Transportation SDC Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
<b>REVENUES</b>						
Property taxes	\$ 666,430	\$ -	\$ -	\$ -	\$ 102,650	\$ 769,080
Other taxes	267,551	-	-	-	-	267,551
Franchise fees	188,304	55,139	-	-	-	243,443
Licenses and fees	434,419	40,690	-	-	21,739	496,848
Charges for services	27,900	-	-	-	-	27,900
Intergovernmental	94,794	120,729	-	-	-	215,523
Fines and forfeitures	4,728	-	-	-	-	4,728
System development charges	-	-	429,386	-	15,938	445,324
Rental income	14,300	-	-	-	-	14,300
Interest on investments	86,367	5,402	7,611	21,419	71,283	192,082
Miscellaneous	9,619	100	47,300	-	-	57,019
<b>TOTAL REVENUES</b>	<u>1,794,412</u>	<u>222,060</u>	<u>484,297</u>	<u>21,419</u>	<u>211,610</u>	<u>2,733,798</u>
<b>EXPENDITURES</b>						
Current:						
General government	984,572	-	-	-	-	984,572
Public safety	393,255	-	-	-	-	393,255
Culture and recreation	151,149	-	-	-	5,818	156,967
Community development	-	-	-	24,338	-	24,338
Highways and streets	-	198,123	125,265	-	-	323,388
Capital outlay	3,769	115,397	-	274,750	53,149	447,065
Debt service	-	-	-	-	164,700	164,700
<b>TOTAL EXPENDITURES</b>	<u>1,532,745</u>	<u>313,520</u>	<u>125,265</u>	<u>299,088</u>	<u>223,667</u>	<u>2,494,285</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>261,667</u>	<u>(91,460)</u>	<u>359,032</u>	<u>(277,669)</u>	<u>(12,057)</u>	<u>239,513</u>
<b>OTHER FINANCING SOURCES</b>						
Issuance of debt	-	-	-	700,000	-	700,000
Transfers in	-	-	-	-	737,000	737,000
Transfers out	(103,000)	(7,000)	-	(500,000)	(100,000)	(710,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(103,000)</u>	<u>(7,000)</u>	<u>-</u>	<u>200,000</u>	<u>637,000</u>	<u>727,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>158,667</u>	<u>(98,460)</u>	<u>359,032</u>	<u>(77,669)</u>	<u>624,943</u>	<u>966,513</u>
<b>FUND BALANCE, Beginning</b>	1,246,149	147,581	122,204	449,449	1,707,831	3,673,214
Prior period adjustment	501,205	(7,877)	-	-	(500,000)	(6,672)
<b>FUND BALANCE, Beginning, as restated</b>	<u>1,747,354</u>	<u>139,704</u>	<u>122,204</u>	<u>449,449</u>	<u>1,207,831</u>	<u>3,666,542</u>
<b>FUND BALANCE, Ending</b>	<u>\$1,906,021</u>	<u>\$ 41,244</u>	<u>\$ 481,236</u>	<u>\$ 371,780</u>	<u>\$ 1,832,774</u>	<u>\$ 4,633,055</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, 2008**

**Net change in fund balance - governmental funds** \$ 966,513

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 35,517

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 Assets.

75,306

Issuance of debt is a financial resource in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.

(700,000)

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 (3,330)

Change in accrued interest payable (2,041)

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 additions \$ 525,225

Depreciation expense (213,098)

312,127

**Change in net assets - governmental activities** **\$ 684,092**

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 624,000	\$ 624,000	\$ 666,430	\$ 42,430
Other taxes	200,000	200,000	267,551	67,551
Franchise fees	163,500	163,500	188,304	24,804
Licenses and fees	472,340	472,340	434,419	(37,921)
Charges for services	27,900	27,900	27,900	-
Intergovernmental	222,600	222,600	94,794	(127,806)
Fines and forfeitures	9,500	9,500	4,728	(4,772)
Rental income	10,000	10,000	14,300	4,300
Interest on investments	60,000	60,000	86,367	26,367
Miscellaneous	5,000	5,000	9,619	4,619
<b>TOTAL REVENUES</b>	<b>1,794,840</b>	<b>1,794,840</b>	<b>1,794,412</b>	<b>(428)</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,114,264	1,127,264	984,572	142,692
Public safety	408,045	408,045	393,255	14,790
Culture and recreation	177,948	177,948	151,149	26,799
Capital outlay	5,000	5,000	3,769	1,231
Debt service	3,600	3,600	-	3,600
Contingency	1,326,039	1,326,039	-	1,326,039
<b>TOTAL EXPENDITURES</b>	<b>3,034,896</b>	<b>3,047,896</b>	<b>1,532,745</b>	<b>1,515,151</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,240,056)</b>	<b>(1,253,056)</b>	<b>261,667</b>	<b>1,514,723</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan proceeds	150,000	150,000	150,000	-
Transfers out	(103,000)	(103,000)	(103,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>47,000</b>	<b>47,000</b>	<b>47,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,193,056)</b>	<b>(1,206,056)</b>	<b>308,667</b>	<b>1,514,723</b>
Budgetary basis adjustment	-	-	(150,000)	(150,000)
<b>FUND BALANCE, Beginning</b>	<b>1,193,056</b>	<b>1,206,056</b>	<b>1,246,149</b>	<b>40,093</b>
Prior period adjustment	-	-	501,205	501,205
<b>FUND BALANCE, Beginning, as restated</b>	<b>1,193,056</b>	<b>1,206,056</b>	<b>1,747,354</b>	<b>541,298</b>
<b>FUND BALANCE, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,906,021</b>	<b>\$ 1,906,021</b>

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Other taxes	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Franchise fees	49,050	49,050	55,139	6,089
Licenses and fees	79,000	79,000	40,690	(38,310)
Intergovernmental	225,700	225,700	120,729	(104,971)
Interest on investments	3,000	3,000	5,402	2,402
Miscellaneous	1,500	1,500	100	(1,400)
<b>TOTAL REVENUES</b>	<u>433,250</u>	<u>433,250</u>	<u>222,060</u>	<u>(211,190)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	144,249	144,249	126,284	17,965
Materials and services	82,010	82,010	71,839	10,171
Capital outlay	269,500	269,500	115,397	154,103
Contingency	52,252	52,252	-	52,252
<b>TOTAL EXPENDITURES</b>	<u>548,011</u>	<u>548,011</u>	<u>313,520</u>	<u>234,491</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(114,761)</u>	<u>(114,761)</u>	<u>(91,460)</u>	<u>23,301</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(7,000)	(7,000)	(7,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(121,761)	(121,761)	(98,460)	23,301
<b>FUND BALANCE, Beginning</b>	121,761	121,761	147,581	25,820
Prior period adjustment	-	-	(7,877)	(7,877)
<b>FUND BALANCE, Beginning, as restated</b>	<u>121,761</u>	<u>121,761</u>	<u>139,704</u>	<u>17,943</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,244</u>	<u>\$ 41,244</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**  
**TRANSPORTATION SDC FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 75,000	\$ 75,000	\$ 429,386	\$ 354,386
Interest on investments	5,000	5,000	7,611	2,611
Miscellaneous	-	-	47,300	47,300
<b>TOTAL REVENUES</b>	<u>80,000</u>	<u>80,000</u>	<u>484,297</u>	<u>404,297</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Materials and services	<u>193,840</u>	<u>193,840</u>	<u>125,265</u>	<u>68,575</u>
<b>TOTAL EXPENDITURES</b>	<u>193,840</u>	<u>193,840</u>	<u>125,265</u>	<u>68,575</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(113,840)</u>	<u>(113,840)</u>	<u>359,032</u>	<u>472,872</u>
<b>NET CHANGE IN FUND BALANCE</b>	(113,840)	(113,840)	359,032	472,872
<b>FUND BALANCE, Beginning</b>	<u>113,840</u>	<u>113,840</u>	<u>122,204</u>	<u>8,364</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,236</u>	<u>\$ 481,236</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**  
**URBAN RENEWAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 16,000	\$ 16,000	\$ 21,419	\$ 5,419
<b>TOTAL REVENUES</b>	<u>16,000</u>	<u>16,000</u>	<u>21,419</u>	<u>5,419</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Materials and services	14,000	29,000	24,338	4,662
Capital outlay	675,000	645,000	274,750	370,250
Contingency	18,646	3,646	-	3,646
<b>TOTAL EXPENDITURES</b>	<u>707,646</u>	<u>677,646</u>	<u>299,088</u>	<u>378,558</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(691,646)</u>	<u>(661,646)</u>	<u>(277,669)</u>	<u>383,977</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	230,000	700,000	700,000	-
Transfers out	-	(500,000)	(500,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>230,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(461,646)	(461,646)	(77,669)	383,977
<b>FUND BALANCE, Beginning</b>	<u>461,646</u>	<u>461,646</u>	<u>449,449</u>	<u>(12,197)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,780</u>	<u>\$ 371,780</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 three 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, refuse, and sewer activities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Water**
- **Refuse**
- **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
- **Refuse Fund**
- **All Sewer Funds**
  - Sewer
  - Sewer SDC

