

CITY OF SISTERS, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010



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CITY OF SISTERS, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Transmittal Letter	i - v
Officials of the City	vi
Organizational Chart	vii
Certificate of Achievement	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
Reserve	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:	35
Combining Balance Sheet	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	37

	<u>Page</u>
Budgetary Comparison Schedules:	38
Schedule of Expenditures and Transfers – Budget and Actual (NON-GAAP BUDGETARY BASIS), By Department:	39
General Fund	40
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Governmental Funds:	41
Special Revenue Funds:	
Transportation SDC	42
Park Development	43
Parking District	44
Urban Renewal Project	45
Debt Service Funds:	
City Hall Debt Service	46
Urban Renewal Debt Service	47
Proprietary Funds:	48
Enterprise Funds:	
All Water Funds:	
Water	49
Water SDC	50
Reconciliation to Generally Accepted Accounting Principles	51
Refuse Fund	52
All Sewer Funds:	
Sewer	53
Sewer SDC	54
Reconciliation to Generally Accepted Accounting Principles	55
Other Financial Schedules:	
Schedule of Outstanding Debt Principal and Interest Transactions	56
Schedule of Governmental Activities Debt Service Future Requirements	57
Schedule of Business-Type Activities Debt Service Future Requirements	
Revenue Bonds Payable	58
Loans Payable	59

STATISTICAL SECTION

Net Assets By Component – Last Seven Fiscal Years	60
Changes in Net Assets – Last Seven Fiscal Years	61 - 62
Fund Balances, Governmental Funds – Last Seven Fiscal Years	63
Changes in Fund Balances, Governmental Funds – Last Seven Fiscal Years	64
Program Revenues by Function/Program – Last Seven Fiscal Years	65
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	66
Assessed Valuation and Actual Values of Taxable Property – Last Ten Fiscal Years	67
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	68
Property Tax Levies and Collections – Last Ten Fiscal Years	69
Principal Taxpayers – December 31, 2008 and December 31, 1998	70
Ratios of Outstanding Debt By Type – Last Ten Fiscal Years	71
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	72

Legal Debt Margin Information – Last Ten Fiscal Years	73 - 74
Demographic and Economic Statistics – Last Ten Fiscal Years	75
Principal Employers – Current and Nine Years Ago	76
Full Time Equivalent City Employees by Function/Program – Last Seven Fiscal Years	77
Operating Indicators by Function/Program – Last Seven Fiscal Years	78
Capital Asset and Infrastructure Statistics by Function/Program – Last Seven Fiscal Years	79

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR’S COMMENTS	80 - 81
---------------------------------------	---------

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 <i>Government Auditing Standards</i>	82 - 83
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INTRODUCTORY SECTION



City of Sisters

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Ph (541) 549-6022

December 3, 2010

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, 2010 is hereby submitted.

This report presents the financial position of the City as of June 30, 2010 and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State. We believe the data, as presented, are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

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

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 1,925, numerous rural

Letter of Transmittal, Continued

subdivisions and outlying ranches surround the city and contribute to a population of the “Greater Sisters Country” in the range of 10,000 to 12,000 people.

The City of Sisters operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council) consisting of the mayor and four other members, all elected on a non-partisan basis to terms of two to four years. The City Council appoints a city manager, who in turn appoints the heads of the various departments. The City Manager implements policy set by the City Council and oversees city operations. The City provides a full range of services, including general administration; water, sewer and street utilities; planning and community development; and parks and some recreational activities. The City also manages the Sisters Urban Renewal District which is overseen by the City Council acting as the governing body for the Sisters Urban Renewal Agency. The Agency has the following funds: Urban Renewal Debt Service Fund and Urban Renewal Project Fund.

The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget services as the foundation for the City’s financial planning and control. The budget is prepared by fund, category (e.g., personal services, material & services, capital outlay) and the General Fund by department (e.g., administration, parks, police, planning, building maintenance, etc.)

Local Economy

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

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

Letter of Transmittal, Continued

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 was a dynamic period of time in the city's history.

Keeping pace with such rapid growth takes planning and effective financial management. In 2005 and 2006, through the stewardship of the Community Action Team of Sisters (CATS) a community vision for Sisters was created. In 2007, the Sisters County 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 city would grow, develop and evolve over time.

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

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

The City Council also approved a set of priorities for fiscal year 2010/11 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 Information

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sisters for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local financial report. This was the first year that the City received this prestigious award.

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

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 second certificate.

Letter of Transmittal, Continued

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

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**CITY OF SISTERS,
OREGON
JUNE 30, 2010**

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Terms</u>
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

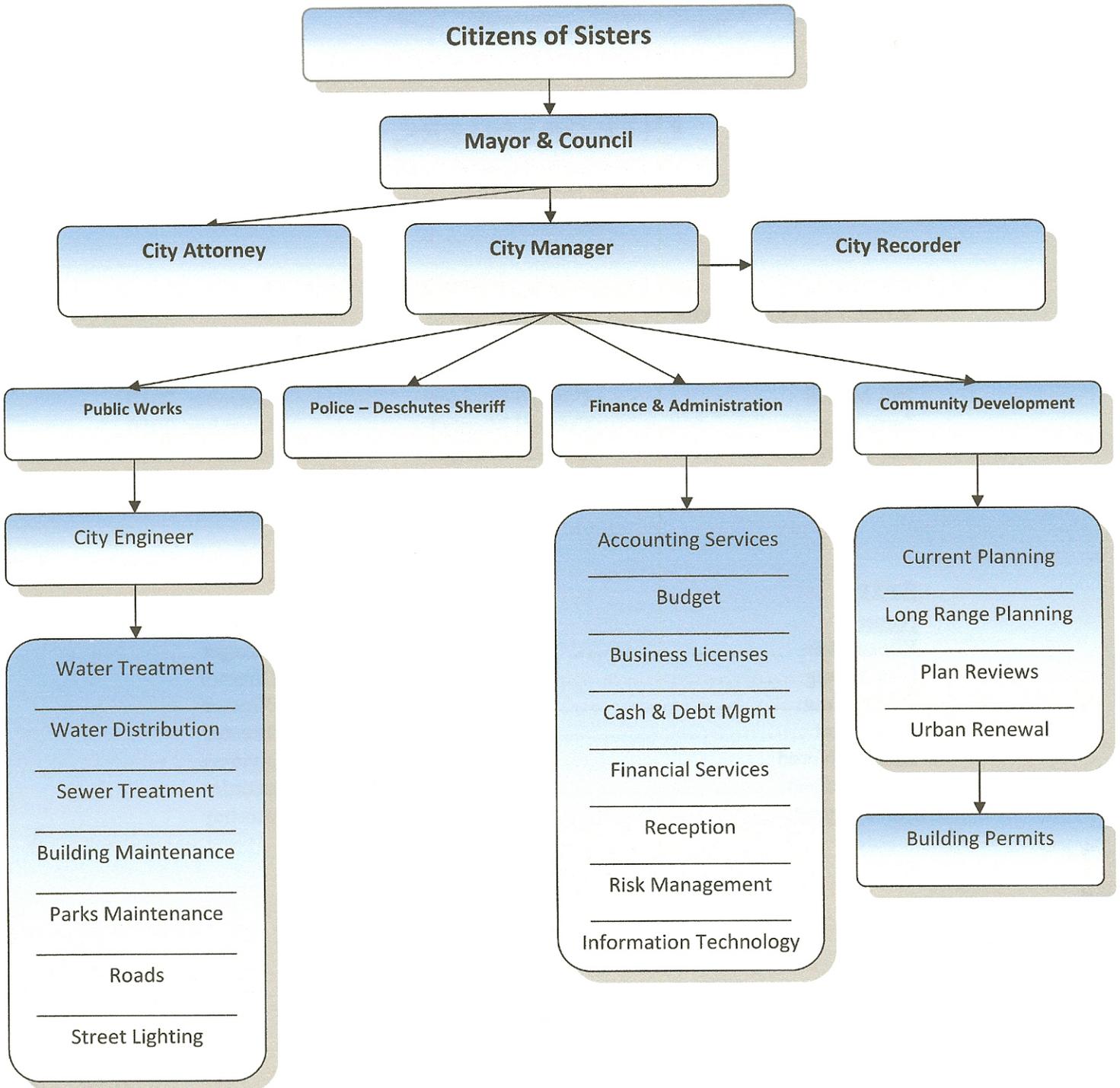
<u>Name</u>	<u>Position</u>
Eileen Stein.....	City Manager
Lisa Young.....	Finance & Administration Director
Brad Grimm.....	Public Works Director
Eric Porter.....	Community Development Director
Richard Nored	City Engineer
Kathy Nelson.....	City Recorder
Steve Bryant.....	City Attorney

MAIL ADDRESS

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

www.ci.sisters.or.us

City-Wide Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sisters
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

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Executive Director

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FINANCIAL SECTION



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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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, 2010, 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, and Reserve Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the City of Sisters, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A

INDEPENDENT AUDITOR'S REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through k be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sisters, Oregon's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

December 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in our letter of transmittal, which can be found on pages i to v of this report.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24.6 million (reported as net assets). This is a \$249,642 increase over the prior year.
- The net assets balance of \$24.6 million is composed of investments in capital assets such as buildings, infrastructure, roads (\$18.3 million), restricted amounts for future capital projects and debt service (\$2.6 million) and an unrestricted balance (\$3.7 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 \$1.0 million during the fiscal year.

