City of Sisters, Oregon

Comprehensive Annual Financial Report

For Fiscal Year Ended, June 30, 2009

Prepared by the Finance Department of the City of Sisters

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CITY OF SISTERS, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Transmittal Letter	i - vi
Officials of the City	vii
Organizational Chart	viii
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	A - B
MANAGEMENT'S DISCUSSION AND ANALYSIS	a - k
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	3
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual	
General	8
Street	9
Urban Renewal Project	10
Proprietary Funds:	11
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Fund Net Assets	13
Statement of Cash Flows	14 - 15
Notes to the Basic Financial Statements	16 - 33
SUPPLEMENTAL INFORMATION	
Combining Statements – Non-Major Governmental Funds:	34
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	36

	Page
Budgetary Comparison Schedules:	37
Schedule of Expenditures and Transfers – Budget and Actual (NON-GAAP BUDGETARY BASIS), By Department:	38
General Fund	39
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Governmental Funds:	40
Special Revenue Funds:	
Reserve	41
Transportation SDC	42
Park Development	43
Park-In-Lieu District	44
Debt Service Funds:	
City Hall Remodel	45
Urban Renewal Debt Service	46
Proprietary Funds:	47
Enterprise Funds:	
All Water Funds:	
Water	48
Water SDC	49
Reconciliation to Generally Accepted Accounting Principles	50
Refuse Fund	51
All Sewer Funds:	
Sewer	52
Sewer SDC	53
Reconciliation to Generally Accepted Accounting Principles	54
Other Financial Schedules:	
Schedule of Outstanding Debt Principal and Interest Transactions	55
Schedule of Governmental Activities Debt Service Future Requirements	56
Schedule of Business-Type Activities Debt Service Future Requirements	
Revenue Bonds Payable	57
Loans Payable	58

STATISTICAL SECTION

Net Assets By Component – Last Six Fiscal Years	59
Changes in Net Assets – Last Six Fiscal Years	60 - 61
Fund Balances, Governmental Funds – Last Six Fiscal Years	62
Changes in Fund Balances, Governmental Funds – Last Six Fiscal Years	63
Program Revenues by Function/Program – Last Six Fiscal Years	64
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	65
Assessed Valuation and Actual Values of Taxable Property – Last Ten Fiscal Years	66
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	67
Property Tax Levies and Collections – Last Ten Fiscal Years	68
Principal Taxpayers – December 31, 2008 and December 31, 1998	69
Ratios of Outstanding Debt By Type – Last Ten Fiscal Years	70

Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years 71
Legal Debt Margin Information – Last Ten Fiscal Years 72 - 73
Demographic and Economic Statistics – Last Ten Fiscal Years 74
Principal Employers – Current and Nine Years Ago 75
Full Time Equivalent City Employees by Function/Program – Last Six Fiscal Years 76
Operating Indicators by Function/Program – Last Six Fiscal Years 77
Capital Asset and Infrastructure Statistics by Function/Program – Last Six Fiscal Years 78

REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S COMMENTS 79 - 80

GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 81 - 82

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INTRODUCTORY SECTION

- Letter of Transmittal
- List of Officials
- Organizational Chart

City of Sisters
Incorporated 1946

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City of Sisters
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Sisters, OR 97759
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November 16, 2009

Honorable Mayor Lon Kellstrom,
Members of the Governing Council, and
Citizens of the City of Sisters, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Sisters, Oregon (the City) for the fiscal year ended June 30, 2009 is hereby submitted.

The report presents the financial position of the City for the fiscal year ended June 30, 2009, 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, 2009.

The Report

The 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, 2009. 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 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. The City's MD&A is located immediately following the report of the independent auditors, beginning on page a.

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 1,132 acres and serves a population of 1,875, numerous rural subdivisions and outlying ranches surround the city and contribute to a population of the "Greater Sisters Country" in the range of 10,000 to 12,000 people.

The City of Sisters operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (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 a 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 general administration; water, sewer and street utilities; planning and community development; and parks and some recreational activities. The City also manages the Sisters Urban Renewal District which is overseen by the Council acting as the governing body for the Sisters Urban Renewal Agency. The Agency has the following funds: Urban Renewal Debt Service Fund and Urban Renewal Project Fund.

The 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, parks, police, planning, building maintenance, etc.)

Local Economy

In the late 1800's, the Camp Polk military outpost was established along the banks of Whychus Creek, east of the current location of the city of Sisters. In the early 1900's, the town was relocated to its current location. For decades, the main economic activity of the town was to supply and support wagon travel over the Cascades between Central Oregon and the Willamette Valley. By the mid-1900's ranching and logging were the predominant economic activities in the town of Sister which incorporated in 1946. By the 1960's, Oregon's economy began to shift

toward recreation and tourism to supplement a dwindling natural resources base. Locally, Black Butte Ranch was platted at the site of the former Brooks-Scanlon logging camp northwest of Sisters. A strategic decision was made to utilize Sisters as the commercial town center for this new destination resort and seed money was created to support a newly established western theme for the town.

Today, recreation and tourism comprise the economic foundation of the city of Sisters which is well known for its annual Sisters Rodeo, one of the oldest continuously operating rodeos in the nation; and for The Sisters Outdoor Quilt Show, internationally famous which draws tens of thousands of visitors to Sisters on a single day. The Sisters Starry Nights Concert Series and the Sisters Folk Festival have become 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 is has also become an active arts-based community celebrating and honoring its western heritage.

Community Vision and Goals

In the five-year period between 2002 and 2007, the city's population doubled from 911 to 1,825, fueled by the construction of the city's first municipal sewer system and the rapid growth and expansion in the central Oregon real estate market. If not an unprecedented rate of growth for the population, it certainly 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 takes planning and effective financial management. In 2005 and 2006, through the coordination of the Community Action Team of Sisters (CATS) a community vision for Sisters was created. In 2007, the Sisters Country Vision Statement was adopted by every community institution including the City of Sisters, Sisters School District, Sisters Park and Recreation District, Sisters-Camp Sherman Fire Protection District, Sisters Area Chamber of Commerce, Sisters Ranger District, and others. The vision statement created a single blueprint of how the town would grow, develop and evolve over time.

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

- *To have a strong and effective planning process that enhances livability, provides for orderly and sustainable growth, and that honors and preserves Sisters' western village character.*

- *To protect and celebrate the natural majestic beauty that surrounds us, sustains us, gives us our community identity, and is where we recreate.*

- *To support our citizens through diverse economic sectors that reflect their identity, values and interests, and to provide for their well being.*

- *To create and foster opportunities where Sisters Country citizens can easily participate in civic affairs, be active and informed, and partner in community leadership.*

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

The City Council also approved a set of priorities for fiscal year 2009/10 associated with these goals.

Long-term Financial Planning

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

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

Financial Trouble Spots

Through financial planning, the City has been monitoring certain funds where financial trouble spots exist. In 2009, the City Council approved revenue measures to address the projected deficits in these funds.

Street Fund. At the start of FY 2009/10, the Street Fund will have a negative cash carry forward amount and no budgeted contingency. To address the need for new revenues in the Street Fund, the City Council approved the implementation of a $.03 cent gas tax. The Council decision to approve a gas tax was based on an extensive cost analysis of the city's streets and a 10-year street maintenance plan completed by the Public Works Director. The gas tax implementation was referred by a citizen referendum and will put to a vote in March 2010. There are potential legal challenges if the measure passes in determining the enactment date of the ordinance. In the event the ordinance is overturned, the City will consider an alternate revenue source such as a street maintenance utility fee.

Water Fund. In order to meet the future infrastructure needs of the city, the City completed Phase I of a utility rate study which resulted in new water and sewer rates beginning in FY 2009/10 with another rate increase for FY 2010/11. The City is working on Phase II of the utility rate study which will include creating financial incentives for conserving water.

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 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, 2009, the Street Fund exceeded its appropriation limit by $10,386, which is exempt from Oregon Budget Law. The Urban Renewal Project also exceeded its appropriation lime by $473.

Debt Administration

As of June 30, 2009, the City had $1,804,688 outstanding in two general obligation bond issue, $2,546,339 in notes payable and bond anticipation notes, $5,111,691 in sewer bonds, for a grand total of $9,462,718 in long-term debt.

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, Chapter 294.

Risk Management

The City is responsibility 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, 2009. The independent auditor's report is located on page A of the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards Certificates of Achievement for Excellence in Financial Reporting to cities for its comprehensive annual financial report (CAFR) for each fiscal year. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local financial report. This is the 1st year that the City is applying for this prestigious award.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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.

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

Sincerely,

Eileen Stein
City Manager

Lisa Young
Finance and Administrative Director

CITY OF SISTERS, OREGON

JUNE 30, 2009

ELECTED OFFICIALS

Name	Position	Terms
Lon Kellstrom	Mayor	December, 2012
Bill Merrill	Council President	December, 2010
Jerry Bogart	Council Member	December, 2010
Pat Thompson	Council Member	December, 2012
Sharlene Weed	Council Member	December, 2010

STAFF

Name	Position
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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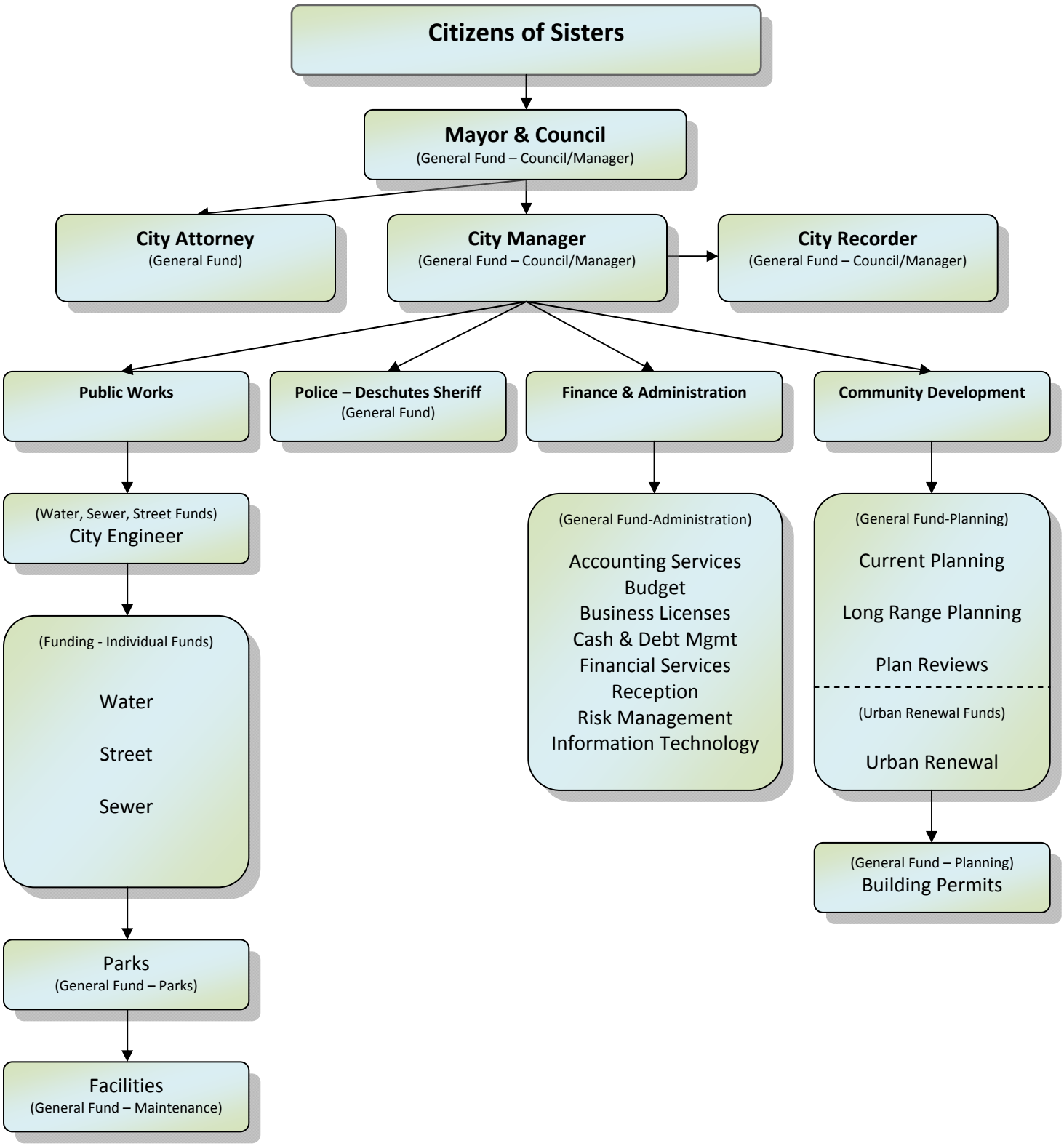
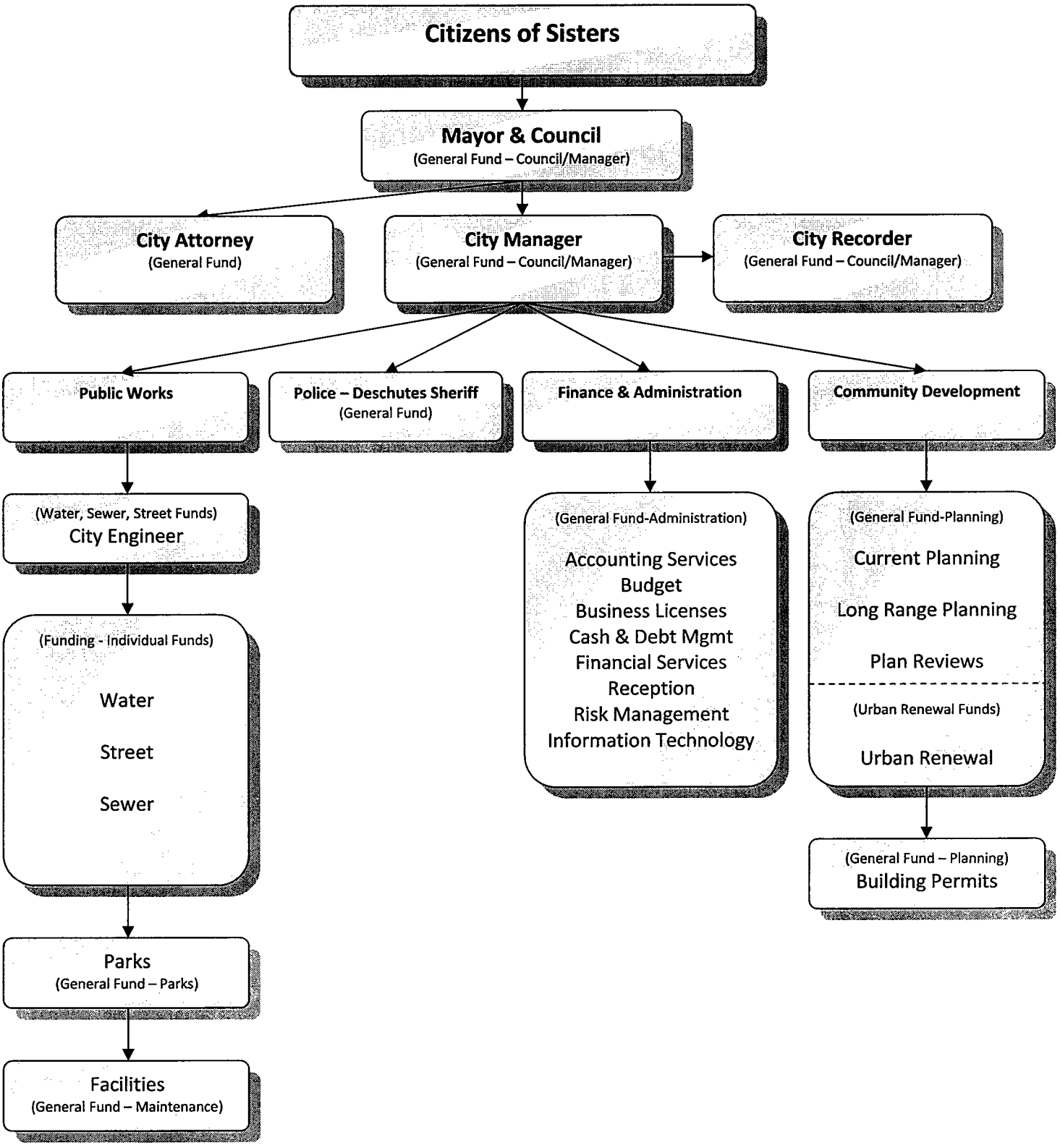
City-Wide Organizational & Funding Chart



City-Wide Organizational & Funding Chart



FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Supplemental Information

City of Sisters
Incorporated 1946

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Dickey and Tremper, LLP
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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, 2009, 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, 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 November 16, 2009, 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.