**CITY OF SISTERS, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2008**

	<u>Business - type Activities - Enterprise Funds</u>			
	All Water Funds	Refuse Fund	All Sewer Funds	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 366,884	\$ 50,692	\$ 1,296,369	\$ 1,713,945
Receivables:				
Accounts	43,803	40,935	70,676	155,414
Assessments	-	-	49,260	49,260
Inventories	19,601	-	-	19,601
Total current assets	<u>430,288</u>	<u>91,627</u>	<u>1,416,305</u>	<u>1,938,220</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,148,857	-	920,505	2,069,362
Capital assets:				
Land	10,022	-	4,181,583	4,191,605
Construction in progress	18,613	-	60,005	78,618
Depreciable assets, net of depreciation	5,091,485	667,003	11,859,990	17,618,478
Total noncurrent assets	<u>6,268,977</u>	<u>667,003</u>	<u>17,022,083</u>	<u>23,958,063</u>
Total assets	<u>\$ 6,699,265</u>	<u>\$ 758,630</u>	<u>\$ 18,438,388</u>	<u>\$ 25,896,283</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 107,109	\$ 17,215	\$ 29,880	\$ 154,204
Accrued interest payable	-	-	234,056	234,056
Retainage payable	1,723	-	-	1,723
Deposits	147,879	-	-	147,879
Unearned revenue	350	-	49,260	49,610
Compensated absences payable	7,109	5,328	5,758	18,195
Current portion of long-term debt	-	-	205,154	205,154
Total current liabilities	<u>264,170</u>	<u>22,543</u>	<u>524,108</u>	<u>810,821</u>
Long-term debt, net of current portion:				
Notes and contracts payable	-	-	2,546,351	2,546,351
Bonds payable	-	-	5,111,691	5,111,691
Total liabilities	<u>264,170</u>	<u>22,543</u>	<u>8,182,150</u>	<u>8,468,863</u>
Net assets:				
Invested in capital assets, net of related debt	5,120,120	667,003	8,238,382	14,025,505
Restricted for system development	1,148,857	-	669,234	1,818,091
Restricted for debt service	-	-	251,271	251,271
Unrestricted	166,118	69,084	1,097,351	1,332,553
Total net assets	<u>6,435,095</u>	<u>736,087</u>	<u>10,256,238</u>	<u>17,427,420</u>
Total liabilities and net assets	<u>\$ 6,699,265</u>	<u>\$ 758,630</u>	<u>\$ 18,438,388</u>	<u>\$ 25,896,283</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 ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2008**

	Business - type Activities - Enterprise Funds			
	All Water Funds	Refuse Fund	All Sewer Funds	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 429,319	\$ 409,935	\$ 739,284	\$ 1,578,538
Licenses and fees	7,323	-	7,323	14,646
Miscellaneous	4,789	-	7,030	11,819
<b>TOTAL OPERATING REVENUES</b>	<u>441,431</u>	<u>409,935</u>	<u>753,637</u>	<u>1,605,003</u>
<b>OPERATING EXPENSES</b>				
Personal services	207,158	185,665	168,173	560,996
Materials and services	184,276	211,629	200,136	596,041
Depreciation	148,903	38,798	297,995	485,696
<b>TOTAL OPERATING EXPENSES</b>	<u>540,337</u>	<u>436,092</u>	<u>666,304</u>	<u>1,642,733</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(98,906)</u>	<u>(26,157)</u>	<u>87,333</u>	<u>(37,730)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Interest on investments	77,009	12,076	116,346	205,431
Interest expense	-	-	(366,107)	(366,107)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>77,009</u>	<u>12,076</u>	<u>(249,761)</u>	<u>(160,676)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>(21,897)</u>	<u>(14,081)</u>	<u>(162,428)</u>	<u>(198,406)</u>
<b>CAPITAL CONTRIBUTIONS</b>				
System development charges	160,476	-	151,495	311,971
Capital asset contributions	236,916	-	210,644	447,560
Capital asset transfers	12,043	11,164	-	23,207
<b>TRANSFERS</b>				
Transfers in	-	100,000	-	100,000
Transfers out	(35,500)	(35,500)	(56,000)	(127,000)
<b>CHANGE IN NET ASSETS</b>	<u>352,038</u>	<u>61,583</u>	<u>143,711</u>	<u>557,332</u>
<b>NET ASSETS, Beginning</b>	6,083,057	674,504	6,465,332	13,222,893
Prior period adjustment	-	-	3,647,195	3,647,195
<b>NET ASSETS, Beginning, as restated</b>	<u>6,083,057</u>	<u>674,504</u>	<u>10,112,527</u>	<u>16,870,088</u>
<b>NET ASSETS, Ending</b>	<u>\$ 6,435,095</u>	<u>\$ 736,087</u>	<u>\$ 10,256,238</u>	<u>\$ 17,427,420</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, 2008**