Fund Level

- The City's governmental funds report a combined fund balance of \$3.7 million, a decrease of \$.56 million from last year. The majority of the \$3.7 million combined fund balance is unreserved, but \$2 million is accounted for in separate funds for which the resources are designated to specific programs through legal or contractual provisions. Of the \$3.7 million, \$774K is within the General Fund and includes \$150K which has been earmarked for advances to other funds.
- Total property taxes increased \$60,076, 7.2% over the prior year. Property tax, split 85%/15% between taxes for operations versus taxes for debt service, was up \$53,834 for operations and \$6,242 for debt service. Other taxes include franchise and hotel taxes which were up \$21,353.
- 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 \$16.0 million, a decrease of \$1.2 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.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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 Reserve Fund, of which are considered to be 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 35.

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.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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, except refuse.

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

The basic proprietary fund financial statements can be found on pages 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 34 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 35 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 + (-)
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 4.12	\$ 4.58	\$ 2.91	\$ 3.91	\$ 7.03	\$ 8.49	\$ -1.46
Capital assets	6.40	4.55	20.98	21.45	27.38	26.00	1.38
Total assets	10.52	9.13	23.89	25.36	34.41	34.49	-0.08
Current liabilities	0.48	0.36	0.63	0.71	1.11	1.07	0.04
Noncurrent liabilities	1.51	1.66	7.22	7.44	8.73	9.10	-0.37
Total liabilities	1.99	2.02	7.85	8.15	9.84	10.17	-0.33
Net assets:							
Invested in capital assets, net of related debt	4.74	2.75	13.53	13.79	18.27	16.54	1.73
Restricted	0.93	0.92	1.68	2.11	2.61	3.03	-0.42
Unrestricted	2.86	3.44	0.83	1.31	3.69	4.75	-1.06
Total net assets	\$ 8.53	\$ 7.11	\$ 16.04	\$ 17.21	\$ 24.57	\$ 24.32	\$ 0.25

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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 \$24.6 million at the close of fiscal year 2009-2010. 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 (\$18.3 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 \$2.6 million and represent cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance are unrestricted net assets (\$3.7 million or 15%) may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities:

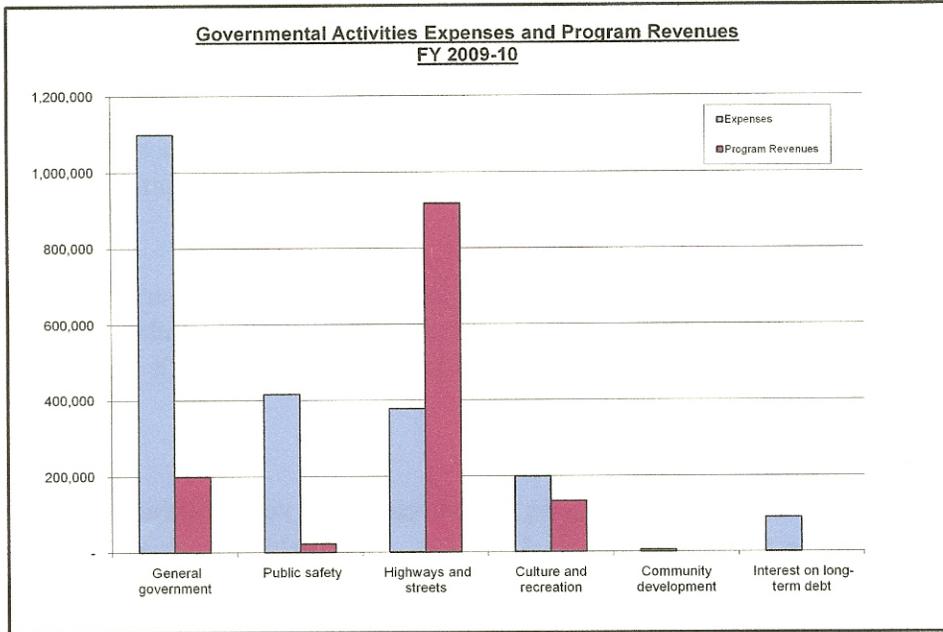
Total net assets of the City increased by \$.2 million in the current fiscal year. Governmental activities net assets increased by approximately \$1.4 million, and business-type activities decreased by approximately \$1.2 million.

Table 2
City of Sisters' Changes in Net Assets

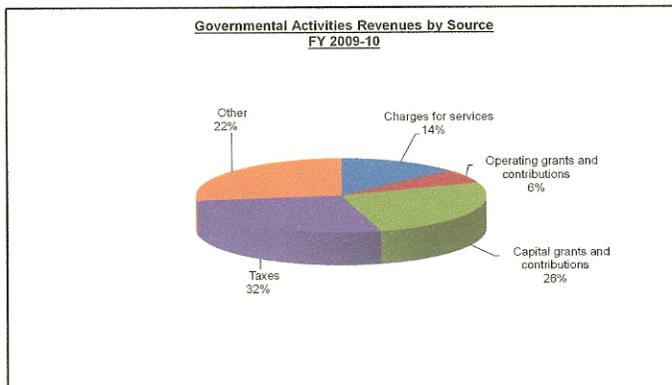
	Governmental Activities		Business-type Activities		Total		Total Change
	2010	2009	2010	2009	2010	2009	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 376,358	\$ 364,027	\$ 1,191,549	\$ 1,327,869	\$ 1,567,907	\$ 1,691,896	\$ (123,989)
Operating grants and contributions	167,684	75,518	4,438	9,810	172,122	85,328	86,794
Capital grants and contributions	729,700	385,350	96,445	178,783	826,145	564,133	262,012
General revenues:							
Taxes	898,581	868,109	-	-	898,581	868,109	30,472
Contributed revenue	-	-	-	-	-	-	-
Other	618,840	698,895	24,554	81,203	643,394	780,098	(136,704)
Total revenues	\$ 2,791,163	\$ 2,391,899	\$ 1,316,986	\$ 1,597,665	\$ 4,108,149	\$ 3,989,564	\$ 118,585
Expenses:							
General government	\$ 1,098,996	\$ 1,127,143	\$ -	\$ -	\$ 1,098,996	\$ 1,127,143	\$ (28,147)
Public safety	416,018	400,014	-	-	416,018	400,014	16,004
Highways and streets	377,149	399,322	-	-	377,149	399,322	(22,173)
Culture and recreation	198,941	174,930	-	-	198,941	174,930	24,011
Community development	5,254	4,863	-	-	5,254	4,863	391
Interest on long-term debt	90,444	104,393	-	-	90,444	104,393	(13,949)
Water	-	-	574,198	578,430	574,198	578,430	(4,232)
Sewer	-	-	1,097,510	1,085,297	1,097,510	1,085,297	12,213
Refuse	-	-	-	64,589	-	64,589	(64,589)
Total expenses	\$ 2,186,802	\$ 2,210,665	\$ 1,671,708	\$ 1,728,316	\$ 3,858,510	\$ 3,938,981	\$ (80,471)
Increase in net assets before transfers	\$ 604,361	\$ 181,234	\$ (354,722)	\$ (130,651)	\$ 249,639	\$ 50,583	\$ 199,056
Transfers	810,223	90,000	(810,223)	(90,000)	-	-	-
Change in net assets	1,414,584	271,234	(1,164,945)	(220,651)	249,639	50,583	199,056
Net assets, July 1	7,112,101	6,840,867	17,206,771	17,427,419	24,318,872	24,268,286	50,586
Prior period adjustment	-	-	-	-	-	-	-
Net assets, June 30	\$ 8,526,685	\$ 7,112,101	\$ 16,041,826	\$ 17,206,771	\$ 24,568,511	\$ 24,318,869	\$ 249,642

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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



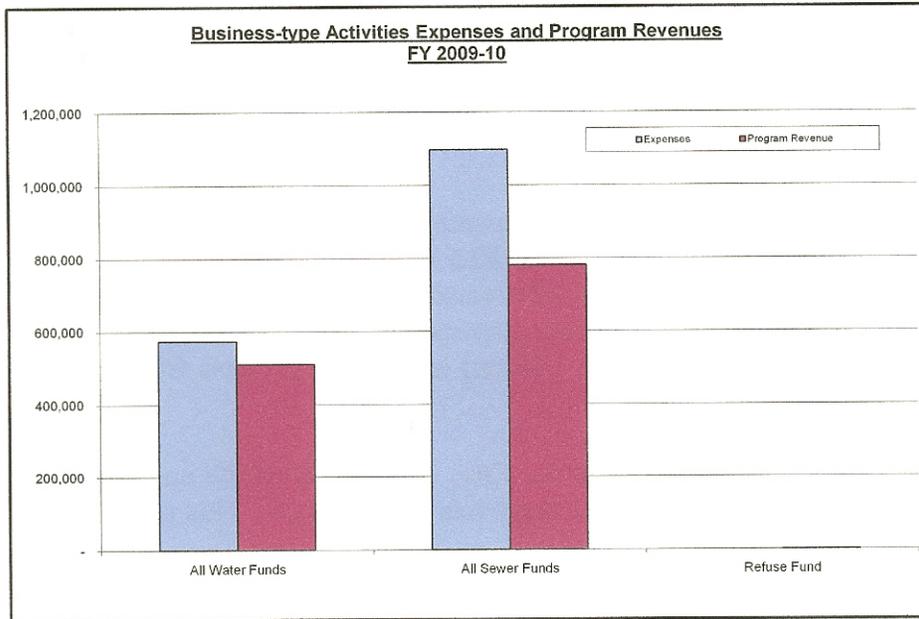
The next chart shows the share of revenues supporting governmental activities.