Members of: American Institute of Certified Public Accountants
National Association of Certified Valuation Analysts
Oregon Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (Continued)

The management's discussion and analysis on pages *a* through k 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 inquires 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, accompanying financial information listed as supplemental information in the table of contents, and statistical section 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 and statistical sections have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on them.

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants

November 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2009

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, 2009. 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 vii 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 $24.3 million (reported as net assets). This is a $50,582 increase over the prior year.
- The net assets balance of $24.3 million is composed of investments in capital assets such as buildings, infrastructure, roads ($16.5 million), restricted amounts for future capital projects, highways and streets, and debt service ($3.0 million) and an unrestricted balance ($4.8 million). The unrestricted balance is available for use to meet the City's on-going obligations to citizens and creditors. The unrestricted balance decreased by $.4 million during the fiscal year.

Fund Level

- The City's governmental funds report a combined fund balance of $4.3 million, a decrease of $.3 million from last year. While virtually all the $4.3 million combined fund balance is unreserved, all but $1.7 million is accounted for in separate funds for which the resources are designated to specific programs through legal or contractual provisions. Of the $4.3 million, $1.6 million is within the General Fund and includes $200K which has been earmarked for advances to other funds.

- Total taxes increased $.1 million, 8% over the prior year. Property tax, split 85%/15% between taxes for operations versus taxes for debt service, was up $54,482 for operations and $24,663 for debt service. Other taxes include franchise and hotel taxes which were up $16,650.

- The City's proprietary funds – those used to account for programs which the city charges for the services it provides - report a combined net assets balance of $17.2 million, a decrease of $.2 million over the prior year.

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.

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 intend 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 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, and Urban Renewal Project Fund, all of which are considered major funds. Data from the other six (6) 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 34.

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 10 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 47 through 54 of this report.

The basic proprietary fund financial statements can be found on pages 11 through 15.

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 16 through 33 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 10. Supplemental information is found beginning on page 34 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 Primary Government		Total Change + (-)
	2009	2008	2009	2008	2009	2008	
Current and other assets	$ 4.58	$ 4.96	$ 3.91	$ 4.01	$ 8.49	$ 8.97	$ -0.48
Capital assets	4.55	4.13	21.45	21.89	26.00	26.02	-0.02
Total assets	9.13	9.09	25.36	25.90	34.49	34.99	-0.50
Current liabilities	0.36	0.45	0.71	0.81	1.07	1.26	-0.19
Noncurrent liabilities	1.66	1.80	7.44	7.66	9.10	9.46	-0.36
Total liabilities	2.02	2.25	8.15	8.47	10.17	10.72	-0.55
Net assets:							
Invested in capital assets, net of related debt	2.75	2.19	13.79	14.03	16.54	16.22	0.32
Restricted	0.92	0.84	2.11	2.07	3.03	2.91	0.12
Unrestricted	3.44	3.81	1.31	1.33	4.75	5.14	-0.39
Total net assets	$ 7.11	$ 6.84	$ 17.21	$ 17.43	$ 24.32	$ 24.27	$ 0.05

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 $24.3 million at the close of fiscal year 2008-2009. 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 ($16.5 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'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.

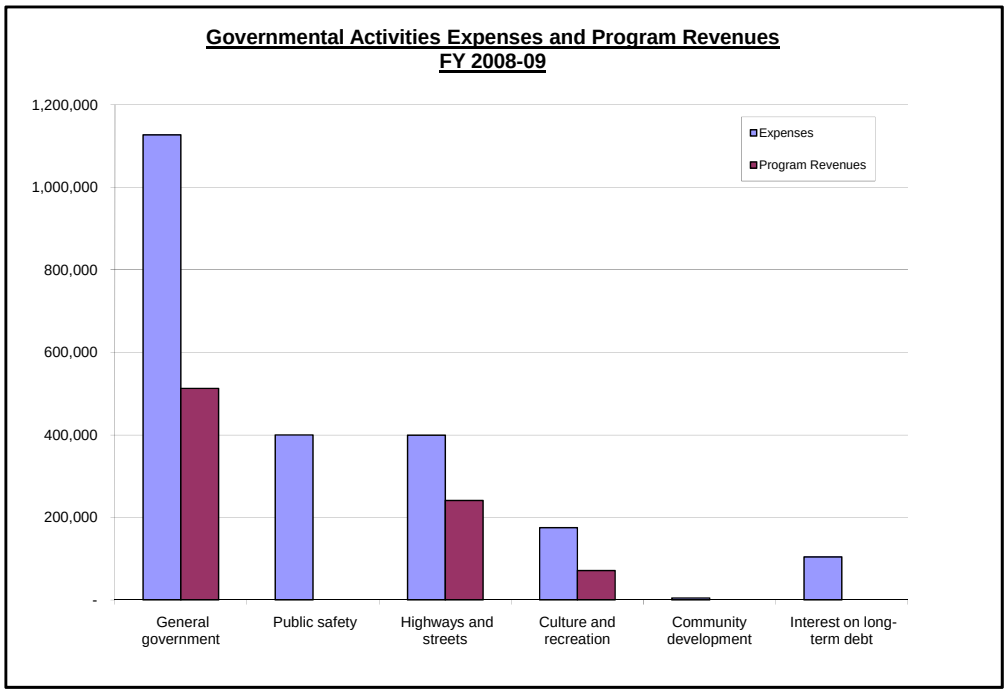
Restricted net assets total $3.0 million and represent cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance are unrestricted net assets ($4.7 million or 20%) may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities:
Total net assets of the City increased by $.05 million in the current fiscal year. Governmental activities net assets increased by approximately $.27 million, and business-type activities decreased by approximately $.22 million.

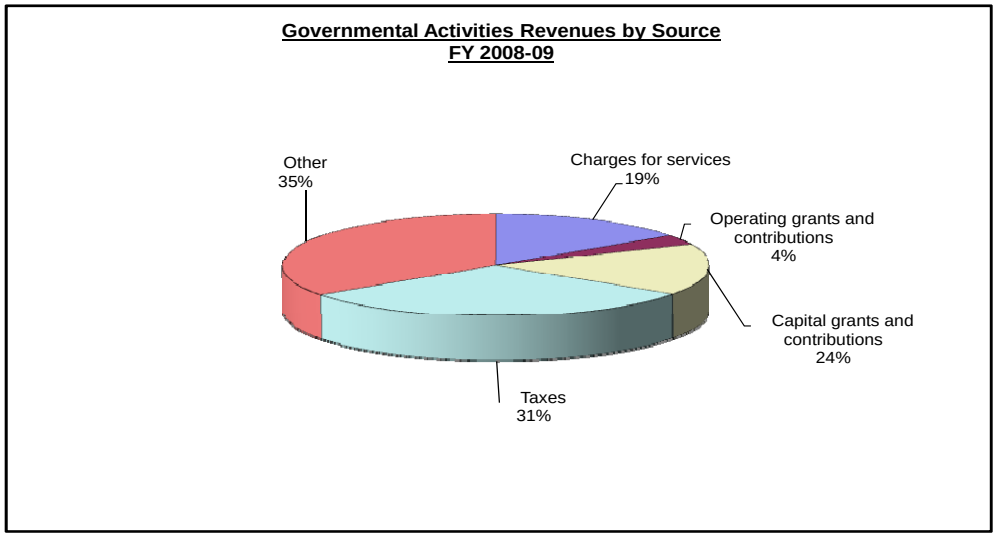
Table 2
City of Sisters' Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Change
Revenues:	2009	2008	2009	2008	2009	2008	+ (-)
Program revenues:							
Charges for services	$ 364,027	$ 543,875	$ 1,327,869	$ 1,605,003	$ 1,691,896	$ 2,148,878	$ (456,982)
Operating grants and contributions	75,518	132,802	9,810	-	85,328	132,802	(47,474)
Capital grants and contributions	385,350	695,780	178,783	759,531	564,133	1,455,311	(891,178)
General revenues:							
Property Taxes	735,578	681,096	-	-	735,578	681,096	54,482
Contributed revenue	-	-	-	-	-	-	-
Other	831,426	874,412	81,203	205,431	912,629	1,079,843	(167,214)
Total revenues	$ 2,391,899	$ 2,927,965	$ 1,597,665	$ 2,569,965	$ 3,989,564	$ 5,497,930	$ (1,508,366)
Expenses:							
General government	$ 1,127,143	$ 1,154,608	$ -	$ -	$ 1,127,143	$ 1,154,608	$ (27,465)
Public safety	400,014	393,254	-	-	400,014	393,254	6,760
Highways and streets	399,322	423,513	-	-	399,322	423,513	(24,191)
Culture and recreation	174,930	160,518	-	-	174,930	160,518	14,412
Community development	4,863	24,338	-	-	4,863	24,338	(19,475)
Interest on long-term debt	104,393	91,435	-	-	104,393	91,435	12,958
Water	-	-	578,430	540,337	578,430	540,337	38,093
Sewer	-	-	1,085,297	1,032,411	1,085,297	1,032,411	52,886
Refuse	-	-	64,589	436,092	64,589	436,092	(371,503)
Total expenses	$ 2,210,665	$ 2,247,666	$ 1,728,316	$ 2,008,840	$ 3,938,981	$ 4,256,506	$ (317,525)
Increase in net assets before transfers	$ 181,234	$ 680,299	$ (130,651)	$ 561,125	$ 50,583	$ 1,241,424	$ (1,190,841)
Transfers	90,000	3,793	(90,000)	(3,793)	-	-	-
Change in net assets	271,234	684,092	(220,651)	557,332	50,583	1,241,424	(1,190,841)
Net assets, July 1	6,840,867	4,631,542	17,427,419	13,222,893	24,268,286	17,854,435	6,413,851
Prior period adjustment	-	1,525,233	-	3,647,195	-	5,172,428	(5,172,428)
Net assets, June 30	$ 7,112,101	$ 6,840,867	$ 17,206,768	$ 17,427,420	$ 24,318,869	$ 24,268,287	$ 50,582

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

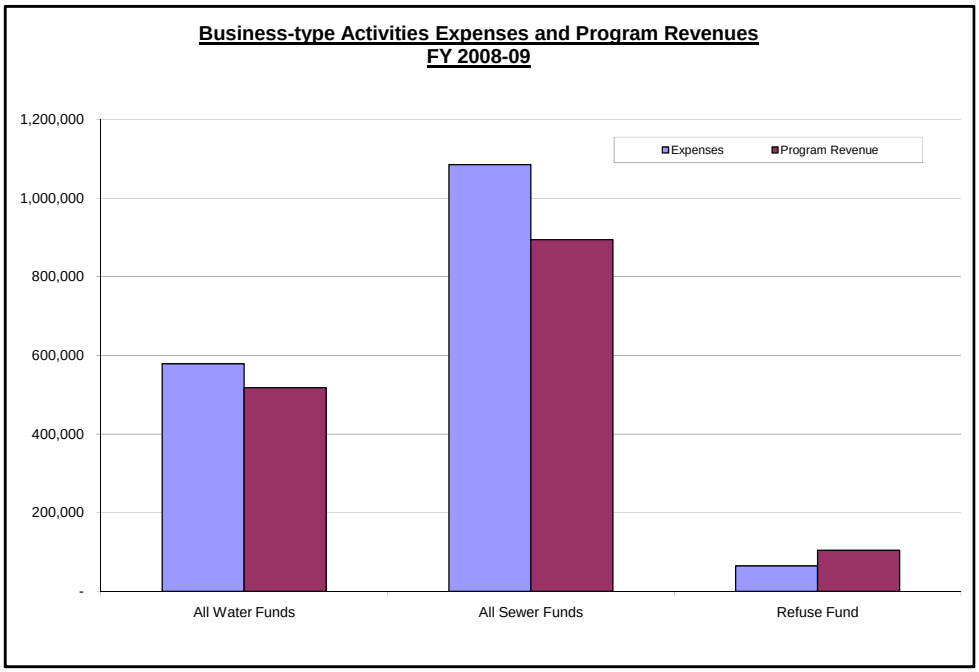


The next chart shows the share of revenues supporting governmental activities.

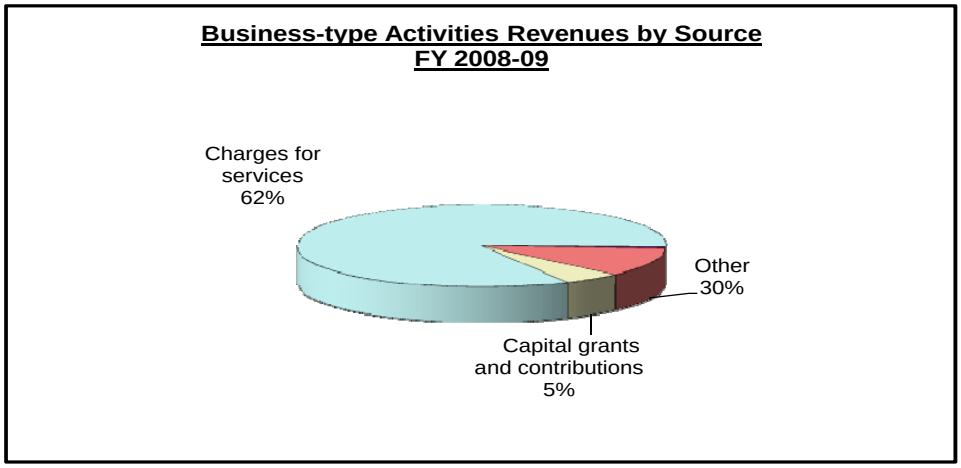


Business-type Activities decreased the City's net assets by $.22 million.