	Business-type Activities - Enterprise Funds			
	All Water Funds	Refuse Fund	All Sewer Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 446,076	\$ 407,820	\$ 748,734	\$ 1,602,630
Payments to suppliers	(186,416)	(346,146)	(207,791)	(740,353)
Payments to employees	(138,282)	(120,788)	(111,490)	(370,560)
Payments for interfund services used	(44,563)	(9,300)	(29,176)	(83,039)
Net cash provided from (used by) operating activities	<u>76,815</u>	<u>(68,414)</u>	<u>400,277</u>	<u>408,678</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	100,000	-	100,000
Transfers out	(35,500)	(35,500)	(56,000)	(127,000)
Net cash provided from (used by) non-capital financing activities	<u>(35,500)</u>	<u>64,500</u>	<u>(56,000)</u>	<u>(27,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
System development charges	160,476	-	151,495	311,971
Acquisition of capital assets	(892,137)	(259,087)	(92,272)	(1,243,496)
Principal paid on long-term obligations	-	-	(197,344)	(197,344)
Interest paid on long-term obligations	-	-	(405,082)	(405,082)
Net cash provided from (used by) capital and related financing activities	<u>(731,661)</u>	<u>(259,087)</u>	<u>(543,203)</u>	<u>(1,533,951)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	77,009	12,076	116,346	205,431
Net cash provided (used) by investing activities	<u>77,009</u>	<u>12,076</u>	<u>116,346</u>	<u>205,431</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(613,337)</b>	<b>(250,925)</b>	<b>(82,580)</b>	<b>(946,842)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b>2,129,078</b>	<b>301,617</b>	<b>2,299,454</b>	<b>4,730,149</b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 1,515,741</u></b>	<b><u>\$ 50,692</u></b>	<b><u>\$ 2,216,874</u></b>	<b><u>\$ 3,783,307</u></b>
<b>COMPRISED AS FOLLOWS</b>				
Cash and cash equivalents	\$ 366,884	\$ 50,692	\$ 1,296,369	\$ 1,713,945
Restricted cash and cash equivalents	1,148,857	-	920,505	2,069,362
	<u>\$ 1,515,741</u>	<u>\$ 50,692</u>	<u>\$ 2,216,874</u>	<u>\$ 3,783,307</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, 2008**

	Business-type Activities - Enterprise Funds			
	All Water Funds	Refuse Fund	All Sewer Funds	Totals
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>				
Operating income (loss)	\$ (98,906)	\$ (26,157)	\$ 87,333	\$ (37,730)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	148,903	38,798	297,995	485,696
(Increase) decrease in assets:				
Receivables	2,345	(2,115)	(481)	(251)
Inventories	(19,601)	-	-	(19,601)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	40,591	(78,957)	18,113	(20,253)
Deposits	5,375	-	-	5,375
Unearned revenues	(3,075)	-	(4,422)	(7,497)
Compensated absences payable	1,183	17	1,739	2,939
Net cash provided from (used by) operating activities	<u>\$ 76,815</u>	<u>\$ (68,414)</u>	<u>\$ 400,277</u>	<u>\$ 408,678</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Capital asset contributions	\$ 236,916	\$ -	\$ 210,644	\$ 447,560
Transfer of capital assets between funds	<u>12,043</u>	<u>11,164</u>	<u>-</u>	<u>23,207</u>
Total noncash investing, capital, and financing activities	<u>\$ 248,959</u>	<u>\$ 11,164</u>	<u>\$ 210,644</u>	<u>\$ 470,767</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, 2008**

**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 to be 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 criteria, 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, which receives recommendations from a five member advisory committee appointed by the City Council. 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 assets and the statement of activities) report information on all of the nonfiduciary 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 are 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule 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.

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 to be 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 to be 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 to be 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* 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 *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, licenses and fees, intergovernmental revenue, and franchise fees.

The *Transportation SDC Fund* accounts for system development charges to construct transportation facilities necessitated by new development.

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.

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 *Refuse Fund* accounts for revenues and expenses related to the City's refuse collection services.

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* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

*Debt service funds* account for the resources accumulated and payments made for principal and interest on long-term debt for governmental funds.

*Capital projects 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 and improvements.

## **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, Wastewater and Airport 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 are 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 assets.

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, Refuse, and Sewer funds.

## **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **8. Restricted net assets**

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

## **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.

# **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, 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. 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. Budget recommendations are developed by management 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 through the use of 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, 2008, 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.

### **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, 2008. 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. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the fiscal year ended June 30, 2008, the carrying amount of the City's deposits was \$6,922,790 and the bank balance was \$7,049,113. All deposits are held in the name of the City. Of the bank balance, the entire amount was covered by federal depository insurance and collateral certificates in the City's name in accordance with Oregon Revised Statutes. Since GAAP values the Oregon certificates at 25% of their face value, \$2,850,000 was covered by federal depository insurance and collateral certificates when measured by GAAP, and the remaining balance of \$4,199,113 was uninsured and uncollateralized per GAAP standards.

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.

Effective July 1, 2008, there were significant changes to ORS 295, which governs the collateralization of Oregon public funds. Public officials will no longer request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, public officials must ensure the bank they are doing business with is on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials will be required to report to OST all bank depositories in which they deposit public funds and bank depositories will report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss.

**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, 2008 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 1,643,176
Less amounts classified as cash equivalents			<u>(1,643,176)</u>
Total Investments			<u>\$ -</u>

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

Cash on hand	\$ 300
Carrying amounts of deposits	6,922,790
Local Government Investment Pool	<u>1,643,176</u>
Total cash and cash equivalents	<u>\$ 8,566,266</u>

Funds:

Governmental Activities

General	\$ 1,566,986
Street	20,332
Transportation SDC	507,947
Urban Renewal Project	502,894
Other Governmental Funds	<u>2,184,800</u>
Total Governmental Activities	<u>4,782,959</u>

Business-Type Activities

Water	1,515,741
Refuse	50,692
Sewer	<u>2,216,874</u>
Total Business-Type Activities	<u>3,783,307</u>
Total cash and cash equivalents	<u>\$ 8,566,266</u>

## 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	\$ 37,048	\$ -	\$ 5,833	\$ 42,881
Accounts	65,443	-	-	65,443
Intergovernmental	20,788	49,283	-	70,071
	<u>\$ 123,279</u>	<u>\$ 49,283</u>	<u>\$ 5,833</u>	<u>\$ 178,395</u>

Receivables as of year-end for the business-type activities individual major funds are as follows:

	Water	Refuse	Sewer	Total Business-Type Activities
Accounts	\$ 43,803	\$ 40,935	\$ 70,676	\$ 155,414
Assessments	-	-	49,260	49,260
	<u>\$ 43,803</u>	<u>\$ 40,935</u>	<u>\$ 119,936</u>	<u>\$ 204,674</u>

Uncollected property taxes in governmental funds are shown on the statement of net assets 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 2007-2008, the City levied property taxes in the amount of \$697,655. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$698,186. 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, 2008 was \$271,205,652. 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 \$108,936.

Following is a summary of property tax transactions for the year ended June 30, 2008:

	Balances July 1, 2007	2007-08 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2008
2007-08	\$ -	\$ 807,122	\$ (2,031)	\$ (18,412)	\$ (753,572)	\$ 33,107
2006-07	19,993	-	(233)	564	(13,287)	7,037
2005-06	3,923	-	(45)	224	(2,273)	1,829
2004-05	1,567	-	(47)	158	(1,026)	652
2003-04	529	-	(35)	86	(491)	89
2002-03	139	-	(22)	15	(53)	79
2001-02	117	-	(20)	5	(14)	88
Prior years	-	-	-	-	-	-
	<u>\$ 26,268</u>	<u>\$ 807,122</u>	<u>\$ (2,433)</u>	<u>\$ (17,360)</u>	<u>\$ (770,716)</u>	<u>\$ 42,881</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.