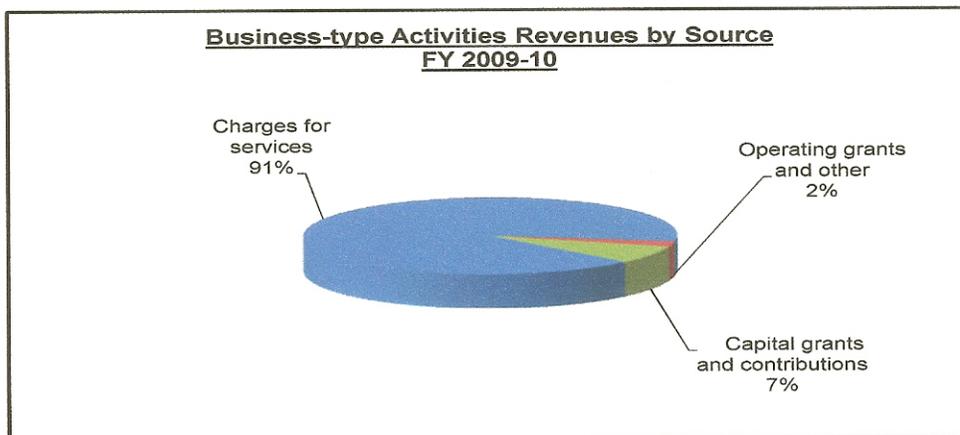
CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

Business-type Activities decreased the City's net assets by \$1.2 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 91% of revenues for business-type activities are generated from charges for services rendered.



CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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 \$3.7 million. Approximately \$2.6 million or 71% 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 (\$.31 million) and capital projects from System Development Charges (\$.61 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 \$.62 million. This represents a \$.75 million decrease from FY 2008-09.

The *Street Fund* provides for the maintenance, and construction of City streets. The revenues received include state highway gas tax, local gas tax, franchise and inspection fees and intergovernmental revenues. The reserved fund balance at June 30, 2010 is \$117,895.

The *Reserve Fund* accounts money set aside for replacement of capital assets and reserves. The principal revenue sources are contributions by other funds and earnings on investments. The unreserved fund balance at June 30, 2010 is \$1.9 million, which is a major operating fund.

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)	\$ 84,679	(10%)
All Sewer (including SDC)	\$ 741,325	(90%)
Refuse Collection	\$ 0	(0%)

The total proprietary fund unrestricted net assets decreased by \$480,842 from the prior year of which 40% is due to the discontinuation of the Refuse Fund.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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, 2010. Revisions to the adopted budget include a \$27,400 increase to material and services for unanticipated professional services and a \$100,000 increase in loans to other funds.

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, 2010 amounts to \$27.4 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, 23% is associated with governmental activities and 77% with business-type activities. See Table 3 below.

In total, the City's capital assets increased by \$1.3 million from the prior year. Governmental activities account for \$1.8 million of the decrease and business-type activities account for \$.47 million increase. Major capital asset events during the fiscal year included the following:

- Completion and acceptance of the Timber Creek Bridge valued at \$507, 968;
- Transfer of the Recycle Center building from the Refuse Fund of \$565,912;
- Began construction of the Public Works maintenance building and various sidewalk and parking projects;

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2010	2009	2010	2009	2010	2009	+ (-)
Land	\$ 639,290	\$ 639,290	\$ 4,191,605	\$ 4,191,605	\$ 4,830,895	\$ 4,830,895	\$ -
Art and sculptures	250,000	250,000	-	-	250,000	250,000	-
Construction in progress	753,142	76,476	238,909	134,077	992,051	210,553	781,498
Buildings	2,521,953	2,006,254	2,080	539,009	2,524,033	2,545,263	(21,230)
Improvements, others than buildings	2,092,162	1,428,688	16,398,317	16,406,731	18,490,479	17,835,419	655,060
Equipment	142,555	151,508	145,728	179,781	288,283	331,289	(43,006)
Total	<u>\$ 6,399,102</u>	<u>\$ 4,552,216</u>	<u>\$ 20,976,639</u>	<u>\$ 21,451,203</u>	<u>\$ 27,375,741</u>	<u>\$ 26,003,419</u>	<u>\$ 1,372,322</u>

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

Long-term debt. At the end of the current fiscal year, the City had total noncurrent liabilities of \$9.1 million. Of this amount, \$1.7 million comprises debt backed by the full

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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 \$5.0 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 \$2.4 million of total debt outstanding.

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

City of Sisters' Outstanding Debt, General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total		Total Change + (-)
	2010	2009	2010	2009	2010	2009	
General obligation bonds	\$ 1.7	\$ 1.8	\$ -	\$ -	\$ 1.7	\$ 1.8	\$ (0.1)
Revenue bonds	-	-	5.0	5.1	5.0	5.1	(0.1)
Notes and Contracts Payable	-	-	2.4	2.5	2.4	2.5	(0.1)
Total	\$ 1.7	\$ 1.8	\$ 7.4	\$ 7.6	\$ 9.1	\$ 9.4	\$ (0.3)

During the fiscal year ended June 30, 2010 all scheduled debt payments were met. The City issued an interfund loan of \$100,000 to Urban Renewal Agency for the sidewalk in-fill project.

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 \$1.7 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 31.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Uncertainties about future economic changes and financial impacts are common to all cities. To deal with the swings in the economy and to plan for future capital expansion, the City has been able to accumulate reserves due to conservative spending in the past. Overall, the City's financial condition remains in good shape, however some funds are in better shape than others. At June 30, 2010, the total budget operating contingency is \$5.0 million include \$4.4 million set aside for new development and future construction or equipment replacement and \$.6 million is available for operating contingencies.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2010

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 2010 – 2011 budget:

It was assumed that property tax revenues to the City will increase by 3.0% over FY 2009-10 collections. This increase consists of two components:

- 2% increase in current assessed **property values**. This is based on the expectation that many properties' real market will be below those properties assessed value. As a result, these properties' assessed value will not increase by the maximum 3% increase allowed under Measure 50.
- 1% increase in new construction and new land partitions.

The City's current **population** is 1,925. It is assumed that during the upcoming fiscal year the City's population will not significantly increase. This assumption affects the estimates for state shared revenues, such as gasoline tax, which are distributed on a per capita basis. It is 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 is tied to performance. However, no cost of living adjustments were budgeted for.

It was assumed that **medical benefit** premiums will increase approximately 13%. 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 2012.

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

- Property and casualty insurance will decrease by 10.0%;
- Unemployment insurance will see a minimum increase;
- 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 separate report, which is available to those who are interested. If you have questions about the report or need addition information, please contact the City's Finance 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, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,959,902	\$ 1,070,552	\$ 4,030,454
Receivables:			
Accounts, net	74,270	103,314	177,584
Intergovernmental	51,642	-	51,642
Property taxes	79,805	-	79,805
Assessments	24,904	26,840	51,744
Inventories	-	29,178	29,178
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	926,024	1,683,884	2,609,908
Capital assets:			
Land	639,290	4,191,605	4,830,895
Art and sculptures	250,000	-	250,000
Construction in progress	753,142	238,909	992,051
Depreciable assets, net of depreciation	<u>4,756,670</u>	<u>16,546,125</u>	<u>21,302,795</u>
Total assets	<u>10,515,649</u>	<u>23,890,407</u>	<u>34,406,056</u>
LIABILITIES			
Accounts payable and accrued expenses	178,735	49,854	228,589
Deposits	12,805	82,171	94,976
Unearned revenue	70,728	27,190	97,918
Accrued interest payable	6,234	225,148	231,382
Retainage payable	25,097	-	25,097
Compensated absences payable	34,073	19,517	53,590
Long-term obligations:			
Due within one year	149,788	226,863	376,651
Due in more than one year	<u>1,511,504</u>	<u>7,217,838</u>	<u>8,729,342</u>
Total liabilities	<u>1,988,964</u>	<u>7,848,581</u>	<u>9,837,545</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,737,811	13,531,938	18,269,749
Restricted for:			
Debt service	311,646	313,327	624,973
Highways and streets	614,378	-	614,378
System development	-	1,370,557	1,370,557
Unrestricted	<u>2,862,850</u>	<u>826,004</u>	<u>3,688,854</u>
Total net assets	<u>\$ 8,526,685</u>	<u>\$ 16,041,826</u>	<u>\$ 24,568,511</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,098,996	\$ 194,050	\$ 5,388	\$ -	\$ (899,558)	\$ -	\$ (899,558)
Public safety	416,018	-	21,937	-	(394,081)	-	(394,081)
Culture and recreation	198,941	103,405	-	30,950	(64,586)	-	(64,586)
Community development	5,254	-	-	-	(5,254)	-	(5,254)
Highways and streets	377,149	78,903	140,359	698,750	540,863	-	540,863
Interest on long-term obligations	90,444	-	-	-	(90,444)	-	(90,444)
Total governmental activities	<u>2,186,802</u>	<u>376,358</u>	<u>167,684</u>	<u>729,700</u>	<u>(913,060)</u>	<u>-</u>	<u>(913,060)</u>
Business-type activities:							
Water	574,198	474,228	-	36,750	-	(63,220)	(63,220)
Refuse	-	26	-	-	-	26	26
Sewer	<u>1,097,510</u>	<u>717,295</u>	<u>4,438</u>	<u>59,695</u>	<u>-</u>	<u>(316,082)</u>	<u>(316,082)</u>
Total business-type activities	<u>1,671,708</u>	<u>1,191,549</u>	<u>4,438</u>	<u>96,445</u>	<u>-</u>	<u>(379,276)</u>	<u>(379,276)</u>
Total primary government	<u>\$ 3,858,510</u>	<u>\$ 1,567,907</u>	<u>\$ 172,122</u>	<u>\$ 826,145</u>	<u>(913,060)</u>	<u>(379,276)</u>	<u>(1,292,336)</u>
General revenues:							
Property taxes levied for:							
General purposes					764,486	-	764,486
Debt service					134,095	-	134,095
Franchise and public services taxes					573,018	-	573,018
Interest and investment earnings					41,232	24,554	65,786
Miscellaneous					4,590	-	4,590
Transfers					<u>810,223</u>	<u>(810,223)</u>	<u>-</u>
Total general revenues, special items, and transfers					<u>2,327,644</u>	<u>(785,669)</u>	<u>1,541,975</u>
Change in net assets					1,414,584	(1,164,945)	249,639
Net assets, beginning					<u>7,112,101</u>	<u>17,206,771</u>	<u>24,318,872</u>
Net assets, ending					<u>\$ 8,526,685</u>	<u>\$ 16,041,826</u>	<u>\$ 24,568,511</u>