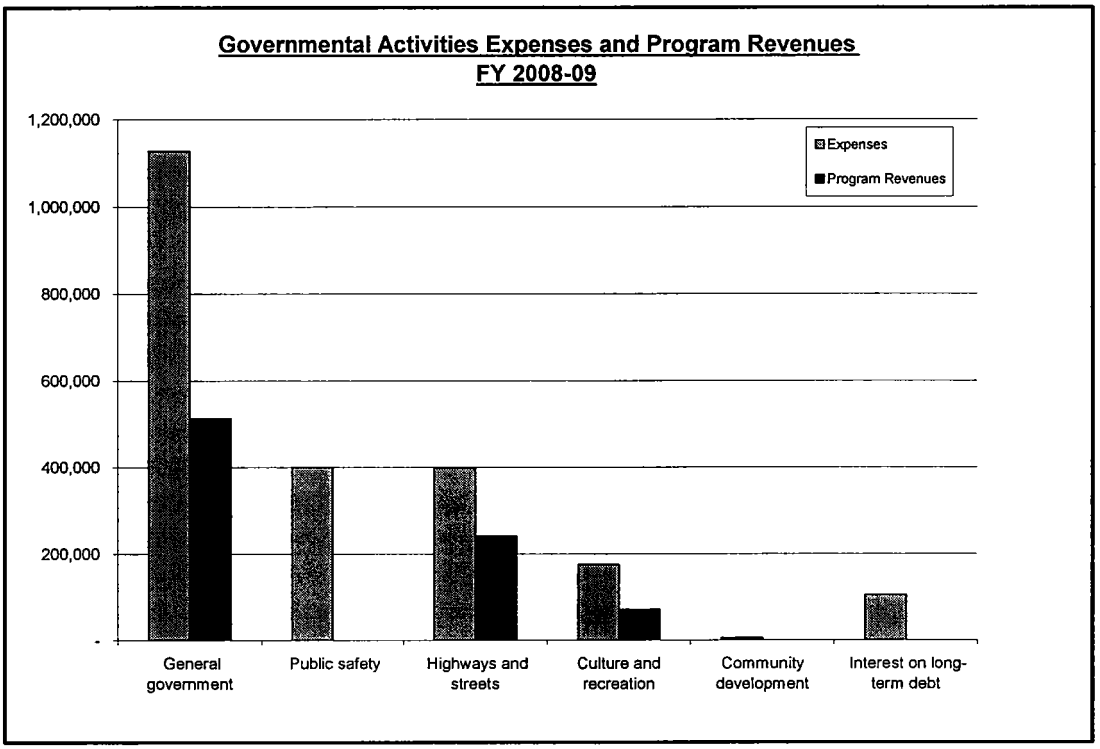
The following chart compares charges for services program revenue to expenses by business-type activity for the audited fiscal year.



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



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



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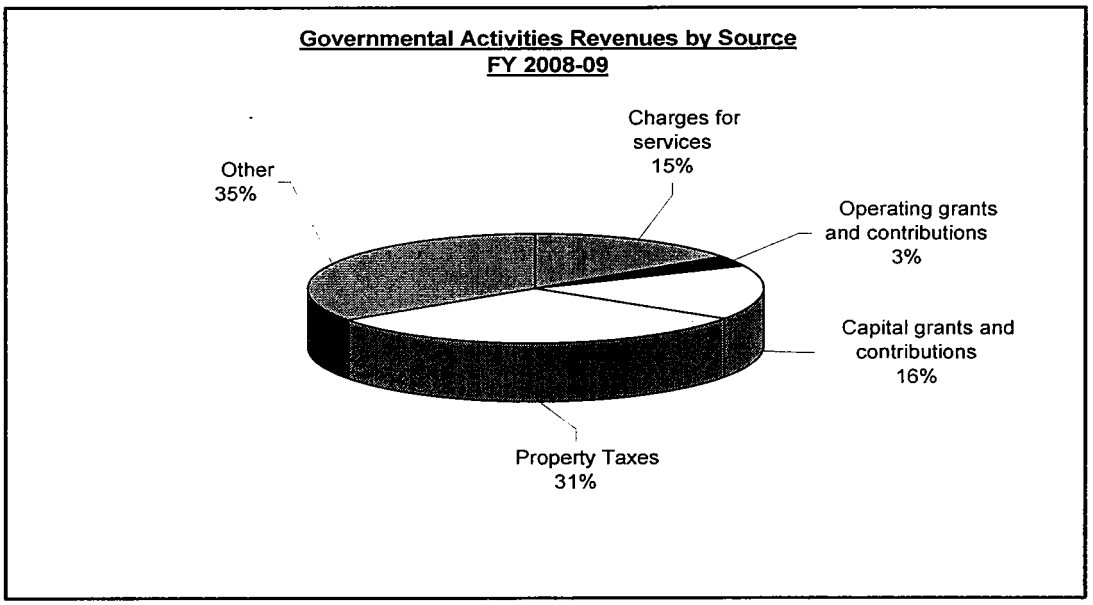

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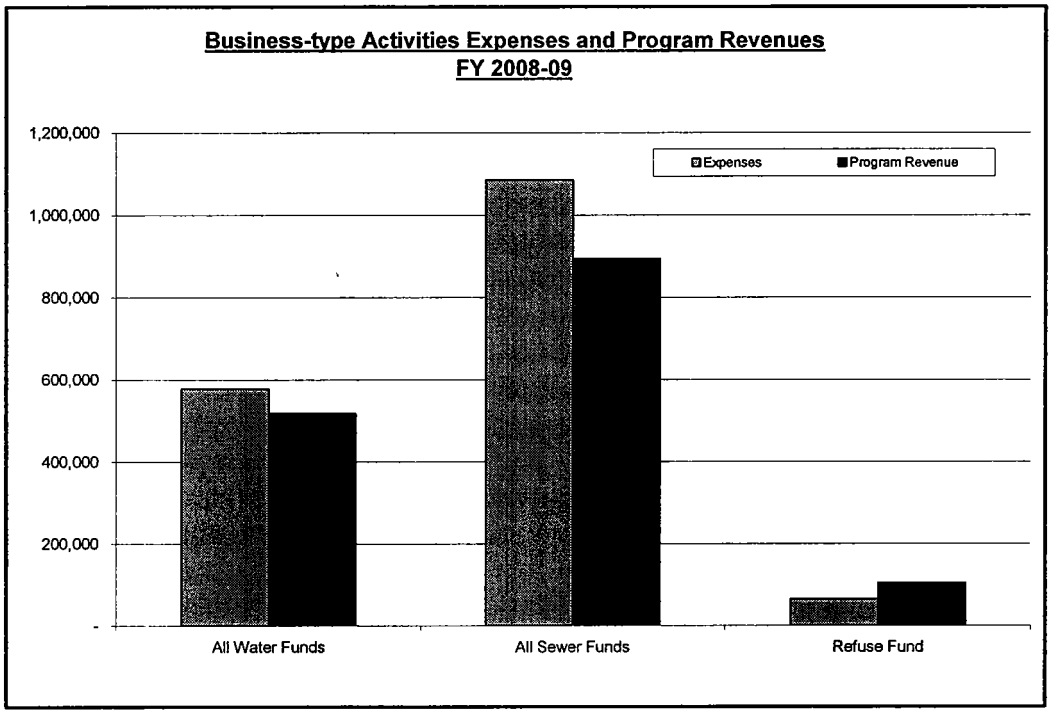
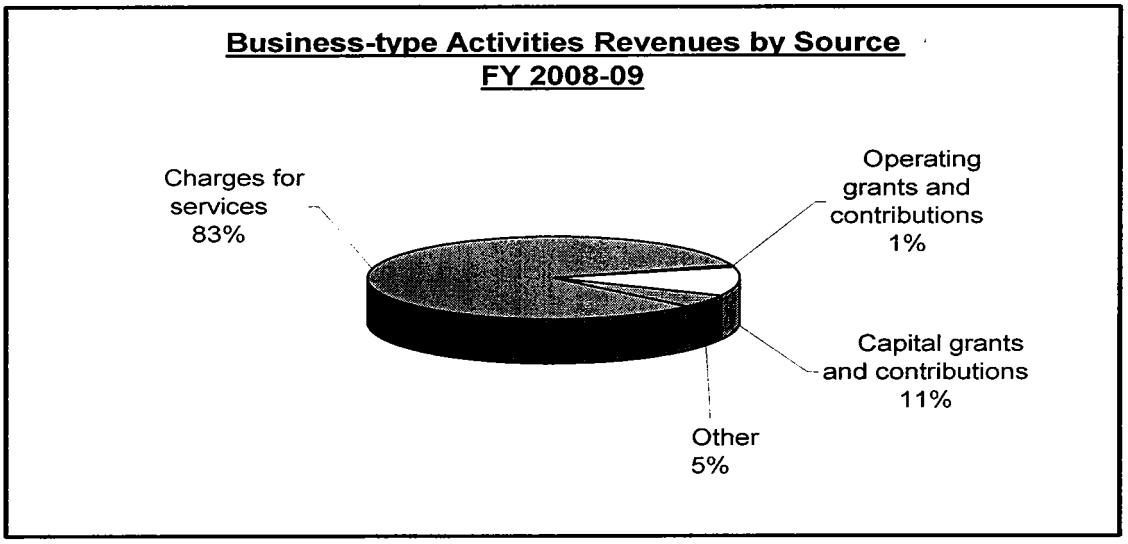


The following chart shows that 83% of revenues for business-type activities are generated from charges for services rendered.



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 $4.3 million. Approximately $3.2 million or 74% of the balance is unreserved for spending at the City's discretion. The remainder of fund balance is reserved or designated and is not available for future discretionary spending because it has already be committed to other funds and debt service ($.37 million) and capital projects from System Development Charges ($.55 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 $1.4 million. This represents a $.18 million decrease from FY 2007-08.

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, 2009 is a negative $11,028 which is an indicator of the continued lack of resources to cover expenditures. The City has been looking at alternative funding resources; local gas tax and street utility fee vs. continued transfers from the General Fund.

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, 2009 is $64,673, 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:

All Water (including SDC)	$ 157,945	(12%)
All Sewer (including SDC)	$ 959,359	(73%)
Refuse Collection	$ 189,542	(15%)

The total proprietary fund unrestricted net assets decreased by $25,707 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund, page 8, shows the original budget, final budget, actual revenues, expenditures and transfer in and out for the fiscal year ended June 30, 2009. Revisions to the adopted budget include a $21,500 increase to material and services for unanticipated professional services.

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, 2009 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, 18% is associated with governmental activities and 82% with business-type activities. See table below.

In total, the City's capital assets decreased by $12,247 from the prior year. Governmental activities increased by $.425 million while business-type activities decreased by $.437 million. Major capital asset events during the fiscal year included the following:

- Donated iron horse sculpture valued at $250,000;
- Completion of the East Cascade alignment and Fire Station street improvements in Urban Renewal District;
- Sold Refuse Fund equipment due to franchised out solid waste collection operations;

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2009	2008	2009	2008	2009	2008	+ (-)
Land	$ 639,290	$ 639,290	$ 4,191,605	$ 4,191,605	$ 4,830,895	$ 4,830,895	$ -
Art and sculptures	250,000	-	-	-	250,000	-	250,000
Construction in progress	76,476	346,176	134,077	78,618	210,553	424,794	(214,241)
Buildings	2,006,254	2,061,137	539,009	549,450	2,545,263	2,610,587	(65,324)
Improvements, others than buildings	1,428,688	846,141	16,406,731	16,795,996	17,835,419	17,642,137	193,282
Equipment	151,508	234,221	179,781	273,032	331,289	507,253	(175,964)
Total	$ 4,552,216	$ 4,126,965	$ 21,451,203	$ 21,888,701	$ 26,003,419	$ 26,015,666	$ 12,247

Additional information on the City's capital assets can be found in the notes to the basic financial statements in note III. C. on pages 26 and 27.

Long-term debt. At the end of the current fiscal year, the City had outstanding long-term debt of $9.4 million. Of this amount, $1.8 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 $5.1 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 $2.5 million of total debt outstanding.

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
	2009	2008	2009	2008	2009	2008	+ (-)
General obligation bonds	$ 1.8	$ 1.9	$ -	$ -	$ 1.8	$ 1.9	$ (0.1)
Revenue bonds	-	-	5.1	5.2	5.1	5.2	(0.1)
Notes and Contracts Payable	-	-	2.5	2.7	2.5	2.7	(0.2)
Total	$ 1.8	$ 1.9	$ 7.6	$ 7.9	$ 9.4	$ 9.8	$ (0.4)

During the fiscal year ended June 30, 2009 all scheduled debt payments were met. No new debt was issued during the fiscal year 2008/09.

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 $1.8 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 28 to 30.

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, 2009, the total budget operating contingency is $5.2 million include $4.6 million set aside for new development and future construction or equipment replacement and $.6 million is available for operating contingencies.

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 2009-2010 budget:

It was assumed that property tax revenues to the City will increase by 4.5% over FY 2009-10 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 1.5% increase in added value.

The City's current **population** is 1,875. It is assumed that during the upcoming fiscal year the City's population will increase 1.0%. 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% merit adjustment for all employees which are tied to performance.

It was assumed that **medical benefit** premiums will increase approximately 14%. The City budgets the full premium cost of all city employees.

The City's employer contribution rate to the **Public Employee Retirement System (PERS)** is 10.23% and 9.3% of employee salaries for Tier 1/Tier 2 and Oregon Public Service Retirement Plan (OPSRP) General Service respectively. The employee contribution rate is not anticipated to change until July 2011.

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

- Property and casualty insurance will decrease by 10.0%;
- 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. The City of Sisters Urban Renewal Agency has issued a separated report, which is available to those who are interested. If you have questions about the report or need addition information, please contact the City's Finance Director, Lisa Young at City of Sisters, P.O. Box 39, Sisters, Oregon 97759, or via email to lyoung@ci.sisters.or.us.

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BASIC FINANCIAL STATEMENTS

CITY OF SISTERS, OREGON
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,463,079	$ 1,602,046	$ 5,065,125
Receivables:			
Accounts, net	50,959	113,460	164,419
Intergovernmental	39,236	11,910	51,146
Property taxes	75,657	-	75,657
Assessments	45,305	49,260	94,565
Interest	1,854	1,574	3,428
Inventories	-	19,600	19,600
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	902,124	2,106,749	3,008,873
Capital assets:			
Land	639,290	4,191,605	4,830,895
Art and sculptures	250,000	-	250,000
Construction in progress	76,476	134,077	210,553
Depreciable assets, net of depreciation	3,586,450	17,125,521	20,711,971
Total assets	9,130,430	25,355,802	34,486,232
LIABILITIES			
Accounts payable and accrued expenses	121,262	51,588	172,850
Deposits	2,400	140,977	143,377
Unearned revenue	52,981	53,610	106,591
Accrued interest payable	6,764	229,685	236,449
Compensated absences payable	30,234	15,144	45,378
Long-term obligations:			
Due within one year	143,397	213,321	356,718
Due in more than one year	1,661,291	7,444,709	9,106,000
Total liabilities	2,018,329	8,149,034	10,167,363
NET ASSETS			
Invested in capital assets, net of related debt	2,747,528	13,793,173	16,540,701
Restricted for:			
Debt service	368,628	282,299	650,927
Highways and streets	553,496	-	553,496
System development	-	1,824,450	1,824,450
Unrestricted	3,442,449	1,306,846	4,749,295
Total net assets	$ 7,112,101	$ 17,206,768	$ 24,318,869

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

CITY OF SISTERS, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Change in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 1,127,143	$ 258,554	$ 4,200	$ 250,000	$ (614,389)	$ -	$ (614,389)
Public safety	400,014	-	-	-	(400,014)	-	(400,014)
Culture and recreation	174,930	59,446	-	11,647	(103,837)	-	(103,837)
Community development	4,863	-	-	-	(4,863)	-	(4,863)
Highways and streets	399,322	46,027	71,318	123,703	(158,274)	-	(158,274)
Interest on long-term obligations	104,393	-	-	-	(104,393)	-	(104,393)
Total governmental activities	2,210,665	364,027	75,518	385,350	(1,385,770)	-	(1,385,770)
Business-type activities:							
Water	578,430	425,632	9,810	82,420	-	(60,568)	(60,568)
Refuse	64,589	104,281	-	-	-	39,692	39,692
Sewer	1,085,297	797,956	-	96,363	-	(190,978)	(190,978)
Total business-type activitie	1,728,316	1,327,869	9,810	178,783	-	(211,854)	(211,854)
Total primary government	$ 3,938,981	$ 1,691,896	$ 85,328	$ 564,133	(1,385,770)	(211,854)	(1,597,624)
	General revenues:						
	Property taxes levied for:						
	General purposes				735,578	-	735,578
	Debt service				132,531	-	132,531
	Franchise and public services taxes				582,943	-	582,943
	Interest and investment earnings				112,535	81,203	193,738
	Miscellaneous				3,417	-	3,417
	Transfers				90,000	(90,000)	-
	Total general revenues, special items, and transfers				1,657,004	(8,797)	1,648,207
	Change in net assets				271,234	(220,651)	50,583
	Net assets, beginning				6,840,867	17,427,419	24,268,286
	Net assets, ending				$ 7,112,101	$ 17,206,768	$ 24,318,869

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

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FUND FINANCIAL STATEMENTS

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.