Other accounts and intergovernmental receivables are considered to be 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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 639,290	\$ -	\$ -	\$ -	\$ 639,290
Construction in progress	1,217,733	(1,153,715)	282,158	-	346,176
Total capital assets, not being depreciated	1,857,023	(1,153,715)	282,158	-	985,466
Capital assets, being depreciated					
Buildings and improvements	1,517,556	1,957,845	-	-	3,475,401
Tools and equipment	520,468	-	17,815	-	538,283
Office equipment	115,163	141,205	23,546	-	279,914
Street Improvements	752,377	-	201,706	-	954,083
Total capital assets, being depreciated	2,905,564	2,099,050	243,067	-	5,247,681
Accumulated depreciation for:					
Buildings	(1,295,961)	(48,946)	(69,357)	-	(1,414,264)
Tools and equipment	(394,511)	-	(54,901)	-	(449,412)
Office equipment	(60,612)	(28,241)	(45,711)	-	(134,564)
Street Improvements	(48,889)	(15,925)	(43,128)	-	(107,942)
Total accumulated depreciation	(1,799,973)	(93,112)	(213,097)	-	(2,106,182)
Total capital assets, being depreciated, net	1,105,591	2,005,938	29,970	-	3,141,499
Governmental activities capital assets, net	<u>\$ 2,962,614</u>	<u>\$ 852,223</u>	<u>\$ 312,128</u>	<u>\$ -</u>	<u>\$ 4,126,965</u>

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

General government	\$ 164,105
Culture and recreation	3,548
Highways and streets	45,444
Total depreciation expense - governmental activities	<u>\$ 213,097</u>

Capital asset activity for the business-type activities for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 466,022	\$ 3,725,583	\$ -	\$ -	\$ 4,191,605
Construction in progress	9,776	-	89,117	(20,275)	78,618
Total capital assets, not being depreciated	<u>475,798</u>	<u>3,725,583</u>	<u>89,117</u>	<u>(20,275)</u>	<u>4,270,223</u>
Capital assets, being depreciated					
Buildings and improvements	317,839	-	259,087	-	576,926
Tools and equipment	602,479	-	54,972	-	657,451
Office equipment	121,481	-	4,454	-	125,935
Infrastructure	18,030,877	-	1,326,908	-	19,357,785
Total capital assets, being depreciated	<u>19,072,676</u>	<u>-</u>	<u>1,645,421</u>	<u>-</u>	<u>20,718,097</u>
Less accumulated depreciation for:					
Buildings and improvements	(16,119)	-	(11,357)	-	(27,476)
Tools and equipment	(332,185)	-	(74,779)	-	(406,964)
Office equipment	(96,952)	-	(6,438)	-	(103,390)
Infrastructure	(2,157,848)	(10,819)	(393,122)	-	(2,561,789)
Total accumulated depreciation	<u>(2,603,104)</u>	<u>(10,819)</u>	<u>(485,696)</u>	<u>-</u>	<u>(3,099,619)</u>
Total capital assets, being depreciated, net	<u>16,469,572</u>	<u>(10,819)</u>	<u>1,159,725</u>	<u>-</u>	<u>17,618,478</u>
Business-type activities capital assets, net	<u>\$ 16,945,370</u>	<u>\$ 3,714,764</u>	<u>\$ 1,248,842</u>	<u>\$ (20,275)</u>	<u>\$ 21,888,701</u>

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

Water	\$ 148,903
Refuse	38,798
Sewer	297,995
Total depreciation expense - business-type activities	<u>\$ 485,696</u>

#### D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet 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 \$5,184 in unearned deferred revenue for governmental activities and \$49,610 for business-type activities.

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

	General	Street	Other Governmental Funds	Totals
Property taxes	\$ 32,983	\$ -	\$ 5,218	\$ 38,201
Transient room taxes	9,150	-	-	9,150
Intergovernmental	6,482	-	-	6,482
Unearned	1,250	3,935	-	5,185
	<u>\$ 49,865</u>	<u>\$ 3,935</u>	<u>\$ 5,218</u>	<u>\$ 59,018</u>

## E. Long-term obligations

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

The City issued full faith and credit obligation bonds during the year 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 \$47,799, 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 4.8%, 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:

Year Ending June 30	Principal	Interest
2009	\$ 137,055	\$ 86,918
2010	143,397	80,576
2011	149,788	74,183
2012	156,465	67,506
2013	163,444	60,528
2014	170,735	53,236
2015	178,355	45,617
2016	186,318	37,655
2017	194,638	29,334
2018	203,242	20,641
2019	126,125	12,398
2020	132,180	6,344
	<u>\$ 1,941,742</u>	<u>\$ 574,936</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 \$251,271 as of June 30, 2008) until a total reserve of \$312,231 is established. The total unpaid principal on these two bonds as of June 30, 2008 was \$5,188,442. Future maturities of the bonds are as follows:

Year Ending June 30	Principal	Interest
2009	\$ 76,751	\$ 233,480
2010	80,205	230,026
2011	83,815	226,416
2012	87,586	222,645
2013	91,527	218,704
2014-2018	523,250	1,027,905
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	506,082	39,105
	<u>\$ 5,188,442</u>	<u>\$ 4,663,675</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%. The unpaid principal balance as of June 30, 2008 was \$31,931.

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 5.25% to 5.625%. The unpaid principal balance at June 30, 2008 was \$812,306.

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, 2008 was \$216,336.

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 4.4%. The unpaid principal balance at June 30, 2008 was \$1,614,181.

Future maturities of the loans payable are as follows:

Year Ending June 30	Principal	Interest
2009	\$ 128,403	\$ 127,403
2010	133,116	121,377
2011	143,048	115,133
2012	148,210	108,358
2013	153,618	101,300
2014-2018	893,346	388,472
2019-2023	871,286	161,839
2024-2027	203,727	21,060
	<u>\$ 2,674,754</u>	<u>\$ 1,144,942</u>

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

Long-term obligation activity for the year ended June 30, 2008, is as follows:

	Beginning Balance	Prior Period Adjustment	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>						
Full Faith and Credit Bonds	\$ 1,317,048	\$ -	\$ 700,000	\$ 75,306	\$ 1,941,742	\$ 137,055
Compensated Absences	20,605	-	23,935	20,605	23,935	23,935
Governmental activity Long-term obligations	<u>\$ 1,337,653</u>	<u>\$ -</u>	<u>\$ 723,935</u>	<u>\$ 95,911</u>	<u>\$ 1,965,677</u>	<u>\$ 160,990</u>
<b>Business - type activities</b>						
Revenue Bonds Payable	\$ 5,311,788	\$ (49,900)	\$ -	\$ 73,446	\$ 5,188,442	\$ 76,751
Loans Payable	2,799,652	(1,000)	-	123,898	2,674,754	128,403
Compensated Absences	15,256	-	18,195	15,256	18,195	18,195
Business-type activity Long-term obligations	<u>\$ 8,126,696</u>	<u>\$ (50,900)</u>	<u>\$ 18,195</u>	<u>\$ 212,600</u>	<u>\$ 7,881,391</u>	<u>\$ 223,349</u>

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

The General Fund loaned the Urban Renewal Debt Service Fund \$500,000 in prior years for street improvements and sidewalk extensions for the East Cascade Avenue realignment. The City Council and Urban Renewal Agency board reaffirmed the loan this year through resolution and a prior period adjustment was posted to record the interfund loan payable at June 30, 2007. The loan is currently scheduled to be repaid to the General Fund over the next three years, with interest at 5.2%. However, the loan repayment terms are subject to change and the entire balance is reported as advances to/from other funds.

**G. Transfers**

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$3,793.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ -	\$ 103,000
Street	-	7,000
Urban Renewal Project	-	500,000
Other funds	737,000	100,000
Business-type activities:		
Water	-	35,500
Refuse	100,000	35,500
Sewer	-	56,000
	<u>\$ 837,000</u>	<u>\$ 837,000</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. Transfers into the Reserve and Refuse funds are for capital asset purchases. 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 5.06% 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 6.55% 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, 2008, 2007, and 2006 were \$81,568, \$63,753, and \$58,748, 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. Prior Period Adjustment**

There were several prior period errors discovered in the reporting of Sewer fund assets and liabilities, which were corrected through a prior period adjustment to increase beginning net assets of the Sewer fund and Business-Type Activities by \$3,647,195. These adjustments include reclassification of construction inspection deposits from net assets to a liability account for a reduction of \$28,890; capitalization of land purchased in the prior year for the Lazy Z property for an increase of \$3,725,583; accumulated depreciation correction for a reduction of \$10,819; correction of debt balances for an increase of \$50,900; recording of prior year accrued interest payable on the Lazy Z loan payable for a reduction of \$67,556; and correction of miscellaneous accounts receivable for a reduction of \$22,023.