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, local gas taxes, licenses and fees, intergovernmental revenue, and franchise fees.

Reserve

Accounts for money set aside for replacement of capital assets. The principal revenue sources are contributions by other funds and earnings on investments.

CITY OF SISTERS, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Street Fund	Reserve Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 672,683	\$ 137,993	\$ 1,943,761	\$ 1,131,489	\$ 3,885,926
Receivables:					
Property taxes	67,985	-	-	11,820	79,805
Accounts, net	57,576	16,694	-	-	74,270
Intergovernmental	31,832	6,722	-	13,088	51,642
Assessments	-	-	-	24,904	24,904
Advances to other funds	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
 Total assets	 <u>\$ 980,076</u>	 <u>\$ 161,409</u>	 <u>\$ 1,943,761</u>	 <u>\$ 1,181,301</u>	 <u>\$ 4,266,547</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 74,704	\$ 37,137	\$ 60,948	\$ 5,946	\$ 178,735
Retainage payable	-	5,377	2,910	16,810	25,097
Deposits	12,805	-	-	-	12,805
Deferred revenue	117,812	1,000	-	45,927	164,739
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
 Total liabilities	 <u>205,321</u>	 <u>43,514</u>	 <u>63,858</u>	 <u>218,683</u>	 <u>531,376</u>
FUND BALANCES					
Reserved for:					
Advances to other funds	150,000	-	-	-	150,000
Debt service	-	-	-	311,646	311,646
Highways and streets	-	117,895	-	496,483	614,378
Unreserved, reported in:					
Major funds	624,755	-	1,879,903	-	2,504,658
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,489</u>	<u>154,489</u>
 Total fund balances	 <u>774,755</u>	 <u>117,895</u>	 <u>1,879,903</u>	 <u>962,618</u>	 <u>3,735,171</u>
 Total liabilities and fund balances	 <u>\$ 980,076</u>	 <u>\$ 161,409</u>	 <u>\$ 1,943,761</u>	 <u>\$ 1,181,301</u>	 <u>\$ 4,266,547</u>

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

CITY OF SISTERS, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Fund balances - total governmental funds	\$ 3,735,171
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	6,399,102
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	94,011
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(34,073)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(6,234)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	<u>(1,661,292)</u>
Net assets of governmental activities	<u>\$ 8,526,685</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund	Street Fund	Reserve Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 763,768	\$ -	\$ -	\$ 133,883	\$ 897,651
Other taxes	270,219	36,113	-	-	306,332
Franchise fees	194,013	55,409	-	-	249,422
Licenses and fees	234,013	77,967	-	28,014	339,994
Charges for services	18,600	-	-	-	18,600
Intergovernmental	74,005	298,246	-	26,046	398,297
Fines and forfeitures	1,828	-	-	-	1,828
System development charges	-	-	-	13,609	13,609
Rental income	15,000	-	-	-	15,000
Interest on investments	19,915	116	10,154	11,046	41,231
Miscellaneous	4,589	936	2,700	-	8,225
TOTAL REVENUES	<u>1,595,950</u>	<u>468,787</u>	<u>12,854</u>	<u>212,598</u>	<u>2,290,189</u>
EXPENDITURES					
Current:					
General government	940,768	-	-	-	940,768
Public safety	416,015	-	-	-	416,015
Culture and recreation	194,673	-	-	-	194,673
Community development	-	-	-	5,254	5,254
Highways and streets	-	287,342	-	6,370	293,712
Capital outlay	-	239,533	279,355	497,804	1,016,692
Debt service	-	-	-	234,372	234,372
TOTAL EXPENDITURES	<u>1,551,456</u>	<u>526,875</u>	<u>279,355</u>	<u>743,800</u>	<u>3,101,486</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>44,494</u>	<u>(58,088)</u>	<u>(266,501)</u>	<u>(531,202)</u>	<u>(811,297)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	190,902	200,012	765,150	239,000	1,395,064
Transfers out	<u>(1,036,162)</u>	<u>(13,000)</u>	-	<u>(100,000)</u>	<u>(1,149,162)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(845,260)</u>	<u>187,012</u>	<u>765,150</u>	<u>139,000</u>	<u>245,902</u>
NET CHANGE IN FUND BALANCE	(800,766)	128,924	498,649	(392,202)	(565,395)
FUND BALANCE, Beginning	<u>1,575,521</u>	<u>(11,029)</u>	<u>1,381,254</u>	<u>1,354,820</u>	<u>4,300,566</u>
FUND BALANCE, Ending	<u>\$ 774,755</u>	<u>\$ 117,895</u>	<u>\$ 1,879,903</u>	<u>\$ 962,618</u>	<u>\$ 3,735,171</u>

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

CITY OF SISTERS, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Net change in fund balance - governmental funds \$ (565,395)

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 (6,994)

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.

143,397

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

Change in compensated absences (3,838)

Change in accrued interest payable 531

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

Capital asset purchases	\$ 1,016,251
Donated capital assets	507,968
Capital asset transfer	564,321
Depreciation expense	<u>(241,657)</u>