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, 2009

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	$ 1,388,814	$ 32,613	$ 67,223	$ 2,876,553	$ 4,365,203
Receivables:					
Property taxes	64,511	-	-	11,146	75,657
Accounts	50,959	-	-	-	50,959
Interest	590	14	29	1,221	1,854
Intergovernmental	21,161	18,075	-	-	39,236
Assessments	-	-	-	45,305	45,305
Advances to other funds	200,000	-	-	-	200,000
Total assets	$ 1,726,035	$ 50,702	$ 67,252	$ 2,934,225	$ 4,778,214
LIABILITIES					
Accounts payable and accrued liabilities	$ 66,127	$ 45,872	$ 2,579	$ 6,684	$ 121,262
Deposits	2,400	-	-	-	2,400
Deferred revenue	81,987	15,858	-	56,141	153,986
Advances from other funds	-	-	-	200,000	200,000
Total liabilities	150,514	61,730	2,579	262,825	477,648
FUND BALANCES (DEFICIT)					
Reserved for:					
Advances to other funds	200,000	-	-	-	200,000
Debt service	-	-	-	368,628	368,628
Highways and streets	-	-	-	553,496	553,496
Unreserved, reported in:					
Major funds	1,375,521	(11,028)	64,673	-	1,429,166
Special revenue funds	-	-	-	1,749,276	1,749,276
Total fund balances	1,575,521	(11,028)	64,673	2,671,400	4,300,566
Total liabilities and fund balances	$ 1,726,035	$ 50,702	$ 67,252	$ 2,934,225	$ 4,778,214

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, 2009

Fund balances - total governmental funds	$ 4,300,566
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activites are not financial resources, and, therefore, are not reported in the funds	4,552,216
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	101,005
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(30,234)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(6,764)
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.	(1,804,688)
Net assets of governmental activities	$ 7,112,101

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 BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	$ 709,934	$ -	$ -	$ 127,641	$ 837,575
Other taxes	280,279	-	-	-	280,279
Franchise fees	197,880	56,242	-	-	254,122
Licenses and fees	262,797	40,199	-	14,999	317,995
Charges for services	22,475	-	-	-	22,475
Intergovernmental	48,028	71,318	-	-	119,346
Fines and forfeitures	2,729	-	-	-	2,729
System development charges	-	-	-	123,427	123,427
Rental income	15,000	-	-	-	15,000
Interest on investments	53,712	1,564	4,728	52,532	112,536
Miscellaneous	3,417	5,827	-	-	9,244
TOTAL REVENUES	1,596,251	175,150	4,728	318,599	2,094,728
EXPENDITURES					
Current:					
General government	952,762	-	-	-	952,762
Public safety	400,014	-	-	-	400,014
Culture and recreation	170,978	-	-	-	170,978
Community development	-	-	4,863	-	4,863
Highways and streets	-	310,037	-	48,449	358,486
Capital outlay	-	17,386	306,972	63,763	388,121
Debt service	-	-	-	241,997	241,997
TOTAL EXPENDITURES	1,523,754	327,423	311,835	354,209	2,517,221
REVENUES OVER (UNDER) EXPENDITURES	72,497	(152,273)	(307,107)	(35,610)	(422,493)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	-	640,610	740,610
Transfers out	(403,000)	-	-	(247,610)	(650,610)
TOTAL OTHER FINANCING SOURCES (USES)	(403,000)	100,000	-	393,000	90,000
NET CHANGE IN FUND BALANCE	(330,503)	(52,273)	(307,107)	357,390	(332,493)
FUND BALANCE, Beginning	1,906,024	41,245	371,780	2,314,010	4,633,059
FUND BALANCE, Ending	$ 1,575,521	$ (11,028)	$ 64,673	$ 2,671,400	$ 4,300,566

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, 2009

Net change in fund balance - governmental funds		$ (332,493)
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		47,171
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.		137,054
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		(6,300)
Change in accrued interest payable		550
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	$ 654,202	
Depreciation expense	(228,950)	
		425,252
Change in net assets - governmental activities		$ 271,234

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 (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 727,000	$ 727,000	$ 709,934	$ (17,066)
Other taxes	200,000	200,000	280,279	80,279
Franchise fees	167,000	167,000	197,880	30,880
Licenses and fees	427,500	427,500	262,797	(164,703)
Charges for services	73,750	73,750	22,475	(51,275)
Intergovernmental	86,900	86,900	48,028	(38,872)
Fines and forfeitures	7,000	7,000	2,729	(4,271)
Rental income	16,200	16,200	15,000	(1,200)
Interest on investments	50,000	50,000	53,712	3,712
Miscellaneous	-	-	3,417	3,417
TOTAL REVENUES	1,755,350	1,755,350	1,596,251	(159,099)
EXPENDITURES				
Current:				
General government	1,108,052	1,129,552	952,762	176,790
Public safety	400,114	400,114	400,014	100
Culture and recreation	187,452	187,452	170,978	16,474
Contingency	1,381,049	1,381,049	-	1,381,049
TOTAL EXPENDITURES	3,076,667	3,098,167	1,523,754	1,574,413
REVENUES OVER (UNDER) EXPENDITURES	(1,321,317)	(1,342,817)	72,497	1,415,314
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	150,000	150,000	150,000	-
Transfers out	(403,000)	(403,000)	(403,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(253,000)	(253,000)	(253,000)	-
NET CHANGE IN FUND BALANCE	(1,574,317)	(1,595,817)	(180,503)	1,415,314
Budgetary basis adjustment	-	-	(150,000)	(150,000)
FUND BALANCE, Beginning	1,574,317	1,595,817	1,906,024	310,207
FUND BALANCE, Ending	$ -	$ -	$ 1,575,521	$ 1,575,521

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Other taxes	$ 75,000	$ 75,000	$ -	$ (75,000)
Franchise fees	55,000	55,000	56,242	1,242
Licenses and fees	72,000	72,000	40,199	(31,801)
Intergovernmental	70,700	70,700	71,318	618
Interest on investments	4,000	4,000	1,564	(2,436)
Miscellaneous	-	-	5,827	5,827
TOTAL REVENUES	276,700	276,700	175,150	(101,550)
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	157,490	157,490	147,459	10,031
Materials and services	171,100	171,100	162,578	8,522
Capital outlay	2,000	7,000	17,386 **	(10,386)
Contingency	108,972	103,972	-	103,972
TOTAL EXPENDITURES	439,562	439,562	327,423	112,139
REVENUES OVER (UNDER) EXPENDITURES	(162,862)	(162,862)	(152,273)	10,589
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	100,000	-
NET CHANGE IN FUND BALANCE	(62,862)	(62,862)	(52,273)	10,589
FUND BALANCE, Beginning	62,862	62,862	41,245	(21,617)
FUND BALANCE, Ending	$ -	$ -	$ (11,028)	$ (11,028)

**Exempt from Oregon Budget Law

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 20,000	$ 20,000	$ 4,728	$ (15,272)
TOTAL REVENUES	20,000	20,000	4,728	(15,272)
EXPENDITURES				
Current:				
Community development:				
Materials and services	4,390	4,390	4,863	(473)
Capital outlay	420,500	420,500	306,972	113,528
TOTAL EXPENDITURES	424,890	424,890	311,835	113,055
REVENUES OVER (UNDER) EXPENDITURES	(404,890)	(404,890)	(307,107)	97,783
NET CHANGE IN FUND BALANCE	(404,890)	(404,890)	(307,107)	97,783
FUND BALANCE, Beginning	404,890	404,890	371,780	(33,110)
FUND BALANCE, Ending	$ -	$ -	$ 64,673	$ 64,673

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

FUND FINANCIAL STATEMENTS

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, 2009

	Business - type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	All Water Funds	All Sewer Funds	Refuse Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 263,819	$ 1,149,621	$ 188,606	$ 1,602,046
Receivables:				
Accounts, net	39,460	73,145	855	113,460
Intergovernmental	11,910	-	-	11,910
Assessments	-	49,260	-	49,260
Interest	628	865	81	1,574
Inventories	19,600	-	-	19,600
Total current assets	335,417	1,272,891	189,542	1,797,850
Noncurrent assets:				
Restricted cash and cash equivalents	1,218,623	888,126	-	2,106,749
Capital assets:				
Land	10,022	4,181,583	-	4,191,605
Construction in progress	59,263	74,814	-	134,077
Depreciable assets, net of depreciation	4,945,711	11,606,835	572,975	17,125,521
Total noncurrent assets	6,233,619	16,751,358	572,975	23,557,952
Total assets	$ 6,569,036	$ 18,024,249	$ 762,517	$ 25,355,802
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 28,123	$ 23,465	$ -	$ 51,588
Accrued interest payable	-	229,685	-	229,685
Deposits	140,977	-	-	140,977
Unearned revenue	350	53,260	-	53,610
Compensated absences payable	8,022	7,122	-	15,144
Current portion of long-term debt	-	213,321	-	213,321
Total current liabilities	177,472	526,853	-	704,325
Long-term debt, net of current portion:				
Notes and contracts payable	-	2,413,223	-	2,413,223
Bonds payable	-	5,031,486	-	5,031,486
Total long-term debt, net of current portion	-	7,444,709	-	7,444,709
Total liabilities	177,472	7,971,562	-	8,149,034
Net assets:				
Invested in capital assets, net of related debt	5,014,996	8,205,202	572,975	13,793,173
Restricted for system development	1,218,623	605,827	-	1,824,450
Restricted for debt service	-	282,299	-	282,299
Unrestricted	157,945	959,359	189,542	1,306,846
Total net assets	6,391,564	10,052,687	762,517	17,206,768
Total liabilities and net assets	$ 6,569,036	$ 18,024,249	$ 762,517	$ 25,355,802

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, 2009

	Business - type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	All Water Funds	All Sewer Funds	Refuse Fund	Total
OPERATING REVENUES				
Charges for services	$ 417,135	$ 754,450	$ 104,281	$ 1,275,866
Licenses and fees	7,169	7,169	-	14,338
Rental income	-	36,000	-	36,000
Miscellaneous	1,328	337	-	1,665
TOTAL OPERATING REVENUES	425,632	797,956	104,281	1,327,869
OPERATING EXPENSES				
Personal services	239,590	221,247	64,113	524,950
Materials and services	189,105	209,386	59,925	458,416
Depreciation	149,735	298,006	30,461	478,202
TOTAL OPERATING EXPENSES	578,430	728,639	154,499	1,461,568
OPERATING INCOME (LOSS)	(152,798)	69,317	(50,218)	(133,699)
NON-OPERATING INCOME (EXPENSES)				
Intergovernmental	9,810	-	-	9,810
Gain (loss) on disposal of capital assets	-	-	89,910	89,910
Interest on investments	34,039	43,427	3,737	81,203
Interest expense	-	(356,658)	-	(356,658)
TOTAL NON-OPERATING INCOME (EXPENSES)	43,849	(313,231)	93,647	(175,735)
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(108,949)	(243,914)	43,429	(309,434)
CAPITAL CONTRIBUTIONS				
System development charges	82,420	96,363	-	178,783
TRANSFERS				
Transfers out	(17,000)	(56,000)	(17,000)	(90,000)
CHANGE IN NET ASSETS	(43,529)	(203,551)	26,429	(220,651)
NET ASSETS, Beginning	6,435,093	10,256,238	736,088	17,427,419
NET ASSETS, Ending	$ 6,391,564	$ 10,052,687	$ 762,517	$ 17,206,768

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, 2009

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	All Water Funds	All Sewer Funds	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 411,163	$ 799,487	$ 144,361	$ 1,355,011
Payments to suppliers	(237,445)	(235,306)	(98,406)	(571,157)
Payments to employees	(157,265)	(145,628)	(44,300)	(347,193)
Payments for interfund services used	(28,262)	(46,580)	(3,875)	(78,717)
Net cash provided from (used by) operating activities	(11,809)	371,973	(2,220)	357,944
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES				
Transfers out	(17,000)	(56,000)	(17,000)	(90,000)
Net cash provided from (used by) non-capital financing activities	(17,000)	(56,000)	(17,000)	(90,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from intergovernmental revenue	9,810	-	-	9,810
System development charges	82,420	96,363	-	178,783
Proceeds from sale of capital assets	-	-	154,500	154,500
Acquisition of capital assets	(130,131)	(67,830)	(1,022)	(198,983)
Principal paid on long-term obligations	-	(205,166)	-	(205,166)
Interest paid on long-term obligations	-	(361,029)	-	(361,029)
Net cash provided from (used by) capital and related financing activities	(37,901)	(537,662)	153,478	(422,085)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	33,411	42,562	3,656	79,629
Net cash provided (used) by investing activities	33,411	42,562	3,656	79,629
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,299)	(179,127)	137,914	(74,512)
CASH AND CASH EQUIVALENTS, Beginning	1,515,741	2,216,874	50,692	3,783,307
CASH AND CASH EQUIVALENTS, Ending	$ 1,482,442	$ 2,037,747	$ 188,606	$ 3,708,795
COMPRISED AS FOLLOWS				
Cash and cash equivalents	$ 263,819	$ 1,149,621	$ 188,606	$ 1,602,046
Restricted cash and cash equivalents	1,218,623	888,126	-	2,106,749
	$ 1,482,442	$ 2,037,747	$ 188,606	$ 3,708,795

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, 2009

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	All Water Funds	All Sewer Funds	Refuse Fund	Total
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	$ (152,798)	$ 69,317	$ (50,218)	$ (133,699)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	149,735	298,006	30,461	478,202
(Increase) decrease in assets:				
Receivables	(7,567)	(2,469)	40,080	30,044
Inventories	1	-	-	1
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	4,809	1,755	(17,215)	(10,651)
Deposits	(6,902)	-	-	(6,902)
Unearned revenues	-	4,000	-	4,000
Compensated absences payable	913	1,364	(5,328)	(3,051)
Net cash provided from (used by) operating activities	$ (11,809)	$ 371,973	$ (2,220)	$ 357,944

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The accompanying financial statements present all activities, funds and component units for which the City is considered financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this 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 non-fiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-types activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items

not properly included among program revenues are reported instead as general revenues.