There were also several prior period errors discovered in the reporting of assets and liabilities for the Governmental Activities. The net effect of the adjustments was to increase Governmental Activities net assets by \$1,525,233. A summary of the adjustments is as follows:

- Capital asset adjustments were prepared to record prior year additions to the City Hall buildings and office equipment and various depreciation corrections of \$852,223. In addition, the Sisters Urban Renewal Agency was reported as a discretely presented component unit in the prior year, but under the requirements of GASB Statement No. 39, it should have been reported as a blended component unit and the net assets of \$679,682 should have been combined with the City. The net effect on Governmental Activities was an increase in net assets of \$1,531,905 and there was no effect on the fund financial statements.
- It was found during the current year audit that advances payable to the General Fund from the Urban Renewal Debt Service Fund were not recorded in the amount of \$500,000. A prior period adjustment was recorded to increase advances receivable and fund balance in the General Fund and to decrease fund balance in the Urban Renewal Debt Service Fund for the increase in advances payable of \$500,000. The adjustment had no net effect on Governmental Activities.
- Other miscellaneous adjustments were recorded to reclassify the recording of construction inspection deposits from net assets to a liability account and to record prior year accounts receivable. The effect of these adjustments was to increase fund balance in the General Fund by \$1,205, decrease fund balance in the Street Fund by \$7,877, and an overall decrease in Governmental Activities net assets of \$6,672.

### **D. Construction in Progress**

The City is committed under various construction contracts at June 30, 2008. Major projects in progress at June 30, 2008 are as follows:

The Cascade Realignment/Cedar Street Improvement project is approximately 28% complete. Costs incurred to date are \$104,715, with total estimated costs of \$350,000.

The McKenzie Highway Design is approximately 14% complete. Costs incurred to date are \$16,867, with total estimated costs of \$120,000.

The Urban Renewal Project Fund portion of the Fire Hall Street Improvement project is approximately 99% complete. Costs incurred to date are \$224,593, with total estimated costs of \$225,000.

The Water Well #2 project is approximately 2% complete. Costs incurred to date are \$5,465, with total estimated costs of \$226,000.

The Creekside Water Loop is approximately 7% complete. Costs incurred to date are \$8,712, with total estimated costs of \$120,000.

The water reservoir design is approximately 22% complete. Costs incurred to date are \$4,436, with total estimated costs of \$20,000.

The Lazy Z effluent disposal design phase is approximately 92% complete. Costs incurred to date are \$60,005, with total estimated costs of \$65,000.

#### **E. Subsequent Events**

The City discontinued providing refuse collection operations effective October 1, 2008, and entered into a franchise agreement with High County Enterprises, LLC to provide such services. The franchise agreement is a continuing seven year franchise with an annual renewal clause, and includes franchise fees of 4% of gross monthly billings. In connection with the franchise agreement, the City sold refuse equipment to the franchisee for \$150,000 and entered into an agreement to lease two acres of bare ground to use as a collection and transfer site for yard debris and recyclable materials, and for the storage of equipment related to solid waste collection and ancillary office use. The lease requires a base rent of \$4,000 per month, commences October 1, 2008, and continues through September 30, 2013.

**SUPPLEMENTAL INFORMATION**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

**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:

- *Reserve* – accounts for money set aside for replacement of capital assets. The principal revenue sources are contributions by other funds and earnings on investments.
- *Park Development* – provides the accounting for system development charges accounts. The funds are reserved for future park improvement projects in accordance with the terms of collection.
- *Park-In-Lieu 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.

**Capital Projects Fund** – These funds account for expenditures on major construction projects or equipment acquisition. Funds included in this category are:

- *City Hall Remodel* – accounts for the funds set aside for the construction of a City Hall and the related debt service. The principal revenue sources are loan proceeds, transfers, and interest.

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

- *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, 2008**

	Special Revenue			Capital Projects	Debt Service	Totals
	Reserve Fund	Park Development Fund	Park-In-Lieu District Fund	City Hall Remodel Fund	Urban Renewal Debt Service Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 915,311	\$ 107,373	\$ 235,858	\$ 257,960	\$ 668,298	\$ 2,184,800
Receivables:						
Property taxes	-	-	-	-	5,833	5,833
Total assets	<u>\$ 915,311</u>	<u>\$ 107,373</u>	<u>\$ 235,858</u>	<u>\$ 257,960</u>	<u>\$ 674,131</u>	<u>\$ 2,190,633</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 71	\$ -	\$ -	\$ 2,570	\$ -	\$ 2,641
Deferred revenue	-	-	-	-	5,218	5,218
Advances from other funds	-	-	-	-	350,000	350,000
Total liabilities	<u>71</u>	<u>-</u>	<u>-</u>	<u>2,570</u>	<u>355,218</u>	<u>357,859</u>
<b>FUND BALANCES</b>						
Reserved for:						
Debt service	-	-	-	-	318,913	318,913
Unreserved, reported in:						
Capital projects funds	-	-	-	255,390	-	255,390
Special revenue funds	<u>915,240</u>	<u>107,373</u>	<u>235,858</u>	<u>-</u>	<u>-</u>	<u>1,258,471</u>
Total fund balances	<u>915,240</u>	<u>107,373</u>	<u>235,858</u>	<u>255,390</u>	<u>318,913</u>	<u>1,832,774</u>
Total liabilities and fund balances	<u>\$ 915,311</u>	<u>\$ 107,373</u>	<u>\$ 235,858</u>	<u>\$ 257,960</u>	<u>\$ 674,131</u>	<u>\$ 2,190,633</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, 2008**

	Special Revenue			Capital Projects	Debt Service	Totals
	Reserve Fund	Park Development Fund	Park-In-Lieu District Fund	City Hall Remodel Fund	Urban Renewal Debt Service Fund	
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 102,650	\$ 102,650
Licenses and fees	-	-	21,739	-	-	21,739
System development charges	-	15,938	-	-	-	15,938
Interest on investments	36,231	3,716	9,295	10,011	12,030	71,283
<b>TOTAL REVENUES</b>	<u>36,231</u>	<u>19,654</u>	<u>31,034</u>	<u>10,011</u>	<u>114,680</u>	<u>211,610</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	-	-	5,818	-	-	5,818
Capital outlay	30,768	-	-	22,381	-	53,149
Debt service	-	-	-	138,700	26,000	164,700
<b>TOTAL EXPENDITURES</b>	<u>30,768</u>	<u>-</u>	<u>5,818</u>	<u>161,081</u>	<u>26,000</u>	<u>223,667</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,463</u>	<u>19,654</u>	<u>25,216</u>	<u>(151,070)</u>	<u>88,680</u>	<u>(12,057)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	98,000	-	-	139,000	500,000	737,000
Transfers out	(100,000)	-	-	-	-	(100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>139,000</u>	<u>500,000</u>	<u>637,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>3,463</u>	<u>19,654</u>	<u>25,216</u>	<u>(12,070)</u>	<u>588,680</u>	<u>624,943</u>
<b>FUND BALANCE, Beginning</b>	911,777	87,719	210,642	267,460	230,233	1,707,831
Prior period adjustment	-	-	-	-	(500,000)	(500,000)
<b>FUND BALANCE (DEFICIT), Beginning, as restated</b>	<u>911,777</u>	<u>87,719</u>	<u>210,642</u>	<u>267,460</u>	<u>(269,767)</u>	<u>1,207,831</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 915,240</u>	<u>\$ 107,373</u>	<u>\$ 235,858</u>	<u>\$ 255,390</u>	<u>\$ 318,913</u>	<u>\$ 1,832,774</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, Transportation SDC, and Urban Renewal Project funds) 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, 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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>EXPENDITURES AND TRANSFERS</b>				
Administration	\$ 237,461	\$ 250,461	\$ 249,777	\$ 684
Maintenance	95,122	95,122	97,613	(2,491)
Municipal court	1	1	-	1
Parks	177,948	177,948	151,149	26,799
Police	408,045	408,045	393,255	14,790
Planning	599,280	599,280	482,108	117,172
Support services	294,000	294,000	261,843	32,157
Contingency	1,326,039	1,326,039	-	1,326,039
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>\$ 3,137,896</b>	<b>\$ 3,150,896</b>	<b>\$ 1,635,745</b>	<b>\$ 1,515,151</b>