1,846,883

Change in net assets - governmental activities **\$ 1,414,584**

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Property taxes	\$ 716,000	\$ 716,000	\$ 763,768	\$ 47,768
Other taxes	200,000	200,000	270,219	70,219
Franchise fees	174,000	174,000	194,013	20,013
Licenses and fees	255,500	255,500	234,013	(21,487)
Charges for services	18,600	18,600	18,600	-
Intergovernmental	79,100	80,100	74,005	(6,095)
Fines and forfeitures	4,000	4,000	1,828	(2,172)
Rental income	15,000	15,000	15,000	-
Interest on investments	45,300	45,300	19,915	(25,385)
Miscellaneous	-	-	4,589	4,589
TOTAL REVENUES	<u>1,507,500</u>	<u>1,508,500</u>	<u>1,595,950</u>	<u>87,450</u>
EXPENDITURES				
Current:				
General government	1,012,224	1,025,624	940,768	84,856
Public safety	416,015	416,015	416,015	-
Culture and recreation	188,335	202,335	194,673	7,662
Contingency	655,881	529,481	-	529,481
TOTAL EXPENDITURES	<u>2,272,455</u>	<u>2,173,455</u>	<u>1,551,456</u>	<u>621,999</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(764,955)</u>	<u>(664,955)</u>	<u>44,494</u>	<u>709,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	165,500	165,500	190,902	25,402
Interfund loan proceeds	177,200	177,200	150,000	(27,200)
Interfund loan payment	(60,000)	(160,000)	(100,000)	60,000
Transfers out	(1,136,162)	(1,136,162)	(1,036,162)	100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(853,462)</u>	<u>(953,462)</u>	<u>(795,260)</u>	<u>158,202</u>
NET CHANGE IN FUND BALANCE	(1,618,417)	(1,618,417)	(750,766)	867,651
Budgetary basis adjustment	-	-	(50,000)	(50,000)
FUND BALANCE, Beginning	<u>1,618,417</u>	<u>1,618,417</u>	<u>1,575,521</u>	<u>(42,896)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,755</u>	<u>\$ 774,755</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ -	\$ -	\$ 36,113	\$ 36,113
Franchise fees	58,750	58,750	55,409	(3,341)
Licenses and fees	40,000	40,000	77,967	37,967
Intergovernmental	293,700	293,700	298,246	4,546
Interest on investments	1,000	1,000	116	(884)
Miscellaneous	-	-	936	936
TOTAL REVENUES	<u>393,450</u>	<u>393,450</u>	<u>468,787</u>	<u>75,337</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	162,117	162,117	153,994	8,123
Materials and services	192,820	192,820	133,348	59,472
Capital outlay	<u>285,000</u>	<u>285,000</u>	<u>239,533</u>	<u>45,467</u>
TOTAL EXPENDITURES	<u>639,937</u>	<u>639,937</u>	<u>526,875</u>	<u>113,062</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(246,487)</u>	<u>(246,487)</u>	<u>(58,088)</u>	<u>188,399</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,012	200,012	200,012	-
Interfund loan proceeds	60,000	60,000	-	(60,000)
Interfund loan repayment	(6,000)	(6,000)	-	6,000
Transfers out	<u>(13,000)</u>	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>241,012</u>	<u>241,012</u>	<u>187,012</u>	<u>(54,000)</u>
NET CHANGE IN FUND BALANCE	(5,475)	(5,475)	128,924	134,399
FUND BALANCE, Beginning	<u>5,475</u>	<u>5,475</u>	<u>(11,029)</u>	<u>(16,504)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,895</u>	<u>\$ 117,895</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 20,000	\$ 20,000	\$ 10,154	\$ (9,846)
Miscellaneous	-	-	2,700	2,700
TOTAL REVENUES	<u>20,000</u>	<u>20,000</u>	<u>12,854</u>	<u>(7,146)</u>
EXPENDITURES				
Capital outlay	676,250	707,250	279,355	427,895
Contingency	<u>1,523,750</u>	<u>1,523,750</u>	-	<u>1,523,750</u>
TOTAL EXPENDITURES	<u>2,200,000</u>	<u>2,231,000</u>	<u>279,355</u>	<u>1,951,645</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,180,000)</u>	<u>(2,211,000)</u>	<u>(266,501)</u>	<u>1,944,499</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>865,150</u>	<u>865,150</u>	<u>765,150</u>	<u>(100,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>865,150</u>	<u>865,150</u>	<u>765,150</u>	<u>(100,000)</u>
NET CHANGE IN FUND BALANCE	(1,314,850)	(1,345,850)	498,649	1,844,499
FUND BALANCE, Beginning	<u>1,314,850</u>	<u>1,345,850</u>	<u>1,381,254</u>	<u>35,404</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,903</u>	<u>\$ 1,879,903</u>

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, 2010

	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	\$ 131,497	\$ 939,055	\$ -	\$ 1,070,552
Receivables:				
Accounts, net	41,885	61,429	-	103,314
Assessments	-	26,840	-	26,840
Inventories	29,178	-	-	29,178
Total current assets	<u>202,560</u>	<u>1,027,324</u>	<u>-</u>	<u>1,229,884</u>
Noncurrent assets:				
Restricted cash and cash equivalents	863,885	819,999	-	1,683,884
Capital assets:				
Land	10,022	4,181,583	-	4,191,605
Construction in progress	160,028	78,881	-	238,909
Depreciable assets, net of depreciation	5,211,399	11,334,726	-	16,546,125
Total noncurrent assets	<u>6,245,334</u>	<u>16,415,189</u>	<u>-</u>	<u>22,660,523</u>
Total assets	<u>\$ 6,447,894</u>	<u>\$ 17,442,513</u>	<u>\$ -</u>	<u>\$ 23,890,407</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 25,937	\$ 23,917	\$ -	\$ 49,854
Accrued interest payable	-	225,148	-	225,148
Deposits	82,171	-	-	82,171
Unearned revenue	350	26,840	-	27,190
Compensated absences payable	9,423	10,094	-	19,517
Current portion of long-term debt	-	226,863	-	226,863
Total current liabilities	<u>117,881</u>	<u>512,862</u>	<u>-</u>	<u>630,743</u>
Long-term debt, net of current portion:				
Notes and contracts payable	-	2,270,167	-	2,270,167
Bonds payable	-	4,947,671	-	4,947,671
Total long-term debt, net of current portion	<u>-</u>	<u>7,217,838</u>	<u>-</u>	<u>7,217,838</u>
Total liabilities	<u>117,881</u>	<u>7,730,700</u>	<u>-</u>	<u>7,848,581</u>
Net assets:				
Invested in capital assets, net of related debt	5,381,449	8,150,489	-	13,531,938
Restricted for system development	863,885	506,672	-	1,370,557
Restricted for debt service	-	313,327	-	313,327
Unrestricted	84,679	741,325	-	826,004
Total net assets	<u>6,330,013</u>	<u>9,711,813</u>	<u>-</u>	<u>16,041,826</u>
Total liabilities and net assets	<u>\$ 6,447,894</u>	<u>\$ 17,442,513</u>	<u>\$ -</u>	<u>\$ 23,890,407</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business - type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	All Water Funds	All Sewer Funds	Refuse Fund	Total
OPERATING REVENUES				
Charges for services	\$ 472,087	\$ 667,704	\$ 26	\$ 1,139,817
Licenses and fees	1,591	1,591	-	3,182
Rental income	-	48,000	-	48,000
Miscellaneous	550	4,438	-	4,988
TOTAL OPERATING REVENUES	<u>474,228</u>	<u>721,733</u>	<u>26</u>	<u>1,195,987</u>
OPERATING EXPENSES				
Personal services	231,438	268,641	-	500,079
Materials and services	188,053	191,398	-	379,451
Depreciation	154,707	290,465	-	445,172
TOTAL OPERATING EXPENSES	<u>574,198</u>	<u>750,504</u>	<u>-</u>	<u>1,324,702</u>
OPERATING INCOME (LOSS)	<u>(99,970)</u>	<u>(28,771)</u>	<u>26</u>	<u>(128,715)</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	10,014	13,206	1,334	24,554
Interest expense	-	(347,006)	-	(347,006)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>10,014</u>	<u>(333,800)</u>	<u>1,334</u>	<u>(322,452)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(89,956)	(362,571)	1,360	(451,167)
CAPITAL CONTRIBUTIONS				
System development charges	36,750	59,695	-	96,445
Capital asset transfers	8,654	-	-	8,654
TRANSFERS				
Transfers out	(17,000)	(38,000)	(763,877)	(818,877)
CHANGE IN NET ASSETS	(61,552)	(340,876)	(762,517)	(1,164,945)
NET ASSETS, Beginning	<u>6,391,565</u>	<u>10,052,689</u>	<u>762,517</u>	<u>17,206,771</u>
NET ASSETS, Ending	<u>\$ 6,330,013</u>	<u>\$ 9,711,813</u>	<u>\$ -</u>	<u>\$ 16,041,826</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	Total
	All Water Funds	All Sewer Funds	Refuse Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 412,997	\$ 729,449	\$ 881	\$ 1,143,327
Payments to suppliers	(230,686)	(234,790)	-	(465,476)
Payments to employees	(155,504)	(179,565)	-	(335,069)
Payments for interfund services used	(31,752)	(42,257)	-	(74,009)
Net cash provided from (used by) operating activities	<u>(4,945)</u>	<u>272,837</u>	<u>881</u>	<u>268,773</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	<u>(17,000)</u>	<u>(38,000)</u>	<u>(190,902)</u>	<u>(245,902)</u>
Net cash provided from (used by) non-capital financing activities	<u>(17,000)</u>	<u>(38,000)</u>	<u>(190,902)</u>	<u>(245,902)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	36,750	59,695	-	96,445
Acquisition of capital assets	(512,507)	(22,424)	-	(534,931)
Principal paid on long-term obligations	-	(213,331)	-	(213,331)
Interest paid on long-term obligations	-	(351,543)	-	(351,543)
Net cash provided from (used by) capital and related financing activities	<u>(475,757)</u>	<u>(527,603)</u>	<u>-</u>	<u>(1,003,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>10,642</u>	<u>14,073</u>	<u>1,415</u>	<u>26,130</u>
Net cash provided (used) by investing activities	<u>10,642</u>	<u>14,073</u>	<u>1,415</u>	<u>26,130</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(487,060)</u>	<u>(278,693)</u>	<u>(188,606)</u>	<u>(954,359)</u>
CASH AND CASH EQUIVALENTS, Beginning	<u>1,482,442</u>	<u>2,037,747</u>	<u>188,606</u>	<u>3,708,795</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 995,382</u>	<u>\$ 1,759,054</u>	<u>\$ -</u>	<u>\$ 2,754,436</u>
COMPRISED AS FOLLOWS				
Cash and cash equivalents	\$ 131,497	\$ 939,055	\$ -	\$ 1,070,552
Restricted cash and cash equivalents	<u>863,885</u>	<u>819,999</u>	<u>-</u>	<u>1,683,884</u>
	<u>\$ 995,382</u>	<u>\$ 1,759,054</u>	<u>\$ -</u>	<u>\$ 2,754,436</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	Total
	All Water Funds	All Sewer Funds	Refuse Fund	
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	\$ (99,970)	\$ (28,771)	\$ 26	\$ (128,715)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	154,707	290,465	-	445,172
(Increase) decrease in assets:				
Receivables	9,488	11,716	855	22,059
Inventories	(9,578)	-	-	(9,578)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(2,187)	455	-	(1,732)
Deposits	(58,806)	-	-	(58,806)
Unearned revenues	-	(4,000)	-	(4,000)
Compensated absences payable	1,401	2,972	-	4,373
Net cash provided from (used by) operating activities	<u>\$ (4,945)</u>	<u>\$ 272,837</u>	<u>\$ 881</u>	<u>\$ 268,773</u>
Noncash Investing, Capital, and Financing Activities				
Transfer of capital assets between funds	<u>\$ 8,654</u>	<u>\$ -</u>	<u>\$ (572,975)</u>	<u>\$ (564,321)</u>
Total noncash investing, capital, and financing activities	<u>\$ 8,654</u>	<u>\$ -</u>	<u>\$ (572,975)</u>	<u>\$ (564,321)</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SISTERS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, local gas taxes, licenses and fees, intergovernmental revenue, and franchise fees.