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

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

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

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.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered measurable and available when received

by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The City reports the following major governmental funds:

The *General Fund* 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 *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 *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 Refuse Funds and represents the portion of receivables not expected to be collected.

3. Inventories and Prepaid Expenses

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

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable

governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

During the year ended June 30, 2009, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amounts:

Urban Renewal Project Fund:		
Materials and services	$	473

C. Deficit Fund Balances

The Street Fund reports a deficit fund balance of $11,028. The City is looking at alternative resources (i.e. local gas tax, street utility fee or transfers) and expects the deficit to be reversed through future revenues.

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, 2009. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

Effective July 1, 2008, there were significant changes to Oregon Revised Statutes Chapter 295, which governs the collateralization of Oregon public funds. ORS 295 now requires depository institutions to pledge a percentage of their uninsured public fund deposits. The percentage required to be pledged depends on how well the depository institution is capitalized. A well-capitalized institution is required to pledge collateral valued at least 10% of their quarter-end public fund deposits, while adequately capitalized and undercapitalized bank depositories are required to pledge collateral valued at 110% of their uninsured public fund deposits. Public officials are no longer required to request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, they are required to ensure the institutions holding deposits have pledged the appropriate amount of collateral and are approved by the Office of the State Treasurer (OST). Public officials are also required to report all bank depositories in which they deposit public funds to the OST.

The City's deposits are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2009, the carrying amount of the City's deposits was $5,575,025 and the bank balance was $5,602,535. All deposits are held in the name of the City. Of the bank balance, $250,000 was covered by federal depository insurance. The remaining $5,352,535 was collateralized under ORS 295.

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

Investments. The City of Sisters has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.
In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

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

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

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

Investments held by the City at June 30, 2009 are as follows:

	Maturity	Percentage of Portfolio	Carrying Amount/ Fair Value
Local Government Investment Pool	1 day	100%	$ 2,498,273
Less amounts classified as cash equivalents			(2,498,273)
Total Investments			$ -

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

Cash on hand	$ 700
Carrying amounts of deposits	5,575,025
Local Government Investment Pool	2,498,273
Total cash and cash equivalents	$ 8,073,998
Funds:	
Governmental Activities	
General	$ 1,388,814
Street	32,613
Urban Renwal Project	67,223
Other Governmental Funds	2,876,553
Total Governmental Activities	4,365,203
Business-Type Activities	
Water	1,482,442
Refuse	188,606
Sewer	2,037,747
Total Business-Type Activities	3,708,795
Total cash and cash equivalents	$ 8,073,998

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	Renewal Project Fund	Other Governmental Funds	Total Governmental Activities
Property taxes	$ 64,511	$ -	$ -	$ 11,146	$ 75,657
Accounts	50,959	-	-	-	50,959
Interest	590	14	29	1,221	1,854
Intergovernmental	21,161	18,075	-	-	39,236
Assessments	-	-	-	45,305	45,305
	$ 137,221	$ 18,089	$ 29	$ 57,672	$ 213,011

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

	Water	Refuse	Sewer	Total Business-Type Activities
Accounts	$ 41,062	$ 2,423	$ 76,501	$ 119,986
Intergovernmental	11,910	-	-	11,910
Assessments	-	-	49,260	49,260
Interest	628	81	865	1,574
Allowance for doubtful accounts	(1,602)	(1,568)	(3,356)	(6,526)
	$ 51,998	$ 936	$ 123,270	$ 176,204

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 2008-2009, the City levied property taxes in the amount of $744,873. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of $744,901. 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 $290,783,816. 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 $134,858.

Following is a summary of property tax transactions for the year ended June 30, 2009:

	Balances July 1, 2008	2008-09 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2009
2008-09	$ -	$ 879,759	$ (2,330)	$ (19,449)	$ (806,487)	$ 51,493
2007-08	35,104	-	(730)	968	(22,611)	12,731
2006-07	7,043	-	(51)	394	(4,118)	3,268
2005-06	1,829	-	(10)	171	(1,104)	886
2004-05	651	-	(24)	103	(571)	159
2003-04	89	-	(4)	10	(39)	56
2002-03	78	-	(4)	7	(22)	59
2001-02	87	-	-	4	(8)	83
Prior years	-	-	-	-	-	-
	$ 44,881	$ 879,759	$ (3,153)	$ (17,792)	$ (834,960)	68,735
					Cash with County	6,922
					Total Receivable	$ 75,657

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 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, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	$ 639,290	$ -	$ -	$ 639,290
Art and sculptures	-	250,000	-	250,000
Construction in progress	346,176	366,580	(636,280)	76,476
Total capital assets, not being depreciated	985,466	616,580	(636,280)	965,766
Capital assets, being depreciated				
Buildings and improvements	3,475,401	16,082	-	3,491,483
Tools and equipment	538,283	-	-	538,283
Office equipment	279,914	21,540	-	301,454
Street Improvements	954,083	636,280	-	1,590,363
Total capital assets, being depreciated	5,247,681	673,902	-	5,921,583
Accumulated depreciation for:				
Buildings	(1,414,264)	(70,965)	-	(1,485,229)
Tools and equipment	(449,413)	(54,901)	-	(504,314)
Office equipment	(134,564)	(49,351)	-	(183,915)
Street Improvements	(107,942)	(53,733)	-	(161,675)
Total accumulated depreciation	(2,106,183)	(228,950)	-	(2,335,133)
Total capital assets, being depreciated, net	3,141,498	444,952	-	3,586,450
Governmental activities capital assets, net	$ 4,126,964	$ 1,061,532	$ (636,280)	$ 4,552,216

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

General government	$ 169,353
Culture and recreation	3,548
Highways and streets	56,049
Total depreciation expense - governmental activities	$ 228,950

Capital asset activity for the business-type activities for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	$ 4,191,605	$ -	$ -	$ 4,191,605
Construction in progress	78,618	55,459	-	134,077
Total capital assets, not being depreciated	4,270,223	55,459	-	4,325,682
Capital assets, being depreciated				
Buildings and improvements	576,926	1,023	-	577,949
Tools and equipment	657,451	44,852	(220,486)	481,817
Office equipment	125,935	-	-	125,935
Infrastructure	19,357,785	3,960	-	19,361,745
Total capital assets, being depreciated	20,718,097	49,835	(220,486)	20,547,446
Less accumulated depreciation for:				
Buildings and improvements	(27,476)	(11,464)	-	(38,940)
Tools and equipment	(406,964)	(63,784)	155,896	(314,852)
Office equipment	(103,390)	(9,729)	-	(113,119)
Infrastructure	(2,561,789)	(393,225)	-	(2,955,014)
Total accumulated depreciation	(3,099,619)	(478,202)	155,896	(3,421,925)
Total capital assets, being depreciated, net	17,618,478	(428,367)	(64,590)	17,125,521
Business-type activities capital assets, net	$ 21,888,701	$ (372,908)	$ (64,590)	$ 21,451,203

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

Water	$ 149,735
Refuse	30,461
Sewer	298,006
Total depreciation expense - business-type activities	$ 478,202

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end

of the current fiscal year, there was $52,980 in unearned deferred revenue for governmental activities and $53,610 for business-type activities.

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

	General	Street	Other Governmental Funds	Totals
Property taxes	$ 58,627	$ -	$ 10,108	$ 68,735
Transient room taxes	8,131	-	-	8,131
Intergovernmental	12,217	11,923	-	24,140
Unearned	3,012	3,935	46,033	52,980
	$ 81,987	$ 15,858	$ 56,141	$ 153,986

E. Long-term obligations

1. Full Faith and Credit Obligation Bonds – Governmental Activities

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

The City issued full faith and credit obligation bonds in April 2006 to finance the construction of City Hall and to pay loan costs. The bond principal is payable annually and the interest is payable semiannually at 4.8%, 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
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	203,243	20,641
2019	126,125	12,398
2020	132,180	6,344
	$ 1,804,688	$ 488,018

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 $282,299 as of June 30, 2009) until a total reserve of $312,231 is established. The total unpaid principal on these two bonds as of June 30, 2008 was $5,111,691. Future maturities of the bonds are as follows:

Year Ending June 30	Principal	Interest
2010	$ 80,205	$ 230,026
2011	83,815	226,416
2012	87,586	222,645
2013	91,527	218,704
2014	95,646	214,585
2015-2019	546,797	1,004,358
2020-2024	681,409	869,746
2025-2029	849,159	701,996
2030-2034	1,058,205	492,950
2035-2039	1,296,570	232,438
2040-2041	240,772	16,331
	$ 5,111,691	$ 4,430,195

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, 2009 was $30,031.

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, 2009 was $782,198.

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, 2009 was $209,597.

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, 2009 was $1,524,513.

Future maturities of the loans payable are as follows:

Year Ending June 30	Principal	Interest
2010	$ 133,116	$ 121,377
2011	143,048	115,133
2012	148,210	108,358
2013	153,618	101,300
2014	164,276	93,993
2015-2019	930,790	345,853
2020-2024	750,978	121,843
2025-2027	122,303	9,682
	$ 2,546,339	$ 1,017,539

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2009, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Full Faith and Credit Bonds	$ 1,941,742	$ -	$ 137,054	$ 1,804,688	$ 143,397
Compensated Absences	23,935	30,234	23,935	30,234	30,234
Governmental activity Long-term obligations	$ 1,965,677	$ 30,234	$ 160,989	$ 1,834,922	$ 173,631
Business - type activities					
Revenue Bonds Payable	$ 5,188,442	$ -	$ 76,751	$ 5,111,691	$ 80,205
Loans Payable	2,674,754	-	128,415	2,546,339	133,116
Compensated Absences	18,195	15,144	18,195	15,144	15,144
Business-type activity Long-term obligations	$ 7,881,391	$ 15,144	$ 223,361	$ 7,673,174	$ 228,465

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 in 2008 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 two 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. The unpaid principal balance at June 30, 2009 was $200,000.

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 $90,000.

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

	Transfers In	Transfers Out
Governmental activities:		
General	$ -	$ 403,000
Street	100,000	-
Urban Renewal Project	-	-
Other funds	640,610	247,610
Business-type activities:		
Water	-	17,000
Refuse	-	17,000
Sewer	-	56,000
	$ 740,610	$ 740,610

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.

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, 2009, 2008, and 2007 were $97,300, $81,568, and $63,753 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. Construction in Progress

The City is committed under various construction contracts at June 30, 2009. Major projects in progress at June 30, 2009 are as follows:

The Larch Street improvements are approximately 5% complete. Costs incurred to date are $5,463, with total estimated costs of $100,000.

The McKenzie Highway Design is approximately 29% complete. Costs incurred to date are $28,790, with total estimated costs of $100,000.

The Overnight Park improvements are approximately 52% complete. Costs incurred to date are $33,194, with total estimated costs of $64,000.

The Lazy Z effluent disposal design phase is approximately 6% complete. Costs incurred to date are $74,814, with total estimated costs of $1,345,000.

The water reservoir design is approximately 0.09% complete. Costs incurred to date are $4,436, with total estimated costs of $4,743,227.

The Tee Waterline is approximately 60% complete. Costs incurred to date are $30,128, with total estimated costs of $50,000.

The Creekside Water Loop is approximately 16% complete. Costs incurred to date are $9,441, with total estimated costs of $60,000.

The Water Well #2 project is approximately 15% complete. Costs incurred to date are $15,258, with total estimated costs of $100,000.

The Parking District Sidewalks design is approximately 4% complete. Costs incurred to date are $9,029, with total estimated costs of $240,000.

D. Subsequent Events

The City received a $17,450 grant from Oregon Parks and Recreation. The City also applied for a number of Grants including a $500,000 Safe Routes to School Grant, a $100,000 AARA Grant, a $100,000 ODOT Grant for Multi-Use Paths, and the Small Cities Allotment program Grant.

The bid for the design of the Public Works Maintenance Building was awarded to GGL for $35,000. The City also awarded the bid for the Elm Street Improvements to Robinson & Owen for $47,212, the Larch Street Improvements to Latham Excavation for $99,889, the 2009 waterline improvements to Taylor NW, LLC for a Schedule A of the Water System Improvements for $277,642, and the Schedule C Water System Improvements to Hooker Creek Companies, LLC for $31,500.

The City went out for bids for the Parking District improvements and sidewalk infill on Main Street and Hood Avenue. The bid was not awarded as of the report date but the bids were received and opened with an apparent low bid of $238,000.

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SUPPLEMENTAL INFORMATION

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COMBINING STATEMENTS

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.

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

- *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.

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

- *City Hall 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.

- *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, 2009

	Special Revenue				Debt Service		
	Reserve Fund	Transportation SDC Fund	Park Development Fund	Park-In-Lieu District Fund	City Hall Remodel Fund	Urban Renewal Debt Service Fund	Totals
ASSETS							
Cash and cash equivalents	$ 1,387,348	$ 553,261	$ 121,250	$ 247,345	$ 13,621	$ 553,728	$ 2,876,553
Receivables:							
Property taxes	-	-	-	-	-	11,146	11,146
Interest	589	235	51	105	6	235	1,221
Assessments	-	-	-	45,305	-	-	45,305
Total assets	$ 1,387,937	$ 553,496	$ 121,301	$ 292,755	$ 13,627	$ 565,109	$ 2,934,225
LIABILITIES							
Accounts payable and accrued liabilities	$ 6,684	$ -	$ -	$ -	$ -	$ -	$ 6,684
Deferred revenue	-	-	-	46,033	-	10,108	56,141
Advances from other funds	-	-	-	-	-	200,000	200,000
Total liabilities	6,684	-	-	46,033	-	210,108	262,825
FUND BALANCES							
Reserved for:							
Debt service	-	-	-	-	13,627	355,001	368,628
Highways and streets	-	553,496	-	-	-	-	553,496
Unreserved, reported in:							
Special revenue funds	1,381,253	-	121,301	246,722	-	-	1,749,276
Total fund balances	1,381,253	553,496	121,301	246,722	13,627	355,001	2,671,400
Total liabilities and fund balances	$ 1,387,937	$ 553,496	$ 121,301	$ 292,755	$ 13,627	$ 565,109	$ 2,934,225

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, 2009

	Special Revenue				Debt Service		
	Reserve Fund	Transportation SDC Fund	Park Development Fund	Park-In-Lieu District Fund	City Hall Remodel Fund	Urban Renewal Debt Service Fund	Totals
REVENUES							
Property taxes	$ -	$ -	$ -	$ -	$ -	$127,641	$ 127,641
Licenses and fees	-	-	-	14,999	-	-	14,999
System development charges	-	111,780	11,647	-	-	-	123,427
Interest on investments	19,137	8,929	2,281	4,894	5,196	12,095	52,532
TOTAL REVENUES	19,137	120,709	13,928	19,893	5,196	139,736	318,599
EXPENDITURES							
Current:							
Highways and streets	-	48,449	-	-	-	-	48,449
Capital outlay	54,734	-	-	9,029	-	-	63,763
Debt service	-	-	-	-	138,349	103,648	241,997
TOTAL EXPENDITURES	54,734	48,449	-	9,029	138,349	103,648	354,209
REVENUES OVER (UNDER) EXPENDITURES	(35,597)	72,260	13,928	10,864	(133,153)	36,088	(35,610)
OTHER FINANCING SOURCES							
Transfers in	501,610	-	-	-	139,000	-	640,610
Transfers out	-	-	-	-	(247,610)	-	(247,610)
TOTAL OTHER FINANCING SOURCES (USES)	501,610	-	-	-	(108,610)	-	393,000
NET CHANGE IN FUND BALANCE	466,013	72,260	13,928	10,864	(241,763)	36,088	357,390
FUND BALANCE, Beginning	915,240	481,236	107,373	235,858	255,390	318,913	2,314,010
FUND BALANCE, Ending	$1,381,253	$ 553,496	$ 121,301	$ 246,722	$ 13,627	$355,001	$2,671,400

See auditor's report.