See auditor's report.

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

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**Governmental Funds**

**Special Revenue Funds**

- Reserve
- Park Development
- Park In-Lieu District

**Capital Project Funds**

- City Hall Remodel

**Debt Service Funds**

- Urban Renewal Debt Service

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 35,000	\$ 35,000	\$ 36,231	\$ 1,231
<b>TOTAL REVENUES</b>	<u>35,000</u>	<u>35,000</u>	<u>36,231</u>	<u>1,231</u>
<b>EXPENDITURES</b>				
Capital outlay	40,500	40,500	30,768	9,732
Contingency	877,433	877,433	-	877,433
<b>TOTAL EXPENDITURES</b>	<u>917,933</u>	<u>917,933</u>	<u>30,768</u>	<u>887,165</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(882,933)</u>	<u>(882,933)</u>	<u>5,463</u>	<u>888,396</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	98,000	98,000	98,000	-
Transfers out	(100,000)	(100,000)	(100,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(884,933)	(884,933)	3,463	888,396
<b>FUND BALANCE, Beginning</b>	<u>884,933</u>	<u>884,933</u>	<u>911,777</u>	<u>26,844</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,240</u>	<u>\$ 915,240</u>

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PARK DEVELOPMENT FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
System development charges	\$ 46,000	\$ 46,000	\$ 15,938	\$ (30,062)
Interest on investments	1,000	1,000	3,716	2,716
<b>TOTAL REVENUES</b>	<u>47,000</u>	<u>47,000</u>	<u>19,654</u>	<u>(27,346)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Materials and services	10,000	10,000	-	10,000
Capital outlay	30,000	30,000	-	30,000
Contingency	<u>53,126</u>	<u>53,126</u>	<u>-</u>	<u>53,126</u>
<b>TOTAL EXPENDITURES</b>	<u>93,126</u>	<u>93,126</u>	<u>-</u>	<u>93,126</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(46,126)</u>	<u>(46,126)</u>	<u>19,654</u>	<u>65,780</u>
<b>NET CHANGE IN FUND BALANCE</b>	(46,126)	(46,126)	19,654	65,780
<b>FUND BALANCE, Beginning</b>	<u>46,126</u>	<u>46,126</u>	<u>87,719</u>	<u>41,593</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,373</u>	<u>\$ 107,373</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PARK-IN-LIEU DISTRICT FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Licenses and fees	\$ 40,000	\$ 40,000	\$ 21,739	\$ (18,261)
Interest on investments	7,000	7,000	9,295	2,295
<b>TOTAL REVENUES</b>	<u>47,000</u>	<u>47,000</u>	<u>31,034</u>	<u>(15,966)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Materials and services	10,000	10,000	5,818	4,182
Capital outlay	238,134	238,134	-	238,134
<b>TOTAL EXPENDITURES</b>	<u>248,134</u>	<u>248,134</u>	<u>5,818</u>	<u>242,316</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(201,134)</u>	<u>(201,134)</u>	<u>25,216</u>	<u>226,350</u>
<b>NET CHANGE IN FUND BALANCE</b>	(201,134)	(201,134)	25,216	226,350
<b>FUND BALANCE, Beginning</b>	<u>201,134</u>	<u>201,134</u>	<u>210,642</u>	<u>9,508</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,858</u>	<u>\$ 235,858</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CITY HALL REMODEL FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 10,011	\$ 9,011
<b>TOTAL REVENUES</b>	<u>1,000</u>	<u>1,000</u>	<u>10,011</u>	<u>9,011</u>
<b>EXPENDITURES</b>				
Capital outlay	45,000	45,000	22,381	22,619
Debt service	138,526	138,726	138,700	26
Contingency	<u>55,347</u>	<u>55,347</u>	<u>-</u>	<u>55,347</u>
<b>TOTAL EXPENDITURES</b>	<u>238,873</u>	<u>239,073</u>	<u>161,081</u>	<u>77,992</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(237,873)</u>	<u>(238,073)</u>	<u>(151,070)</u>	<u>87,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(98,873)	(99,073)	(12,070)	87,003
<b>FUND BALANCE, Beginning</b>	<u>98,873</u>	<u>99,073</u>	<u>267,460</u>	<u>168,387</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,390</u>	<u>\$ 255,390</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**URBAN RENEWAL DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 107,979	\$ 107,979	\$ 102,650	\$ (5,329)
Interest on investments	7,000	7,000	12,030	5,030
<b>TOTAL REVENUES</b>	<u>114,979</u>	<u>114,979</u>	<u>114,680</u>	<u>(299)</u>
<b>EXPENDITURES</b>				
Debt service	202,200	202,200	176,000	26,200
Contingency	146,197	646,197	-	646,197
<b>TOTAL EXPENDITURES</b>	<u>348,397</u>	<u>848,397</u>	<u>176,000</u>	<u>672,397</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(233,418)</u>	<u>(733,418)</u>	<u>(61,320)</u>	<u>672,098</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	500,000	500,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(233,418)</u>	<u>(233,418)</u>	<u>438,680</u>	<u>672,098</u>
Budgetary basis adjustment	-	-	150,000	150,000
<b>FUND BALANCE, Beginning</b>	233,418	233,418	230,233	(3,185)
Prior period adjustment	-	-	(500,000)	(500,000)
<b>FUND BALANCE, Beginning, as restated</b>	<u>233,418</u>	<u>233,418</u>	<u>(269,767)</u>	<u>(503,185)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,913</u>	<u>\$ 318,913</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
- Refuse Fund
- 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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ -	\$ -	\$ 7,323	\$ 7,323
Charges for services	473,400	473,400	429,319	(44,081)
Interest on investments	10,000	10,000	13,000	3,000
Miscellaneous	2,000	2,000	4,789	2,789
<b>TOTAL REVENUES</b>	<u>485,400</u>	<u>485,400</u>	<u>454,431</u>	<u>(30,969)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	226,613	226,613	205,976	20,637
Materials and services	198,450	198,450	189,294	9,156
Capital outlay	65,600	65,600	13,081	52,519
Contingency	94,220	94,220	-	94,220
<b>TOTAL EXPENDITURES</b>	<u>584,883</u>	<u>584,883</u>	<u>408,351</u>	<u>176,532</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(99,483)</u>	<u>(99,483)</u>	<u>46,080</u>	<u>145,563</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(35,500)	(35,500)	(35,500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(35,500)</u>	<u>(35,500)</u>	<u>(35,500)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(134,983)	(134,983)	10,580	145,563
<b>FUND BALANCE, Beginning</b>	134,983	134,983	162,647	27,664
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,227</u>	<u>\$ 173,227</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 400,000	\$ 400,000	\$ 160,476	\$ (239,524)
Interest on investments	60,000	60,000	64,009	4,009
<b>TOTAL REVENUES</b>	<u>460,000</u>	<u>460,000</u>	<u>224,485</u>	<u>(235,515)</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	100,000	100,000	-	100,000
Capital outlay	753,845	815,845	874,037	(58,192)
Contingency	1,442,141	1,380,141	-	1,380,141
<b>TOTAL EXPENDITURES</b>	<u>2,295,986</u>	<u>2,295,986</u>	<u>874,037</u>	<u>1,421,949</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,835,986)</u>	<u>(1,835,986)</u>	<u>(649,552)</u>	<u>1,186,434</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,835,986)	(1,835,986)	(649,552)	1,186,434
<b>FUND BALANCE, Beginning</b>	<u>1,835,986</u>	<u>1,835,986</u>	<u>1,798,409</u>	<u>(37,577)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,148,857</u>	<u>\$ 1,148,857</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, 2008**