The *Reserve Fund* accounts for money set aside for replacement of capital assets. The principal sources are contributions by other funds and earnings on investments.

The 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, Sewer, and General Funds and represents the portion of receivables not expected to be collected.

3. Inventories and Prepaid Expenses

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

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

4. Capital Assets

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

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

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

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

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

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

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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, 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, 2010, 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. Budget Difference

An interfund loan transaction of \$100,000 occurred among General Fund, Urban Renewal Project Fund, and Urban Renewal Debt Service Fund during 2010 resulting in a budget difference from GAAP. The City reported the activity as a revenue and expenditure. However, the proceeds the Urban Renewal Project fund received will be repaid by the Urban Renewal Debt fund. On the GAAP basis, a transfer was reported between the Urban Renewal Project Fund and Urban Renewal Debt Service Fund and the interfund loan balance was adjusted to a balance sheet transaction.

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, 2010. 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, 2010, the carrying amount of the City's deposits was \$4,202,957 and the bank balance was \$4,254,178. All deposits are held in the name of the City. Of the bank balance, \$3,501,491 was covered by federal depository insurance. The remaining \$752,687 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, 2010 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 2,436,705
Less amounts classified as cash equivalents			<u>(2,436,705)</u>
Total Investments			<u><u>\$ -</u></u>

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	4,202,957
Local Government Investment Pool	<u>2,436,705</u>
Total cash and cash equivalents	<u><u>\$6,640,362</u></u>
Funds:	
<u>Governmental Activities</u>	
General	\$ 672,683
Street	137,993
Reserve	1,943,761
Other Governmental Funds	<u>1,131,489</u>
Total Governmental Activities	<u>3,885,926</u>
<u>Business-Type Activities</u>	
Water	995,382
Refuse	-
Sewer	<u>1,759,054</u>
Total Business-Type Activities	<u>2,754,436</u>
Total cash and cash equivalents	<u><u>\$6,640,362</u></u>

B. Receivables

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

	General	Street	Reserve	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 67,985	\$ -	\$ -	\$ 11,820	\$ 79,805
Accounts	57,800	16,694	-	-	74,494
Intergovernmental	31,832	6,722	-	13,088	51,642
Assessments	-	-	-	24,904	24,904
Allowance For Doubtful Account	<u>(224)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224)</u>
	<u>\$ 157,393</u>	<u>\$ 23,416</u>	<u>\$ -</u>	<u>\$ 49,812</u>	<u>\$ 230,621</u>

Receivables as of June 30, 2010 for the business-type activities individual major funds are as follows:

	Water	Refuse	Sewer	Total Business-Type Activities
Accounts	\$ 43,214	\$ -	\$ 63,302	\$ 106,516
Assessments	-	-	26,840	26,840
Allowance for doubtful accounts	(1,329)	-	(1,873)	(3,202)
	<u>\$ 41,885</u>	<u>\$ -</u>	<u>\$ 88,269</u>	<u>\$ 130,154</u>

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

For the fiscal year 2009-2010, the City levied property taxes in the amount of \$782,808. After reductions for offsets and increases for additional taxes and penalties, this resulted in a net levy of \$783,045. 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, 2010 was \$272,035,456. 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 \$137,369.

Following is a summary of property tax transactions for the year ended June 30, 2010:

	Balances July 1, 2009	2009-10 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2010
2009-10	\$ -	\$ 920,414	\$ (3,728)	\$ (20,461)	\$ (851,565)	\$ 44,660
2008-09	51,492	-	(411)	1,622	(34,878)	17,825
2007-08	12,731	-	(74)	824	(7,720)	5,761
2006-07	3,268	-	(54)	438	(2,649)	1,003
2005-06	885	-	(61)	154	(783)	195
2004-05	159	-	(57)	11	(39)	74
2003-04	56	-	(22)	4	(14)	24
2002-03	60	-	(9)	1	(2)	50
2001-02	83	-	(10)	1	(1)	73
Prior years	-	-	-	-	-	-
	<u>\$ 68,734</u>	<u>\$ 920,414</u>	<u>\$ (4,426)</u>	<u>\$ (17,406)</u>	<u>\$ (897,651)</u>	<u>69,665</u>
				Cash with County		<u>10,140</u>
				Total Receivable		<u>\$ 79,805</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary.

Other accounts and intergovernmental receivables are considered 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, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 639,290	\$ -	\$ -	\$ 639,290
Art and sculptures	250,000	-	-	250,000
Construction in progress	<u>76,476</u>	<u>823,882</u>	<u>(147,216)</u>	<u>753,142</u>
Total capital assets, not being depreciated	<u>965,766</u>	<u>823,882</u>	<u>(147,216)</u>	<u>1,642,432</u>
Capital assets, being depreciated				
Buildings and improvements	3,491,483	-	630,331	4,121,814
Tools and equipment	538,283	41,376	58,140	637,799
Office equipment	301,454	-	58,516	359,970
Street Improvements	<u>1,590,363</u>	<u>658,965</u>	<u>82,796</u>	<u>2,332,124</u>
Total capital assets, being depreciated	<u>5,921,583</u>	<u>700,341</u>	<u>829,783</u>	<u>7,451,707</u>
Accumulated depreciation for:				
Buildings	(1,485,229)	(85,505)	(29,127)	(1,599,861)
Tools and equipment	(504,314)	(28,514)	(38,487)	(571,315)
Office equipment	(183,915)	(49,351)	(50,633)	(283,899)
Street Improvements	<u>(161,675)</u>	<u>(78,287)</u>	<u>-</u>	<u>(239,962)</u>
Total accumulated depreciation	<u>(2,335,133)</u>	<u>(241,657)</u>	<u>(118,247)</u>	<u>(2,695,037)</u>
Total capital assets, being depreciated, net	<u>3,586,450</u>	<u>458,684</u>	<u>711,536</u>	<u>4,756,670</u>
Governmental activities capital assets, net	<u>\$ 4,552,216</u>	<u>\$ 1,282,566</u>	<u>\$ 564,320</u>	<u>\$ 6,399,102</u>

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

General government	\$ 156,149
Culture and recreation	3,548
Highways and streets	<u>81,960</u>
Total depreciation expense - governmental activities	<u><u>\$ 241,657</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 4,191,605	\$ -	\$ -	\$ 4,191,605
Construction in progress	<u>134,077</u>	<u>134,960</u>	<u>(30,128)</u>	<u>238,909</u>
Total capital assets, not being depreciated	<u>4,325,682</u>	<u>134,960</u>	<u>(30,128)</u>	<u>4,430,514</u>
Capital assets, being depreciated				
Buildings and improvements	577,950	-	(565,912)	12,038
Tools and equipment	481,817	38,357	(58,140)	462,034
Office equipment	125,935	-	(58,516)	67,419
Infrastructure	<u>19,361,745</u>	<u>361,613</u>	<u>30,128</u>	<u>19,753,486</u>
Total capital assets, being depreciated	<u>20,547,447</u>	<u>399,970</u>	<u>(652,440)</u>	<u>20,294,977</u>
Less accumulated depreciation for:				
Buildings and improvements	(38,940)	(145)	29,127	(9,958)
Tools and equipment	(314,852)	(41,721)	38,485	(318,088)
Office equipment	(113,119)	(3,152)	50,634	(65,637)
Infrastructure	<u>(2,955,015)</u>	<u>(400,154)</u>	<u>-</u>	<u>(3,355,169)</u>
Total accumulated depreciation	<u>(3,421,926)</u>	<u>(445,172)</u>	<u>118,246</u>	<u>(3,748,852)</u>
Total capital assets, being depreciated, net	<u>17,125,521</u>	<u>(45,202)</u>	<u>(534,194)</u>	<u>16,546,125</u>
Business-type activities capital assets, net	<u><u>\$ 21,451,203</u></u>	<u><u>\$ 89,758</u></u>	<u><u>\$ (564,322)</u></u>	<u><u>\$ 20,976,639</u></u>

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

Water	\$ 154,707
Sewer	<u>290,465</u>
Total depreciation expense - business-type activities	<u><u>\$ 445,172</u></u>

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, there was \$70,728 in unearned deferred revenue for governmental activities and \$27,190 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	\$ 59,345	\$ -	\$ 10,320	\$ 69,665
Transient room taxes	5,381	-	-	5,381
Intergovernmental	18,965	-	-	18,965
Unearned	<u>34,121</u>	<u>1,000</u>	<u>35,607</u>	<u>70,728</u>
	<u><u>\$ 117,812</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 45,927</u></u>	<u><u>\$ 164,739</u></u>