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BUDGETARY COMPARISON SCHEDULES

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, 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 (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT

- **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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Administration	$ 258,735	$ 280,235	$ 267,085	$ 13,150
Maintenance	105,926	105,926	103,335	2,591
Parks	187,452	187,452	170,978	16,474
Police	400,114	400,114	400,014	100
Planning	602,191	602,191	472,672	129,519
Support services	544,200	544,200	512,670	31,530
Contingency	1,381,049	1,381,049	-	1,381,049
TOTAL EXPENDITURES AND TRANSFERS	$ 3,479,667	$ 3,501,167	$ 1,926,754	$ 1,574,413

See auditor's report.

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

Governmental Funds

Special Revenue Funds

- Reserve
- Transportation SDC
- Park Development
- Park In-Lieu District

Debt Service Funds

- City Hall Remodel
- 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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 38,000	$ 38,000	$ 19,137	$ (18,863)
TOTAL REVENUES	38,000	38,000	19,137	(18,863)
EXPENDITURES				
Capital outlay	130,500	130,500	54,734	75,766
Contingency	1,330,672	1,330,672	-	1,330,672
TOTAL EXPENDITURES	1,461,172	1,461,172	54,734	1,406,438
REVENUES OVER (UNDER) EXPENDITURES	(1,423,172)	(1,423,172)	(35,597)	1,387,575
OTHER FINANCING SOURCES (USES)				
Transfers in	501,610	501,610	501,610	-
Transfers out	(30,000)	(30,000)	-	30,000
TOTAL OTHER FINANCING SOURCES (USES)	471,610	471,610	501,610	30,000
NET CHANGE IN FUND BALANCE	(951,562)	(951,562)	466,013	1,417,575
FUND BALANCE, Beginning	951,562	951,562	915,240	(36,322)
FUND BALANCE, Ending	$ -	$ -	$ 1,381,253	$ 1,381,253

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION SDC FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
System development charges	$ 600,000	$ 600,000	$ 111,780	$ (488,220)
Interest on investments	30,000	30,000	8,929	(21,071)
TOTAL REVENUES	630,000	630,000	120,709	(509,291)
EXPENDITURES				
Current:				
Highways and streets:				
Materials and services	87,000	87,000	48,449	38,551
Contingency	1,025,554	1,025,554	-	1,025,554
TOTAL EXPENDITURES	1,112,554	1,112,554	48,449	1,064,105
REVENUES OVER (UNDER) EXPENDITURES	(482,554)	(482,554)	72,260	554,814
NET CHANGE IN FUND BALANCE	(482,554)	(482,554)	72,260	554,814
FUND BALANCE, Beginning	482,554	482,554	481,236	(1,318)
FUND BALANCE, Ending	$ -	$ -	$ 553,496	$ 553,496

See auditor's report.

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 100,000	$ 100,000	$ -	$ (100,000)
System development charges	10,000	10,000	11,647	1,647
Interest on investments	1,700	1,700	2,281	581
TOTAL REVENUES	111,700	111,700	13,928	(97,772)
EXPENDITURES				
Capital outlay	100,000	100,000	-	100,000
Contingency	118,220	118,220	-	118,220
TOTAL EXPENDITURES	218,220	218,220	-	218,220
REVENUES OVER (UNDER) EXPENDITURES	(106,520)	(106,520)	13,928	120,448
NET CHANGE IN FUND BALANCE	(106,520)	(106,520)	13,928	120,448
FUND BALANCE, Beginning	106,520	106,520	107,373	853
FUND BALANCE, Ending	$ -	$ -	$ 121,301	$ 121,301

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 16,000	$ 16,000	$ 14,999	$ (1,001)
Interest on investments	9,000	9,000	4,894	(4,106)
TOTAL REVENUES	25,000	25,000	19,893	(5,107)
EXPENDITURES				
Capital outlay	267,633	267,633	9,029	258,604
TOTAL EXPENDITURES	267,633	267,633	9,029	258,604
REVENUES OVER (UNDER) EXPENDITURES	(242,633)	(242,633)	10,864	253,497
NET CHANGE IN FUND BALANCE	(242,633)	(242,633)	10,864	253,497
FUND BALANCE, Beginning	242,633	242,633	235,858	(6,775)
FUND BALANCE, Ending	$ -	$ -	$ 246,722	$ 246,722

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 500	$ 500	$ 5,196	$ 4,696
TOTAL REVENUES	500	500	5,196	4,696
EXPENDITURES				
Debt service	139,500	139,500	138,349	1,151
TOTAL EXPENDITURES	139,500	139,500	138,349	1,151
REVENUES OVER (UNDER) EXPENDITURES	(139,000)	(139,000)	(133,153)	5,847
OTHER FINANCING SOURCES (USES)				
Transfers in	139,000	139,000	139,000	-
Transfers out	(247,610)	(247,610)	(247,610)	-
TOTAL OTHER FINANCING SOURCES (USES)	(108,610)	(108,610)	(108,610)	-
NET CHANGE IN FUND BALANCE	(247,610)	(247,610)	(241,763)	5,847
FUND BALANCE, Beginning	247,610	247,610	255,390	7,780
FUND BALANCE, Ending	$ -	$ -	$ 13,627	$ 13,627

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 125,450	$ 125,450	$ 127,641	$ 2,191
Interest on investments	2,500	2,500	12,095	9,595
TOTAL REVENUES	127,950	127,950	139,736	11,786
EXPENDITURES				
Debt service	235,600	253,800	253,648	152
Contingency	576,652	558,452	-	558,452
TOTAL EXPENDITURES	812,252	812,252	253,648	558,604
REVENUES OVER (UNDER) EXPENDITURES	(684,302)	(684,302)	(113,912)	570,390
NET CHANGE IN FUND BALANCE	(684,302)	(684,302)	(113,912)	570,390
Budgetary basis adjustment	-	-	150,000	150,000
FUND BALANCE, Beginning	684,302	684,302	318,913	(365,389)
FUND BALANCE, Ending	$ -	$ -	$ 355,001	$ 355,001

See auditor's report.

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

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ -	$ -	$ 7,169	$ 7,169
Charges for services	509,000	509,000	417,135	(91,865)
Intergovernmental	-	-	9,810	9,810
Interest on investments	12,000	12,000	6,136	(5,864)
Miscellaneous	-	-	1,328	1,328
TOTAL REVENUES	521,000	521,000	441,578	(79,422)
EXPENDITURES				
Current:				
Personal services	261,538	261,538	238,678	22,860
Materials and services	254,060	254,060	188,851	65,209
Capital outlay	-	4,500	4,309	191
Contingency	101,404	101,404	-	101,404
TOTAL EXPENDITURES	617,002	621,502	431,838	189,664
REVENUES OVER (UNDER) EXPENDITURES	(96,002)	(100,502)	9,740	110,242
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,000)	(17,000)	(17,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(17,000)	(17,000)	(17,000)	-
NET CHANGE IN FUND BALANCE	(113,002)	(117,502)	(7,260)	110,242
FUND BALANCE, Beginning	113,002	117,502	173,227	55,725
FUND BALANCE, Ending	$ -	$ -	$ 165,967	$ 165,967

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
System development charges	$ 150,000	$ 150,000	$ 82,420	$ (67,580)
Interest on investments	68,000	68,000	27,903	(40,097)
TOTAL REVENUES	218,000	218,000	110,323	(107,677)
EXPENDITURES				
Current:				
Capital outlay	156,600	156,600	40,557	116,043
Contingency	1,276,108	1,276,108	-	1,276,108
TOTAL EXPENDITURES	1,432,708	1,432,708	40,557	1,392,151
REVENUES OVER (UNDER) EXPENDITURES	(1,214,708)	(1,214,708)	69,766	1,284,474
NET CHANGE IN FUND BALANCE	(1,214,708)	(1,214,708)	69,766	1,284,474
FUND BALANCE, Beginning	1,214,708	1,214,708	1,148,857	(65,851)
FUND BALANCE, Ending	$ -	$ -	$ 1,218,623	$ 1,218,623

See auditor's report.

CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2009

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Water	$ 165,967
Water SDC	1,218,623
	1,384,590
Adjustments:	
Capital assets, net of depreciation	5,014,996
Compensated absences	(8,022)
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	$ 6,391,564

See auditor's report.

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 431,000	$ 431,000	$ 104,281	$ (326,719)
Interest on investments	11,000	11,000	3,737	(7,263)
Miscellaneous	1,000	1,000	-	(1,000)
TOTAL REVENUES	443,000	443,000	108,018	(334,982)
EXPENDITURES				
Current:				
Personal services	193,768	193,768	69,440	124,328
Materials and services	229,004	229,004	59,925	169,079
Capital outlay	270,000	270,000	1,023	268,977
Debt service	50,000	50,000	-	50,000
Contingency	6,060	6,060	-	6,060
TOTAL EXPENDITURES	748,832	748,832	130,388	618,444
REVENUES OVER (UNDER) EXPENDITURES	(305,832)	(305,832)	(22,370)	283,462
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	154,500	154,500
Issuance of debt	240,000	240,000	-	(240,000)
Transfers in	30,000	30,000	-	(30,000)
Transfers out	(17,000)	(17,000)	(17,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	253,000	253,000	137,500	(115,500)
NET CHANGE IN FUND BALANCE	(52,832)	(52,832)	115,130	167,962
FUND BALANCE, Beginning	52,832	52,832	74,412	21,580
FUND BALANCE, Ending	$ -	$ -	189,542	$ 189,542
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			572,975	
NET ASSETS, Ending			$ 762,517	

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ -	$ -	$ 7,169	$ 7,169
Charges for services	685,500	685,500	754,450	68,950
Rental income	-	-	36,000	36,000
Interest on investments	75,000	75,000	29,173	(45,827)
Miscellaneous	-	-	337	337
TOTAL REVENUES	760,500	760,500	827,129	66,629
EXPENDITURES				
Current:				
Personal services	213,653	224,653	219,882	4,771
Materials and services	214,547	214,547	205,833	8,714
Capital outlay	53,000	53,000	48,403	4,597
Debt service	407,300	407,300	406,982	318
Contingency	1,267,954	1,256,954	-	1,256,954
TOTAL EXPENDITURES	2,156,454	2,156,454	881,100	1,275,354
REVENUES OVER (UNDER) EXPENDITURES	(1,395,954)	(1,395,954)	(53,971)	1,341,983
OTHER FINANCING SOURCES (USES)				
Transfers out	(56,000)	(56,000)	(56,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(56,000)	(56,000)	(56,000)	-
NET CHANGE IN FUND BALANCE	(1,451,954)	(1,451,954)	(109,971)	1,341,983
FUND BALANCE, Beginning	1,451,954	1,451,954	1,588,436	136,482
FUND BALANCE, Ending	$ -	$ -	$ 1,478,465	$ 1,478,465

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, 2009

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
System development charges	$ 300,000	$ 300,000	$ 96,363	$ (203,637)
Interest on investments	35,000	35,000	14,254	(20,746)
TOTAL REVENUES	335,000	335,000	110,617	(224,383)
EXPENDITURES				
Capital outlay	115,000	115,000	14,810	100,190
Debt service	159,300	159,300	159,214	86
Contingency	449,240	449,240	-	449,240
TOTAL EXPENDITURES	723,540	723,540	174,024	549,516
REVENUES OVER (UNDER) EXPENDITURES	(388,540)	(388,540)	(63,407)	325,133
NET CHANGE IN FUND BALANCE	(388,540)	(388,540)	(63,407)	325,133
FUND BALANCE, Beginning	388,540	388,540	669,234	280,694
FUND BALANCE, Ending	$ -	$ -	$ 605,827	$ 605,827

See auditor's report.

CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2009

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	$ 1,478,465
Sewer SDC	605,827
	2,084,292
Adjustments:	
Capital assets, net of depreciation	15,863,232
Compensated absences	(7,122)
Accrued interest payable	(229,685)
Long-term debt	(7,658,030)
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	$ 10,052,687

See auditor's report.

OTHER FINANCIAL SCHEDULES

CITY OF THE SISTERS, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2009

	Interest Rates	Date of Issue	Original Amount	Principal: Outstanding July 1, 2008	Principal: Issued	Principal: Matured and Paid	Principal: Outstanding June 30, 2009	Interest Matured and Paid
Governmental Funds								
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	$ 1,400,000	$ 1,241,742	$ -	$ 78,920	$ 1,162,822	$ 59,428
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	$ 700,000	700,000	-	58,134	641,866	27,314
				1,941,742	-	137,054	1,804,688	86,742
Enterprise Funds								
USDA Revenue Bond	4.50%	9/1/2000	$ 2,382,300	2,203,669	-	30,314	2,173,355	99,165
USDA Revenue Bond	4.50%	9/1/2000	$ 3,325,700	2,984,773	-	46,437	2,938,336	134,315
DEQ Loan Payable	3.39%	5/9/1999	$ 42,080	31,931	-	1,900	30,031	1,226
OEDD Loan Payable	5.25-5.625	4/12/2000	$ 1,000,000	812,306	-	30,108	782,198	44,880
OEDD Loan Payable	5.50%	7/23/2002	$ 250,000	216,336	-	6,739	209,597	11,898
Lazy Z Real Estate Loan	4.40%	12/14/2006	$ 1,700,000	1,614,181	-	89,668	1,524,513	69,546
				7,863,196	-	205,166	7,658,030	361,030
Total				$ 9,804,938	$ -	$ 342,220	$ 9,462,718	$ 447,772

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2009

Year Ending	2006 Full Faith and Credit Bonds		2008 Full Faith and Credit Bonds		Totals	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
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	120,350	18,176	82,893	2,465	203,243	20,641
2019	126,125	12,398	-	-	126,125	12,398
2020	132,180	6,344	-	-	132,180	6,344
	$ 1,162,822	$ 360,942	$ 641,866	$ 127,076	$ 1,804,688	$ 488,018

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE
June 30, 2009

Year Ending	USDA Revenue Bond		USDA Revenue Bond		Totals	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
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
	$ 2,173,355	$ 1,968,118	$ 2,938,336	$ 2,462,077	$ 5,111,691	$ 4,430,195

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2009

Year Ending	DEQ Loan Payable		OEDD Loan Payable		OEDD Loan Payable		Lazy Z Real Estate Loan		Totals	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	1,480	25	60,201	14,871	13,517	5,121	78,298	1,294	153,496	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	-	-	72,021	4,051	15,872	2,766	-	-	87,893	6,817
2026	-	-	-	-	16,745	1,893	-	-	16,745	1,893
2027	-	-	-	-	17,665	972	-	-	17,665	972
	$ 30,031	$ 7,066	$ 782,198	$ 418,952	$ 209,597	$ 125,874	$ 1,524,513	$ 465,647	$ 2,546,339	$ 1,017,539

See auditor's report.