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

Water	\$ 173,227
Water SDC	<u>1,148,857</u>
	1,322,084

Adjustments:

Capital assets, net of depreciation	5,120,120
Compensated absences	<u>(7,109)</u>

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

\$ 6,435,095

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**REFUSE FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 412,000	\$ 412,000	\$ 409,935	\$ (2,065)
Interest on investments	8,000	8,000	12,076	4,076
Miscellaneous	50,000	50,000	-	(50,000)
<b>TOTAL REVENUES</b>	<u>470,000</u>	<u>470,000</u>	<u>422,011</u>	<u>(47,989)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	179,981	188,981	185,648	3,333
Materials and services	196,950	220,950	211,629	9,321
Capital outlay	100,000	262,000	259,087	2,913
Debt service	40,000	-	-	-
Contingency	130,354	106,834	-	106,834
<b>TOTAL EXPENDITURES</b>	<u>647,285</u>	<u>778,765</u>	<u>656,364</u>	<u>122,401</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(177,285)</u>	<u>(308,765)</u>	<u>(234,353)</u>	<u>74,412</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(35,500)	(35,500)	(35,500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>64,500</u>	<u>64,500</u>	<u>64,500</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(112,785)	(244,265)	(169,853)	74,412
<b>FUND BALANCE, Beginning</b>	<u>112,785</u>	<u>244,265</u>	<u>244,265</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	74,412	<u>\$ 74,412</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			667,003	
Compensated absences			<u>(5,328)</u>	
<b>NET ASSETS, Ending</b>			<u>\$ 736,087</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 FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ -	\$ -	\$ 7,323	\$ 7,323
Charges for services	834,600	834,600	739,284	(95,316)
Interest on investments	55,000	55,000	82,982	27,982
Miscellaneous	1,000	1,000	7,030	6,030
<b>TOTAL REVENUES</b>	<u>890,600</u>	<u>890,600</u>	<u>836,619</u>	<u>(53,981)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	180,331	180,331	166,434	13,897
Materials and services	184,370	230,370	199,732	30,638
Capital outlay	102,000	102,000	30,568	71,432
Debt service	562,524	562,524	408,305	154,219
Contingency	1,135,081	1,135,081	-	1,135,081
<b>TOTAL EXPENDITURES</b>	<u>2,164,306</u>	<u>2,210,306</u>	<u>805,039</u>	<u>1,405,267</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,273,706)</u>	<u>(1,319,706)</u>	<u>31,580</u>	<u>1,351,286</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(56,000)	(56,000)	(56,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(56,000)</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,329,706)	(1,375,706)	(24,420)	1,351,286
<b>FUND BALANCE, Beginning</b>	1,329,706	1,375,706	1,458,295	82,589
Prior period adjustment	-	-	154,561	154,561
<b>FUND BALANCE, Beginning, as restated</b>	<u>1,329,706</u>	<u>1,375,706</u>	<u>1,612,856</u>	<u>237,150</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,588,436</u>	<u>\$ 1,588,436</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 500,000	\$ 500,000	\$ 151,495	\$ (348,505)
Interest on investments	30,000	30,000	33,364	3,364
<b>TOTAL REVENUES</b>	<u>530,000</u>	<u>530,000</u>	<u>184,859</u>	<u>(345,141)</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	150,000	150,000	1,478	148,522
Capital outlay	-	85,000	60,630	24,370
Debt service	194,121	194,121	194,120	1
Contingency	909,601	824,601	-	824,601
<b>TOTAL EXPENDITURES</b>	<u>1,253,722</u>	<u>1,253,722</u>	<u>256,228</u>	<u>997,494</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(723,722)</u>	<u>(723,722)</u>	<u>(71,369)</u>	<u>652,353</u>
<b>NET CHANGE IN FUND BALANCE</b>	(723,722)	(723,722)	(71,369)	652,353
<b>FUND BALANCE, Beginning</b>	<u>723,722</u>	<u>723,722</u>	<u>740,603</u>	<u>16,881</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,234</u>	<u>\$ 669,234</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, 2008**

<b>BUDGETARY BASIS FUND BALANCE (NON-GAAP):</b>	
Sewer	\$ 1,588,436
Sewer SDC	<u>669,234</u>
	2,257,670
 Adjustments:	
Capital assets, net of depreciation	16,101,578
Compensated absences	(5,758)
Accrued interest payable	(234,056)
Long-term debt	<u>(7,863,196)</u>
 <b>GENERALLY ACCEPTED ACCOUNTING  PRINCIPLES BASIS (GAAP) NET ASSETS</b>	 <u><u>\$ 10,256,238</u></u>

## **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, 2008**

	Interest Rates	Date of Issue	Original Amount	Principal					Interest Matures and Paid
				Outstanding July 1, 2007	Prior Period Adjustment	Issued	Matured and Paid	Outstanding June 30, 2008	
<u>Governmental Funds</u>									
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	\$ 1,400,000	\$ 1,317,048	\$ -	\$ -	\$ 75,306	\$ 1,241,742	\$ 63,394
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	\$ 700,000	-	-	700,000	-	700,000	-
				<u>1,317,048</u>	<u>-</u>	<u>700,000</u>	<u>75,306</u>	<u>1,941,742</u>	<u>63,394</u>
<u>Enterprise Funds</u>									
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,232,677	-	-	29,008	2,203,669	100,471
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	3,079,111	(49,900)	-	44,438	2,984,773	136,314
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	33,768	-	-	1,837	31,931	1,298
OEDD Loan Payable	5.25-5.625	4/12/2000	\$ 1,000,000	843,160	(1,000)	-	29,854	812,306	46,447
OEDD Loan Payable	5.50%	7/23/2002	\$ 250,000	222,724	-	-	6,388	216,336	12,250
Lazy Z Real Estate Loan	4.40%	12/14/2006	\$ 1,700,000	1,700,000	-	-	85,819	1,614,181	108,301
				<u>8,111,440</u>	<u>(50,900)</u>	<u>-</u>	<u>197,344</u>	<u>7,863,196</u>	<u>405,081</u>
Total				<u>\$ 9,428,488</u>	<u>\$ (50,900)</u>	<u>\$ 700,000</u>	<u>\$ 272,650</u>	<u>\$ 9,804,938</u>	<u>\$ 468,475</u>