E. Long-term obligations

1. Full Faith and Credit Obligation Bonds – Governmental Activities

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

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

Future maturities of the combined issues are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 149,788	\$ 74,184
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	132,181	6,344
	<u>\$ 1,661,292</u>	<u>\$ 407,443</u>

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

In September of 2000, sewer revenue bonds were issued in the amount of \$3,325,700 and \$2,382,300 to construct a sewer system. These bonds carry an interest rate of 4.5% and are to be repaid in annual installments of \$180,752 and \$129,479 for 40 years. These bonds are held by Rural Development of the USDA and require that a reserve of retained earnings be established for debt service of \$31,028 annually (reserve of \$310,280 as of June 30, 2010) until a total reserve of \$310,280 is established. The total unpaid principal on these two bonds as of June 30, 2008 was \$5,031,486. Future maturities of the bonds are as follows:

June 30	Principal	Interest
2011	\$ 83,815	\$ 226,416
2012	87,586	222,645
2013	91,527	218,704
2014	95,646	214,585
2015	99,950	210,281
2016-2020	571,403	979,752
2021-2025	712,072	839,083
2026-2030	887,371	663,784
2031-2035	1,105,824	445,331
2036-2040	1,174,164	174,092
2041	122,118	5,496
	<u>\$ 5,031,476</u>	<u>\$ 4,200,169</u>

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

On May 9, 1999, a loan in the amount of \$42,080 was borrowed from the State of Oregon Department of Environmental Quality (DEQ) to assist in the financing of the construction of a sewer wastewater system facility. The loan requires annual payments of \$1,483 for 40 years, including interest at 3.39%, and a reserve of \$3,047 is required. The unpaid principal balance as of June 30, 2010 was \$28,067.

On April 12, 2000, a loan in the amount of \$1,000,000 was borrowed from the State of Oregon Economic Development Department (OEDD) to assist in the financing of the construction of a sewer system. The loan requires 25 annual payments of approximately \$75,000, including interest at 5.53%. The unpaid principal balance at June 30, 2010 was \$751,822.

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, 2010 was \$202,487.

In December 2006, a loan in the amount of \$1,700,000 was borrowed from the Bank of America to purchase 230.89 acres of property for effluent disposal and reuse. The loan requires quarterly interest and principal payments of \$39,803, including interest at 4.40%. The unpaid principal balance at June 30, 2010 was \$1,430,839.

Future maturities of the loans payable are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 143,048	\$ 115,133
2012	148,210	108,358
2013	153,618	101,300
2014	164,276	93,993
2015	170,194	86,150
2016-2020	974,729	301,464
2021-2025	624,730	86,899
2026-2027	34,410	2,865
	<u>\$ 2,413,215</u>	<u>\$ 896,162</u>

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2010, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Full Faith and Credit Bonds	\$ 1,804,688	\$ -	\$ 143,396	\$ 1,661,292	\$ 149,788
Compensated Absences	30,234	34,073	30,234	34,073	34,073
Governmental activity Long-term obligations	<u>\$ 1,834,922</u>	<u>\$ 34,073</u>	<u>\$ 173,630</u>	<u>\$ 1,695,365</u>	<u>\$ 183,861</u>
Business - type activities					
Revenue Bonds Payable	\$ 5,111,691	\$ -	\$ 80,205	\$ 5,031,486	\$ 83,815
Loans Payable	2,546,341	-	133,126	2,413,215	143,048
Compensated Absences	15,144	19,517	15,144	19,517	19,517
Business-type activity Long-term obligations	<u>\$ 7,673,176</u>	<u>\$ 19,517</u>	<u>\$ 228,475</u>	<u>\$ 7,464,218</u>	<u>\$ 246,380</u>

F. Advances to/from Other Funds

The General Fund loaned the Urban Renewal Debt Service Fund \$500,000 in prior years for street improvements and sidewalk extensions for the East Cascade Avenue realignment. The City Council and Urban Renewal Agency board reaffirmed the loan 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 General Fund loaned the Urban Renewal Agency an additional \$100,000 in the current year for capital projects. The unpaid principal balance at June 30, 2010 was \$150,000.

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 \$810,223.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ 190,902	\$ 1,036,162
Street	200,012	13,000
Reserve	765,150	-
Other funds	239,000	100,000
Capital asset transfer	564,321	-
Business-type activities:		
Water	8,654	17,000
Refuse	-	763,877
Sewer	-	38,000
	<u>\$ 1,968,039</u>	<u>\$ 1,968,039</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. \$190,902 cash transfer and \$572,975 capital asset transfer out of the Refuse is due to closing the Refuse fund. Transfers into the Reserve 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 4.23% 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 3.30% 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, 2010, 2009, and 2008 were \$87,413, \$97,300, and \$81,568 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, 2010. Major projects in progress at June 30, 2010 are as follows:

The Larch Street improvements are approximately 99% complete. Costs incurred to date are \$109,000, with total estimated costs of \$115,000.

The Hood & Main Sidewalk Improvements is approximately 99% complete. Costs incurred to date are \$396,619, with total estimated costs of \$407,372.

The Locust Shoulder Improvements are approximately 13% complete. Costs incurred to date are \$5,028, with total estimated costs of \$37,753.

The Lazy Z - Effluent Disposal Design is approximately 6% complete. Costs incurred to date are \$74,814, with total estimated costs of \$1,345,000.

The SCADA Upgrades is approximately 4% complete. Costs incurred to date are \$4,066, with total estimated costs of \$102,931.

The DEV Upsizing/Creekside Water Loop is approximately 4% complete. Costs incurred to date are \$9,441, with total estimated costs of \$250,000.

The SW Section Schedule B is approximately 9% complete. Costs incurred to date are \$22,345, with total estimated costs of \$226,000.

The Water Well #2 project is approximately 40% complete. Costs incurred to date are \$100,755, with total estimated costs of \$254,682.

The Reservoir Development is approximately 1% complete. Costs incurred to date are \$27,487, with total estimated costs of \$4,747,663.

The PW Building is approximately 26% complete. Costs incurred to date are \$141,389, with total estimated costs of \$550,000.

The City Hall Generator project is approximately 99% complete. Costs incurred to date are \$65,364, with estimated costs of \$80,000.

The Whychus Creek Trail is approximately 99% complete. Costs incurred to date are \$35,742, with estimated costs of \$35,000.

D. Subsequent Events

The City received a \$31,000 grant from Oregon Department of Energy. The City also received \$18,289 payment for the Sidewalk Improvement Project from the Library District, and purchased a Vector Truck for \$109,000 in August.

At the September 2010 City Council meeting, the City awarded contracts for water line improvements for \$167,879 and the Locust Street Shoulder Project for \$37,753.

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:

- *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.
- *Parking District* – provides the accounting for development fees collected from developers or businesses located in Commercial Parking District for parking improvements per the City's Parking Master Plan.
- *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.

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, 2010**

	Special Revenue				Debt Service		Totals
	Transportation SDC Fund	Park Development Fund	Parking District Fund	Urban Renewal Project Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	
ASSETS							
Cash and cash equivalents	\$ 500,992	\$ 104,240	\$ 59,051	\$ 7,060	\$ 14,221	\$ 445,925	\$ 1,131,489
Receivables:							
Property taxes	-	-	-	-	-	11,820	11,820
Accounts	-	13,088	-	-	-	-	13,088
Assessments	-	-	24,903	-	-	-	24,903
Total assets	<u>\$ 500,992</u>	<u>\$ 117,328</u>	<u>\$ 83,954</u>	<u>\$ 7,060</u>	<u>\$ 14,221</u>	<u>\$ 457,745</u>	<u>\$ 1,181,300</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 4,509	\$ -	\$ -	\$ 1,437	\$ -	\$ -	\$ 5,946
Retainage payable	-	-	16,809	-	-	-	16,809
Deferred revenue	-	-	35,607	-	-	10,320	45,927
Advances from other funds	-	-	-	-	-	150,000	150,000
Total liabilities	<u>4,509</u>	<u>-</u>	<u>52,416</u>	<u>1,437</u>	<u>-</u>	<u>160,320</u>	<u>218,682</u>
FUND BALANCES							
Reserved for:							
Debt service	-	-	-	-	14,221	297,425	311,646
Highways and streets	496,483	-	-	-	-	-	496,483
Unreserved, reported in:							
Special revenue funds	-	117,328	31,538	5,623	-	-	154,489
Total fund balances	<u>496,483</u>	<u>117,328</u>	<u>31,538</u>	<u>5,623</u>	<u>14,221</u>	<u>297,425</u>	<u>962,618</u>
Total liabilities and fund balances	<u>\$ 500,992</u>	<u>\$ 117,328</u>	<u>\$ 83,954</u>	<u>\$ 7,060</u>	<u>\$ 14,221</u>	<u>\$ 457,745</u>	<u>\$ 1,181,300</u>