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STATISTICAL SECTION

This section provides further details as a framework for a better understanding of the financial statements.

- **Financial Trends**
  These schedules contain trend information to help the reader understand how financial performance has changed over time.

- **Revenue Capacity**
  These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

- **Debt Capacity**
  These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issues additional debt.

- **Demographic and Economic Information**
  These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- **Operating Information**
  These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted.

City of Sisters
Incorporated 1946

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CITY OF SISTERS, OREGON
Net Assets By Component
Last Six Fiscal Years
(accrual basis of accounting)

	2009	2008	2007	2006	2005	2004
Governmental Activities:						
Invested in capital assets, net of related debt	$ 2,747,528	$ 2,185,223	$ 1,645,566	$ 1,255,640	$ 1,652,423	$ 1,258,016
Restricted	922,124	841,393	-	-	-	1,432,305
Unrestricted	3,442,449	3,814,251	2,985,976	3,959,657	2,396,688	942,818
Total governmental activities net assets	$ 7,112,101	$ 6,840,867	$ 4,631,542	$ 5,215,297	$ 4,049,111	$ 3,633,139
Business-Type Activities:						
Invested in capital assets, net of related debt	$ 13,793,173	$ 14,025,505	$ 10,533,929	$ 9,821,816	$ 8,765,854	$ 8,839,128
Restricted	2,106,749	2,069,362	1,029,434	4,309,085	3,355,283	96,102
Unrestricted	1,306,846	1,332,553	1,659,529	1,665,097	1,563,105	4,090,484
Total business-type activities net assets	$ 17,206,768	$ 17,427,420	$ 13,222,892	$ 15,795,998	$ 13,684,242	$ 13,025,714
Primary Government:						
Invested in capital assets, net of related debt	$ 16,540,701	$ 16,210,728	$ 12,179,495	$ 11,077,456	$ 10,418,277	$ 10,097,144
Restricted	3,028,873	2,910,755	1,029,434	4,309,085	3,355,283	1,528,407
Unrestricted	4,749,295	5,146,804	4,645,505	5,624,754	3,959,793	5,033,302
Total primary government net assets	$ 24,318,869	$ 24,268,287	$ 17,854,434	$ 21,011,295	$ 17,733,353	$ 16,658,853

Source: Current and prior year's financial statements

CITY OF SISTERS, OREGON
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)

	2009	2008	2007	2006	2005	2004
Program Revenues						
Governmental activities:						
Charges for services,fees and fines						
General government	$ 258,554	$ 442,986	$ 558,873	$ 545,630	$ 318,410	$ 220,674
Public safety	-	-	272,820	10,592	10,477	8,175
Culture and recreation	59,446	60,099	162,877	32,193	24,694	54,711
Community Development	-	-	-	-	-	-
Highways and streets	46,027	40,790	131,074	20,856	5,700	119,302
Operating grants and contributions	75,518	132,802	70,184	63,617	8,401	30,041
Capital grants and contributions	385,350	695,780	-	47,341	63,337	-
Total governmental activities program revenues	824,895	1,372,457	1,195,828	720,229	431,019	432,903
Business-type activities:						
Charges for services:						
Water	425,632	441,431	488,188	406,530	350,772	588,006
Refuse	104,281	409,935	419,849	387,956	354,644	350,700
Sewer	797,956	753,637	977,777	887,684	803,063	1,201,704
Operating grants	9,810	-	-	-	-	-
Capital grants	178,783	759,531	651,717	891,854	625,735	-
Total business-type activities program revenues	1,516,462	2,364,534	2,537,531	2,574,024	2,134,214	2,140,410
Total primary government program revenues	2,341,357	3,736,991	3,733,359	3,294,253	2,565,233	2,573,313
Expenses						
Governmental activities:						
General government	1,127,143	1,154,608	820,393	1,393,161	634,320	540,337
Public safety	400,014	393,254	400,484	374,280	350,715	311,705
City Hall Remodel	-	-	1,163,882	127,606	-	-
Culture and recreation	174,930	160,518	125,284	105,006	144,725	80,423
Community development	4,863	24,338	-	-	-	-
Highways and streets	399,322	423,513	92,655	147,591	104,148	121,659
Interest on long term obligations	104,393	91,435	71,935	12,353	-	-
Depreciation	-	-	-	-	-	85,139
Total governmental actvities expenses	2,210,665	2,247,666	2,674,633	2,159,997	1,233,908	1,139,263
Business-type activities:						
Water	578,430	540,337	533,044	433,623	341,803	341,223
Refuse	64,589	436,092	281,401	329,152	303,016	293,050
Sewer	1,085,297	1,032,411	4,625,056	888,801	823,330	841,631
Total business-type activities expenses	1,728,316	2,008,840	5,439,501	1,651,576	1,468,149	1,475,904
Total primary government expenses	3,938,981	4,256,506	8,114,134	3,811,573	2,702,057	2,615,167
Net Expense						
Governmental activities	(1,385,770)	(875,209)	(1,478,805)	(1,439,768)	(802,889)	(706,360)
Business-type activites	(211,854)	355,694	(2,901,970)	922,448	666,065	664,506
Total primary government net expense	$ (1,597,624)	$ (519,515)	$ (4,380,775)	$ (517,320)	$ (136,824)	$ (41,854)

Source: Current and prior years' financial statemeents

CITY OF SISTERS, OREGON
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)

(continued)

	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets						
General revenues:						
Property taxes levied for:						
General purposes	$ 735,578	$ 681,096	$ 692,315	$ 601,592	$ 483,095	$ 423,960
Debt service	132,531	107,868	175,708	-	-	-
Franchise and public service taxes	582,943	566,293	28,917	733,892	566,597	487,986
Interest and investment earnings	112,535	192,082	-	183,335	51,629	28,474
Miscellaneous	3,417	8,169	49,110	-	28,593	4,462
Contributed Revenue	-	-	-	539,276	-	-
Gain on disposal of asset	-	-	-	466,859	(23,303)	-
Transfers	90,000	3,793	(51,000)	81,000	112,250	116,000
Total governmental activities	1,657,004	1,559,301	895,050	2,605,954	1,218,861	1,060,882
Business-type activities:						
Contributed Revenue	-	-	-	1,029,765	-	-
Interest and investment earnings	81,203	205,431	277,864	225,543	104,713	6,000
Miscellaneous	-	-	-	-	-	54,967
Transfers	(90,000)	(3,793)	51,000	(81,000)	(112,250)	(116,000)
Total business-type activities	(8,797)	201,638	328,864	1,174,308	(7,537)	(55,033)
Total primary government	1,648,207	1,760,939	1,223,914	3,780,262	1,211,324	1,005,849
Change in Net Assets						
Governmental activities	271,234	684,092	(583,755)	1,166,186	415,972	354,522
Business-type activities	(220,651)	557,332	(2,573,106)	2,096,756	658,528	609,473
Total primary government change in net assets	50,583	1,241,424	(3,156,861)	3,262,942	1,074,500	963,995
Net Assets Beginning						
Governmental activities	6,840,867	6,156,775	5,215,297	4,049,111	3,633,139	3,278,617
Business-type aactivities	17,427,419	16,870,088	15,795,998	13,699,242	13,025,714	12,416,241
Total primary government net assets-beginning	24,268,286	23,026,863	21,011,295	17,748,353	16,658,853	15,694,858
Net Assets Ending						
Governmental activities	7,112,101	6,840,867	4,631,542	5,215,297	4,049,111	3,633,139
Business-type activities	17,206,768	17,427,420	13,222,892	15,795,998	13,684,242	13,025,714
Total Primary Government Net Assets	$ 24,318,869	$ 24,268,287	$ 17,854,434	$ 21,011,295	$ 17,733,353	$ 16,658,853

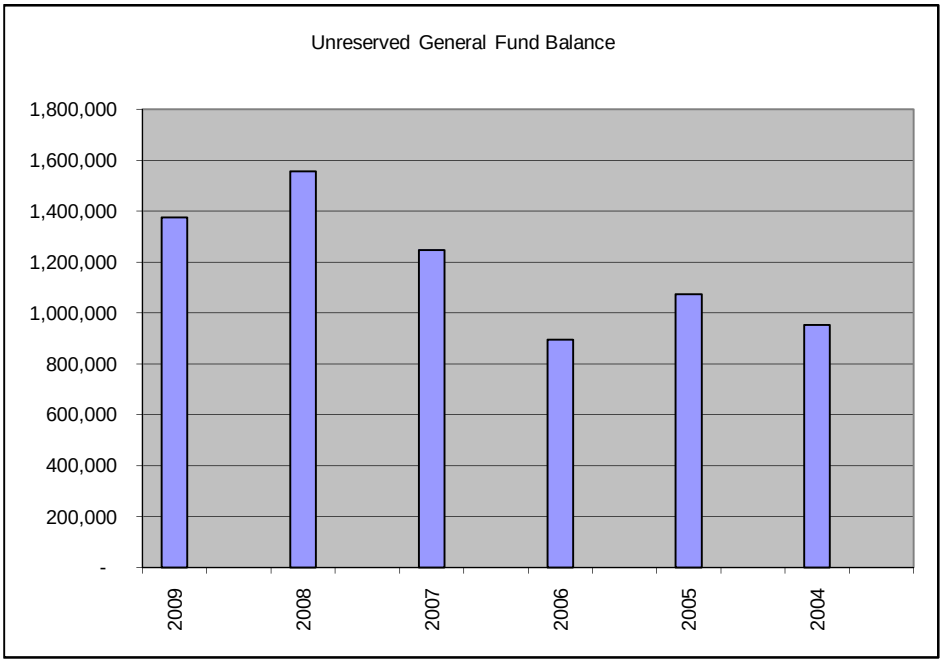
*2008 governmental & business activities included a prior period adjustment of $1,525,233 and $3,647195 for the capitalization of infrastructure.
**2007 business activities included a prior period adjustment of $15,000.

Source: Current and prior years' financial statemeents

CITY OF SISTERS, OREGON
Fund Balances, Governmental Funds
Last Six Fiscal Years[1]
(modified accrual basis of accounting)

	2009	2008	2007	2006	2005	2004
General Fund						
Advance to Other Funds	$ 200,000	$ 350,000	$ -	$ -	$ -	$ -
Reserved for System Development	-	-	-	-	-	-
Unreserved	1,375,521	1,556,021	1,246,149	894,317	1,073,060	952,308
Total general fund	1,575,521	1,906,021	1,246,149	894,317	1,073,060	952,308
All Other Govermental Funds						
Reserved: Debt Service	368,628	318,913	-	-	-	-
Sys Dev, Paths, Streets	553,496	522,480	-	-	-	-
Unreserved	1,802,921	1,885,641	1,747,383	3,069,989	1,321,264	1,132,243
Total all other governmental funds	2,725,045	2,727,034	1,747,383	3,069,989	1,321,264	1,132,243
Total governmental funds	$4,300,566	$4,633,055	$2,993,532	$ 3,964,306	$2,394,324	$ 2,084,551

[1] Information is present for years ended subsequent to the implementation of GASB 34.

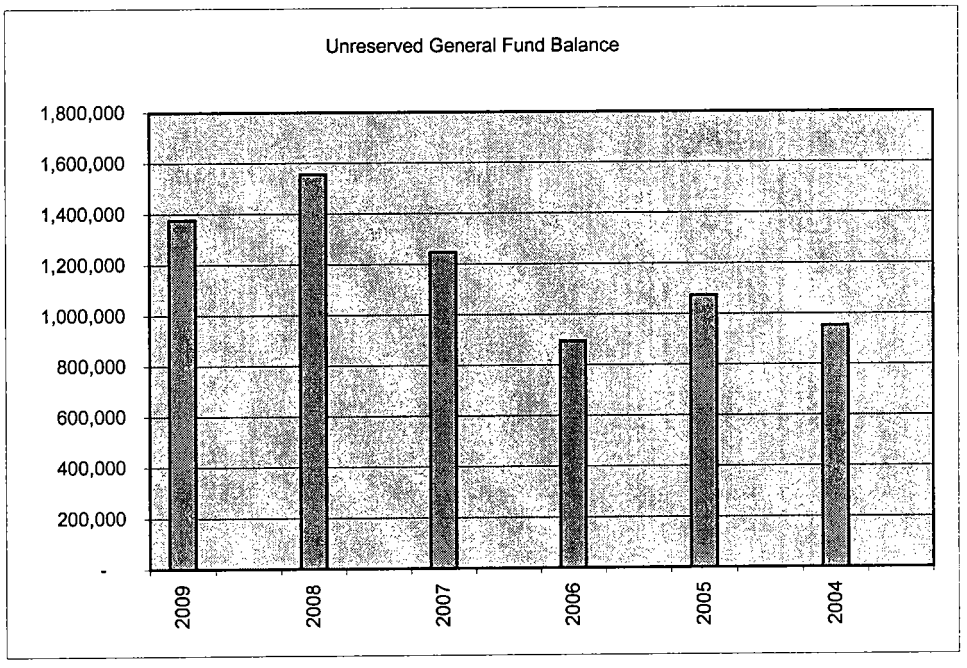


Source: Current and prior years' financial statements

CITY OF SISTERS, OREGON
Fund Balances, Governmental Funds
Last Six Fiscal Years[1]
(modified accrual basis of accounting)

	2009	2008	2007	2006	2005	2004
General Fund						
Advance to Other Funds	$ 200,000	$ 350,000	$ -	$ -	$ -	$ -
Reserved for System Development	-	-	-	-	-	-
Unreserved	1,375,521	1,556,021	1,246,149	894,317	1,073,060	952,308
Total general fund	1,575,521	1,906,021	1,246,149	894,317	1,073,060	952,308
All Other Govermental Funds						
Reserved: Debt Service	368,628	318,913	-	-	-	-
Sys Dev, Paths, Streets	553,496	522,480	-	-	-	-
Unreserved	1,802,921	1,885,641	1,747,383	3,069,989	1,321,264	1,132,243
Total all other governmental funds	2,725,045	2,727,034	1,747,383	3,069,989	1,321,264	1,132,243
Total governmental funds	$4,300,566	$4,633,055	$2,993,532	$ 3,964,306	$2,394,324	$ 2,084,551

[1] Information is present for years ended subsequent to the implementation of GASB 34.