**CITY OF THE SISTERS, OREGON  
SCHEDULE OF GOVERNMENTAL ACTIVITIES  
DEBT SERVICE FUTURE REQUIREMENTS  
June 30, 2008**

Year Ending June 30	2006 Full Faith and Credit Bonds		2006 Full Faith and Credit Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 78,921	\$ 59,604	\$ 58,134	\$ 27,314	\$ 137,055	\$ 86,918
2010	82,709	55,816	60,688	24,760	143,397	80,576
2011	86,679	51,844	63,109	22,339	149,788	74,183
2012	90,839	47,684	65,626	19,822	156,465	67,506
2013	95,200	43,324	68,244	17,204	163,444	60,528
2014	99,769	38,754	70,966	14,482	170,735	53,236
2015	104,558	33,966	73,797	11,651	178,355	45,617
2016	109,577	28,948	76,741	8,707	186,318	37,655
2017	114,836	23,688	79,802	5,646	194,638	29,334
2018	120,349	18,176	82,893	2,465	203,242	20,641
2019	126,125	12,398	-	-	126,125	12,398
2020	132,180	6,344	-	-	132,180	6,344
	<u>\$ 1,241,742</u>	<u>\$ 420,546</u>	<u>\$ 700,000</u>	<u>\$ 154,390</u>	<u>\$ 1,941,742</u>	<u>\$ 574,936</u>

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE**  
**June 30, 2008**

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 30,314	\$ 99,165	\$ 46,437	\$ 134,315	\$ 76,751	\$ 233,480
2010	31,678	97,801	48,527	132,225	80,205	230,026
2011	33,104	96,375	50,711	130,041	83,815	226,416
2012	34,593	94,886	52,993	127,759	87,586	222,645
2013	36,150	93,329	55,377	125,375	91,527	218,704
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	122,128	5,496	-	-	122,128	5,496
	<u>\$ 2,203,669</u>	<u>\$ 2,067,283</u>	<u>\$ 2,984,773</u>	<u>\$ 2,596,392</u>	<u>\$ 5,188,442</u>	<u>\$ 4,663,675</u>

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE**  
**June 30, 2008**

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
2009	\$ 1,899	\$ 1,067	\$ 30,109	\$ 44,880	\$ 6,739	\$ 11,898	\$ 89,656	\$ 69,558	\$ 128,403	\$ 127,403
2010	1,964	1,002	30,376	43,299	7,110	11,528	93,666	65,548	133,116	121,377
2011	2,032	934	35,659	41,704	7,501	11,137	97,856	61,358	143,048	115,133
2012	2,101	865	35,963	39,788	7,913	10,724	102,233	56,981	148,210	108,358
2013	2,173	793	36,291	37,810	8,348	10,289	106,806	52,408	153,618	101,300
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	1,481	25	60,201	14,871	13,517	5,121	78,310	1,294	153,509	21,311
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	-	-	72,020	4,051	15,872	2,766	-	-	87,892	6,817
2026	-	-	-	-	16,745	1,893	-	-	16,745	1,893
2027	-	-	-	-	17,665	972	-	-	17,665	972
	<u>\$ 31,931</u>	<u>\$ 8,133</u>	<u>\$ 812,306</u>	<u>\$ 463,832</u>	<u>\$ 216,336</u>	<u>\$ 137,772</u>	<u>\$ 1,614,181</u>	<u>\$ 535,205</u>	<u>\$ 2,674,754</u>	<u>\$ 1,144,942</u>

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S COMMENTS**

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth following:

### **1. ACCOUNTING SYSTEMS AND INTERNAL CONTROLS**

We found the accounting system of the City of Sisters, Oregon to be adequate for audit purposes. The internal controls for the City are generally operating as designed, however, there was a material weakness reported in accordance with SAS 112 and *Government Auditing Standards*. We noted other matters involving internal control, which we have reported to management of the City of Sisters in a separate letter, dated December 2, 2008.

### **2. INVESTMENTS**

Our review of deposit and investment balances during the year ended June 30, 2008, indicated that the City was in compliance with ORS 294 as it pertains to investment of public funds.

### **3. COLLATERAL**

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials maintain sufficient collateral certificates to secure deposits of public funds, in excess of those insured by the Federal Deposit Insurance Corporation.

Our review of the City's deposited funds carried in various depositories did not disclose instances where the City exceeded Federal Deposit Insurance Corporation coverage including additional certificates of collateral participation in effect at the time.

### **4. INDEBTEDNESS**

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt, which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements. We found no instances in which the City had not complied with these legal or contractual provisions relating to short-term or long-term debt.

### **5. BUDGET**

We reviewed the preparation, adoption and execution of the City's budgets and supplemental budgets for 2007-08 and the preparation and adoption of the budget for 2008-09. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget, except as follows:

Expenditures exceeded appropriations in the following amounts:

General Fund:	
Maintenance	\$ <u>2,491</u>
Water SDC Fund:	
Capital Outlay	\$ <u>58,192</u>

The City established the levels of budgetary control at the personal services, materials and services, capital outlay, contingency, interfund transfers, debt service, and other uses as levels for all funds except the General Fund. For the General Fund, budgetary control was set at the department level.

**6. INSURANCE AND FIDELITY BONDS**

We reviewed the City's insurance and fidelity bond coverage at June 30, 2008, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2008, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

**7. PROGRAMS FUNDED FROM OUTSIDE SOURCES**

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the City complied with the laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were materially in agreement with and supported by the accounting records.

**8. PUBLIC CONTRACTS AND PURCHASING**

We have reviewed the City's compliance with ORS 279, pertaining to the awarding of public contracts and the construction of public improvements. Our review disclosed no conditions, which we considered to be matters of noncompliance of the City's bidding procedures or quote procedures.

**9. HIGHWAY FUNDS**

The City appears to have complied with the provisions of Article IX, Section 3a of the Oregon Constitution and ORS Sections 294, 368 and 373 in regards to the expenditures of motor vehicle use funds, except an invoice for site cleanup was charged to the Street Fund, which does not appear to be related to street maintenance, repair, or construction. This payment was subsequently reclassified to the General Fund.

**10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDANTLY ELECTED OFFICIALS**

This statement is not applicable to the City of Sisters.



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## **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**

December 2, 2008

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

We have audited the 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, 2008, which collectively comprise the City of Sisters, Oregon's basic financial statements and have issued our report thereon dated December 2, 2008. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Sisters, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sisters' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Sisters' financial statements that is more than inconsequential will not be prevented or detected by the City of Sisters internal control. We consider the following deficiency to be a significant deficiency in internal control.

There were a large number of prior period adjustments required to bring the City's financial statements to be in accordance with Generally Accepted Accounting Principles and significant differences between many of the amount reported in the June 30, 2007 financial statements and the amounts reported in the City's records. Although the City relies on the auditor to draft and audit the financial statements, the auditor is not allowed to be part of the City's internal control system and the ultimate responsibility for the financial statements lies with the City.

Because of the limited number of available personnel and changes in staffing of the finance department in the last couple of years, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. In addition, there are several areas where additional review procedures could be implemented. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Sisters' internal control. We consider the significant deficiency over the review and reconciliation of the financial statements mentioned above to also be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### **Compliance and Other Matters**

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 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Sisters in a separate letter dated December 2, 2008.

This report is intended solely for the information and use of the Mayor and Members of City Council, management of the City of Sisters, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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