Source: Current and prior years' financial statements

CITY OF SISTERS, OREGON
Changes in Fund Balances, Governmental Funds
Last Six Fiscal Years [1]
(modified accrual basis of accounting)

	2009	2008	2007	2006	2005	2004
Revenues						
Property taxes	$ 837,575	$ 769,080	$ 683,384	$ 606,245	$ 539,658	$ 480,935
Other taxes	280,279	267,551	-	-	-	-
Intergovernmental	119,346	215,523	123,094	325,737	202,082	208,958
Franchise Fees	254,122	243,443	-	-	-	-
Licenses and Fines	317,995	496,848	1,125,644	1,106,255	651,118	637,197
Fines and forfeitures	2,729	4,728	-	10,592	10,477	8,175
System development charges	123,427	445,324	-	-	-	-
Charges for services	22,475	27,900	-	-	-	-
Rental income	15,000	14,300	-	-	59,089	-
Interest on Investments	112,536	192,082	175,708	183,335	51,630	28,474
Miscellaneous Revenues	9,244	57,019	25,116	11,537	32,691	14,046
Total revenues	2,094,728	2,733,798	2,132,946	2,243,701	1,546,745	1,377,785
Expenditures						
Current:						
General Government	952,762	984,572	867,682	1,356,497	591,953	536,799
Public safety	400,014	393,255	374,529	356,694	327,290	311,705
Culture and recreation	170,978	156,967	117,164	100,072	135,058	80,614
Community development	4,863	24,338	-	-	-	-
Highways and streets	358,486	323,388	86,650	140,656	97,192	113,491
Capital outlay	388,121	447,065	1,468,171	644,210	197,879	438,403
Debt service	241,997	164,700	138,524	21,548	-	-
Total expenditures	2,517,221	2,494,285	3,052,720	2,619,677	1,349,372	1,481,012
Revenues over (under) expenditures	(422,493)	239,513	(919,774)	(375,976)	197,373	(103,227)
Other Financing Sources (Uses)						
Issuance of debt	-	700,000	-	1,398,100	-	-
Sale of fixed assets	-	-	-	466,859	-	-
Operating transfers in	740,610	737,000	288,000	243,634	220,000	378,593
Operating transfers out	(650,610)	(710,000)	(339,000)	(162,634)	(107,600)	(262,593)
Total other financing sources (uses)	90,000	727,000	(51,000)	1,945,959	112,400	116,000
Net change in fund balances	$ (332,493)	$ 966,513	$ (970,774)	$ 1,569,983	$ 309,773	$ 12,773
Debt service as a percentage of noncapital expenditures	11.4%	8.0%	8.7%	1.1%	0.0%	0.0%

[1] Information is presented for years ened subsequent to the implementation of GASB 34.

Source: Current and prior years' financial statements

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

Function/Program	2009	2008	2007	2006	2005	2004
Governmental activities						
General government	$ 512,754	$ 445,436	$ 558,873	$ 609,247	$ 319,410	$ 220,674
Public safety	-	54,128	272,820	10,592	10,477	8,175
Culture and recreation	71,093	76,037	162,877	54,803	47,577	55,211
Highways and streets	241,048	796,856	201,258	45,587	53,555	148,843
Total governmental activities	824,895	1,372,457	1,195,828	720,229	431,019	432,903
Business-type activities						
Water	517,862	838,823	751,160	834,065	657,497	588,006
Refuse	104,281	409,935	419,849	387,956	354,644	350,700
Sewer	894,319	1,115,776	1,366,522	1,352,003	1,122,073	1,201,704
Total business-type activities	1,516,462	2,364,534	2,537,531	2,574,024	2,134,214	2,140,410
Total Primary government	$ 2,341,357	$ 3,736,991	$ 3,733,359	$ 3,294,253	$ 2,565,233	$ 2,573,313

Source: Current and prior years' financial statements

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

Year	General Fund Property Taxes	Transient Room Taxes
2000	$ 228,806	$ 136,441
2001	292,513	142,555
2002	332,584	153,091
2003	368,319	155,102
2004	423,963	152,066
2005	469,056	185,604
2006	535,374	212,930
2007	603,733	223,532
2008	666,430	267,551
2009	709,934	280,279

Source: Current and prior years' financial statements

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

Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Real Market Value
2000	$ 88,247,512	2.6374	$ NA
2001	113,268,366	2.6417	113,268,366
2002	128,949,824	2.6417	167,078,957
2003	143,263,650	2.6417	195,127,768
2004	163,033,194	2.6417	225,353,081
2005	185,892,206	2.6417	263,293,519
2006	210,650,009	2.6417	325,918,877
2007	241,744,055	2.6417	417,851,899
2008	264,093,048	2.6417	587,988,136
2009	281,967,451	2.6417	643,450,218

NA ~ Not available per Deschutes County, Assessor's Office

Source: Deschutes County, Assessor's Office

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

Year	City of Sisters	Deschutes County	School District #6 [1]	COCC [2]	SOAR [3]	Camp Sherman Fire Dist	Total Tax Rate
2000	2.64	3.12	5.14	0.75	0.22	2.73	14.60
2001	2.64	3.11	5.29	0.74	0.22	2.73	14.73
2002	2.64	3.21	7.01	0.74	0.22	2.73	16.55
2003	2.64	3.17	6.84	0.74	0.22	2.73	16.34
2004	2.64	3.23	6.73	0.73	0.22	2.73	16.28
2005	2.92	3.20	6.61	0.71	0.22	2.67	16.33
2006	2.96	3.18	6.60	0.70	0.21	2.66	16.31
2007	2.92	3.15	6.53	0.70	0.21	2.67	16.18
2008	2.98	3.14	6.41	0.69	0.21	2.97	16.40
2009	3.04	3.37	6.36	0.69	0.21	2.88	16.55

[1] School District #6 includes Sisters School District and Education Service District (ESD)
[2] COCC - Central Oregon Community College
[3] SOAR - Sisters Organization for Activities and Recreation

Source: Deschutes County, Assessor's Office, Summary of Assessment and Tax Roll, District Summary

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

Fiscal Year Ended June 30,	Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	$ 371,543	$ 216,028	58.14%	$ 12,778	$ 228,806	61.58%
2001	302,890	285,470	94.25%	6,773	292,243	96.48%
2002	343,044	323,883	94.41%	8,701	332,584	96.95%
2003	378,460	319,519	84.43%	48,800	368,319	97.32%
2004	432,665	407,181	94.11%	16,782	423,963	97.99%
2005	481,654	453,868	94.23%	1,588	455,456	94.56%
2006	545,086	519,704	95.34%	15,670	535,374	98.22%
2007	631,207	590,013	93.47%	13,720	603,733	95.65%
2008	698,186	650,304	93.14%	16,126	666,430	95.45%
2009	744,901	685,179	91.98%	-	685,179	91.98%

Note: For comparability purposes, the above amounts do not include the tax levy for the City of Sisters Urban Renewal Agency, which is a blended component unit of the City.

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

CITY OF SISTERS, OREGON
Principal Taxpayers
Deschutes County
December 31, 2008 and December 31, 1998

	December 31, 2008		
Taxpayer	**Real Property Assessed Valuation**	**Rank**	**Percentage of Total Assessed Valuation**
Gas Transmission Northwest Corp.	$ 67,931,000	1	0.40%
Qwest	58,579,490	2	0.35%
Cascade Natural Gas Corp.	58,128,000	3	0.34%
Pacificorp(PP&L)	55,842,000	4	0.33%
Pronghorn Investors, LLC	40,680,965	5	0.24%
Sunriver Resort Limited Partnership	37,749,610	6	0.22%
Eagle Crest Inc.	37,712,390	7	0.22%
TD Cadcade Highlands LLC	33,697,480	8	0.20%
CVSC LLC	32,739,350	9	0.19%
Touchmark at MT. Bachelor Village LLC	33,149,290	10	0.20%
	$ 456,209,575		2.70%
Total Assessed Valuation	$ 16,874,559,236		

	December 31, 1998		
Taxpayer	**Real Property Assessed Valuation**	**Rank**	**Percentage of Total Assessed Valuation**
PG&E Gas Trasmission NW	N/A	1	N/A
US West	N/A	2	N/A
PacifCorp (PP&L)	N/A	3	N/A
Eagle Crest	N/A	4	N/A
Cascade Natural Gas Corp.	N/A	5	N/A
Mt. Bachelor Inc.	N/A	6	N/A
Sima Mountain View LLC	N/A	7	N/A
Willamette Industries, Inc.	N/A	8	N/A
Rivers Edge Investments LLC	N/A	9	N/A
Cascade Natural Gas Corp.	N/A	10	N/A
	$ -		
Total Assessed Valuation (estimated)	N/A		

N/A - Information at County level not available.

**City level information not available.*

Source: Umatilla County Department of Assessment and Taxation

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

	Governmental Activities		Business-type Activities				
Fiscal Year	General Obligation Bonds	Loans Payable	Revenue Bonds	Loans Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2000	$ -	$ -	$ 1,329,553	$ 427,426	$ 1,756,979	N/A	975
2001	-	-	6,363,710	1,023,687	7,387,397	N/A	960
2002	-	-	6,302,137	1,205,760	7,507,897	N/A	1,080
2003	-	-	5,598,857	1,224,917	6,823,774	N/A	1,430
2004	-	-	5,540,256	1,194,198	6,734,454	N/A	1,490
2005	-	-	5,442,992	1,162,935	6,605,927	N/A	1,660
2006	1,388,905	-	5,382,072	1,132,096	7,903,073	N/A	1,745
2007	1,317,048	-	5,311,789	2,799,952	9,428,789	N/A	1,825
2008	1,941,742	-	5,188,442	2,674,754	9,804,938	N/A	1,875
2009	1,804,688	-	5,111,691	2,546,339	9,462,718	N/A	N/A

N/A - Information at City level not available.

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

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

Fiscal Year	Population	Gross Bonded Debt	Total Taxable Assessed Value (000)'s	Percentage of Debt to Value of Property	Net Bonded Debt Per Capita
2000	975	$ -	$ 371,543	0.00%	0
2001	960	-	171,055	0.00%	0
2002	1,080	-	186,451	0.00%	0
2003	1,430	-	186,359	0.00%	0
2004	1,490	-	188,259	0.00%	0
2005	1,660	-	190,727	0.00%	0
2006	1,745	1,388,905	195,879	0.71%	796
2007	1,825	1,317,048	207,031	0.68%	722
2008	1,875	1,941,742	207,366	1.00%	1,036
2009	N/A	1,804,688	207,366	0.93%	N/A

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

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

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

	2009	2008	2007	2006
Real market value	$ 643,450,218	$ 587,988,136	$ 417,851,899	$ 325,918,877
Debt limit rate	3%	3%	3%	3%
Debt limit	19,303,507	17,639,644	12,535,557	9,777,566
Less general bonded debt June 30,	1,804,688	1,941,742	1,317,048	1,388,905
Legal debt margin	$ 17,498,819	$ 15,697,902	$ 11,218,509	$ 8,388,661
Total net bonded debt applicable to the limit as a percentage of debt limit	0.28%	0.33%	0.32%	0.43%

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

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

2005	2004	2003	2002	2001	2000
$ 263,293,519	$ 225,353,081	$ 195,127,768	$ 167,078,957	$ 113,268,366	NA
3%	3%	3%	3%	3%	3%
7,898,806	6,760,592	5,853,833	5,012,369	3,398,051	NA
-	-	-	-	-	-
$ 7,898,806	$ 6,760,592	$ 5,853,833	$ 5,012,369	$ 3,398,051	NA
0.00%	0.00%	0.00%	0.00%	0.00%	NA

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

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

Year	Population	School Enrollment	Per Capita Income	Unemployment Rate
2000	975	1,153	$ 26,926	5.40%
2001	960	1,082	27,805	6.50%
2002	1,080	1,103	28,108	7.80%
2003	1,430	1,193	28,616	7.80%
2004	1,490	1,299	29,853	6.80%
2005	1,660	1,329	32,094	5.80%
2006	1,745	1,436	33,522	4.60%
2007	1,825	1,332	33,701	4.90%
2008	1,875	1,303	34,784	8.00%
2009	N/A	1,306	N/A	14.95%

Unemployment Rate is at the Deschutes County level.
Per Capita Income as reported by Oregon State Employment Division for Deschutes County
*2009 estimated Unemployment rate averaged January thru August.

Source: US Census, Center for Population Research and Census at Portland State University

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

	2008-09	
Employer	**Employees**	**Rank**
Black Butte Ranch	322	1
Ray's Grocery Store	63	2
Metabolic Maintenance	28	3
O'Keefe's Working Hand Crème	25	4
FivePine Lodge & Conference Center	20	5
	458	

	1999-00
	Information for 1999-00 is not readily available.

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

Source: Economic Development of Central Oregon

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

Function/Program	2009	2008	2007	2006	2005	2004
Governmental activities:						
General government	1.5	1.7	1.4	1.4	1.2	N/A
Culture and recreation	1.0	0.9	0.8	1.3	0.6	N/A
Community development	2.0	1.5	1.4	1.3	0.7	N/A
Streets and highways	1.1	1.1	1.2	1.1	0.8	N/A
Total governmental activities	5.6	5.2	4.8	5.1	3.3	-
Business-type activities:						
Water	2.4	2.0	1.7	2.6	1.7	N/A
Sewer	2.3	1.8	1.4	1.4	1.1	N/A
Refuse	2.2	2.0	2.1	1.9	1.9	N/A
Total business-type activities	6.9	5.8	5.2	5.9	4.7	-
Total primary government budgeted FTE	12.5	11.0	10.0	11.0	8.0	-
City of Sisters						
Management and exempt	6.0	6.0	4.0	3.0	3.0	N/A
Temporary employees	0.50	0.33	0.33	0.33	0.33	N/A
Total Employees	19.00	17.33	14.33	14.33	11.33	N/A

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

Source: City of Sister
budgets and payroll records

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

FUNCTION/PROGRAM	2009	2008	2007	2006	2005	2004
Governmental Activities:						
Street						
Street miles	19	19	18	17.5	17	16.5
Street resurfing miles	1.5	0.5	0.5	0	0	0
Culture and recreation						
Parks	7	7	7	7	7	7
Special event permits issued	47	34	32	29	32	28
Public Safety						
Calls for service	784	967	N/A	N/A	N/A	N/A
Number of arrests	115	186	N/A	N/A	N/A	N/A
Business-type Activities:						
Water						
Water mains (miles)	33.5	33.5	33	32	31.4	31
Average daily water consumption** (CF)	73,641	73,752	75,591	64,004	64,473	75,506
Sewer						
Sanitary sewers (miles)	23	23	23	22.5	22	21.5
Maximum daily treatment capacity	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd
Average daily sewer treatment	168,000 gpd	168,000 gpd	160,000 gpd	150,000 gpd	140,000 gpd	130,000 gpd

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

(1) Police statistics are for the calendar year.
(2)In 1,000 gallons
N/A: Data was not available for this year.

Source: City of Sisters Departments

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

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

Source: City of Sisters Departments

REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

- **Independent Auditor's Comments**
- **Government Auditing Standards Compliance Reports**

City of Sisters
Incorporated 1946

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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 November 16, 2009.

2. INVESTMENTS

Our review of deposit and investment balances during the year ended June 30, 2009, indicated that the City was in compliance with ORS 294 as it pertains to investment of public funds.

3. COLLATERAL

Our review of deposit and investment balances indicated that the Agency was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2009.

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 2008-09 and the preparation and adoption of the budget for 2009-10. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget except for the following:

Expenditures exceeded appropriations in the following amounts:

Urban Renewal Project Fund:		
Materials and services	$	473

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, 2009, 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, 2009, 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

November 16, 2009

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, 2009, which collectively comprise the City of Sisters, Oregon's basic financial statements and have issued our report thereon dated November 16, 2009. 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 deficiencies to be significant deficiencies in internal control.

Members of: American Institute of Certified Public Accountants
National Association of Certified Valuation Analysts
Oregon Society of Certified Public Accountants

The City's controls over the fiscal year end financial reporting process rely largely on manual adjustments to record activity on the modified accrual basis of accounting. We found significant adjustments required in the areas of receivables, accounts payable, and deferred revenue which could be reduced in the future through secondary reviews of accruals and other year-end adjustments, improved communication between departments, and comparison of the June 30 account balances to the prior year amounts, while considering current year expectations.

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. 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 year end financial reporting process 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 November 16, 2009.

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

Dickey and Tremper, LLP
Certified Public Accountants