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, 2010

	Special Revenue				Debt Service		Totals
	Transportation SDC Fund	Park Development Fund	Parking District Fund	Urban Renewal Project Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$133,883	\$ 133,883
Licenses and fees	-	-	28,014	-	-	-	28,014
Intergovernmental	-	26,046	-	-	-	-	26,046
System development charges	8,705	4,904	-	-	-	-	13,609
Interest on investments	3,894	819	1,616	210	118	4,389	11,046
TOTAL REVENUES	<u>12,599</u>	<u>31,769</u>	<u>29,630</u>	<u>210</u>	<u>118</u>	<u>138,272</u>	<u>212,598</u>
EXPENDITURES							
Current:							
Community development	-	-	-	5,254	-	-	5,254
Highways and streets	6,370	-	-	-	-	-	6,370
Capital outlay	63,242	35,742	244,814	154,006	-	-	497,804
Debt service	-	-	-	-	138,524	95,848	234,372
TOTAL EXPENDITURES	<u>69,612</u>	<u>35,742</u>	<u>244,814</u>	<u>159,260</u>	<u>138,524</u>	<u>95,848</u>	<u>743,800</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(57,013)</u>	<u>(3,973)</u>	<u>(215,184)</u>	<u>(159,050)</u>	<u>(138,406)</u>	<u>42,424</u>	<u>(531,202)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	-	100,000	139,000	-	239,000
Transfers out	-	-	-	-	-	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>139,000</u>	<u>(100,000)</u>	<u>139,000</u>
NET CHANGE IN FUND BALANCE	<u>(57,013)</u>	<u>(3,973)</u>	<u>(215,184)</u>	<u>(59,050)</u>	<u>594</u>	<u>(57,576)</u>	<u>(392,202)</u>
FUND BALANCE, Beginning	<u>553,496</u>	<u>121,301</u>	<u>246,722</u>	<u>64,673</u>	<u>13,627</u>	<u>355,001</u>	<u>1,354,820</u>
FUND BALANCE, Ending	<u>\$ 496,483</u>	<u>\$ 117,328</u>	<u>\$ 31,538</u>	<u>\$ 5,623</u>	<u>\$ 14,221</u>	<u>\$297,425</u>	<u>\$ 962,618</u>

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 Reserve 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
EXPENDITURES AND TRANSFERS				
Administration	\$ 313,992	\$ 313,992	\$ 269,739	\$ 44,253
Maintenance	128,061	140,461	138,035	2,426
Parks	188,335	202,335	194,673	7,662
Police	416,015	416,015	416,015	-
Planning	448,771	449,771	404,830	44,941
Support services	1,257,562	1,257,562	1,164,326	93,236
Contingency	655,881	529,481	-	529,481
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 3,408,617</u>	<u>\$ 3,309,617</u>	<u>\$ 2,587,618</u>	<u>\$ 721,999</u>

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

Governmental Funds

Special Revenue Funds

- Transportation SDC
- Park Development
- Parking District
- Urban Renewal Project

Debt Service Funds

- City Hall Debt Service
- Urban Renewal Debt Service

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRANSPORTATION SDC FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 50,000	\$ 50,000	\$ 8,705	\$ (41,295)
Interest on investments	5,500	5,500	3,894	(1,606)
TOTAL REVENUES	<u>55,500</u>	<u>55,500</u>	<u>12,599</u>	<u>(42,901)</u>
EXPENDITURES				
Current:				
Highways and streets:				
Materials and services	1,000	10,750	6,370	4,380
Capital outlay	95,967	95,967	63,242	32,725
Contingency	523,869	514,119	-	514,119
TOTAL EXPENDITURES	<u>620,836</u>	<u>620,836</u>	<u>69,612</u>	<u>551,224</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(565,336)</u>	<u>(565,336)</u>	<u>(57,013)</u>	<u>508,323</u>
NET CHANGE IN FUND BALANCE	(565,336)	(565,336)	(57,013)	508,323
FUND BALANCE, Beginning	<u>565,336</u>	<u>565,336</u>	<u>553,496</u>	<u>(11,840)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,483</u>	<u>\$ 496,483</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARK DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 180,840	\$ 180,840	\$ 26,046	\$ (154,794)
System development charges	10,000	10,000	4,904	(5,096)
Interest on investments	1,000	1,000	819	(181)
TOTAL REVENUES	<u>191,840</u>	<u>191,840</u>	<u>31,769</u>	<u>(160,071)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	25,000	25,000	-	25,000
Capital outlay	179,000	179,000	35,742	143,258
Contingency	109,713	109,713	-	109,713
TOTAL EXPENDITURES	<u>313,713</u>	<u>313,713</u>	<u>35,742</u>	<u>277,971</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(121,873)</u>	<u>(121,873)</u>	<u>(3,973)</u>	<u>117,900</u>
NET CHANGE IN FUND BALANCE	(121,873)	(121,873)	(3,973)	117,900
FUND BALANCE, Beginning	<u>121,873</u>	<u>121,873</u>	<u>121,301</u>	<u>(572)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,328</u>	<u>\$ 117,328</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARKING DISTRICT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 18,000	\$ 18,000	\$ 28,014	\$ 10,014
Interest on investments	4,000	4,000	1,616	(2,384)
TOTAL REVENUES	<u>22,000</u>	<u>22,000</u>	<u>29,630</u>	<u>7,630</u>
EXPENDITURES				
Capital outlay	<u>264,158</u>	<u>264,158</u>	<u>244,814</u>	<u>19,344</u>
TOTAL EXPENDITURES	<u>264,158</u>	<u>264,158</u>	<u>244,814</u>	<u>19,344</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(242,158)</u>	<u>(242,158)</u>	<u>(215,184)</u>	<u>26,974</u>
NET CHANGE IN FUND BALANCE	(242,158)	(242,158)	(215,184)	26,974
FUND BALANCE, Beginning	<u>242,158</u>	<u>242,158</u>	<u>246,722</u>	<u>4,564</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,538</u>	<u>\$ 31,538</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL PROJECT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 3,965	\$ 3,965	\$ 210	\$ (3,755)
TOTAL REVENUES	<u>3,965</u>	<u>3,965</u>	<u>210</u>	<u>(3,755)</u>
EXPENDITURES				
Current:				
Community development:				
Materials and services	18,300	14,500	5,254	9,246
Capital outlay	<u>105,000</u>	<u>154,100</u>	<u>154,006</u>	<u>94</u>
TOTAL EXPENDITURES	<u>123,300</u>	<u>168,600</u>	<u>159,260</u>	<u>9,340</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(119,335)</u>	<u>(164,635)</u>	<u>(159,050)</u>	<u>5,585</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(19,335)	(64,635)	(59,050)	5,585
FUND BALANCE, Beginning	<u>19,335</u>	<u>64,635</u>	<u>64,673</u>	<u>38</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,623</u>	<u>\$ 5,623</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CITY HALL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 2,000	\$ 2,000	\$ 118	\$ (1,882)
TOTAL REVENUES	<u>2,000</u>	<u>2,000</u>	<u>118</u>	<u>(1,882)</u>
EXPENDITURES				
Debt service	139,000	139,000	138,524	476
Contingency	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
TOTAL EXPENDITURES	<u>141,000</u>	<u>141,000</u>	<u>138,524</u>	<u>2,476</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(139,000)</u>	<u>(139,000)</u>	<u>(138,406)</u>	<u>594</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	.	.	594	594
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>13,627</u>	<u>13,627</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,221</u>	<u>\$ 14,221</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Property taxes	\$ 128,500	\$ 128,500	\$ 133,883	\$ 5,383
Interest on investments	4,000	4,000	4,389	389
TOTAL REVENUES	<u>132,500</u>	<u>132,500</u>	<u>138,272</u>	<u>5,772</u>
EXPENDITURES				
Debt service	101,300	101,300	95,848	5,452
Contingency	61,763	61,763	-	61,763
TOTAL EXPENDITURES	<u>163,063</u>	<u>163,063</u>	<u>95,848</u>	<u>67,215</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(30,563)</u>	<u>(30,563)</u>	<u>42,424</u>	<u>72,987</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan repayment	(168,200)	(168,200)	(150,000)	18,200
TOTAL OTHER FINANCING SOURCES (USES)	<u>(168,200)</u>	<u>(168,200)</u>	<u>(150,000)</u>	<u>18,200</u>
NET CHANGE IN FUND BALANCE	(198,763)	(198,763)	(107,576)	91,187
Budgetary basis adjustment	-	-	50,000	50,000
FUND BALANCE, Beginning	<u>198,763</u>	<u>198,763</u>	<u>355,001</u>	<u>156,238</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,425</u>	<u>\$ 297,425</u>

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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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 6,500	\$ 6,500	\$ 1,591	\$ (4,909)
Charges for services	536,000	536,000	472,087	(63,913)
Interest on investments	12,400	12,400	2,012	(10,388)
Miscellaneous	1,000	1,000	467	(533)
TOTAL REVENUES	<u>555,900</u>	<u>555,900</u>	<u>476,157</u>	<u>(79,743)</u>
EXPENDITURES				
Current:				
Personal services	244,799	244,799	230,037	14,762
Materials and services	223,620	223,620	177,939	45,681
Capital outlay	130,111	130,111	123,049	7,062
Contingency	86,439	86,439	-	86,439
TOTAL EXPENDITURES	<u>684,969</u>	<u>684,969</u>	<u>531,025</u>	<u>153,944</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(129,069)</u>	<u>(129,069)</u>	<u>(54,868)</u>	<u>74,201</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,000)	(17,000)	(17,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(146,069)	(146,069)	(71,868)	74,201
FUND BALANCE, Beginning	<u>146,069</u>	<u>146,069</u>	<u>165,970</u>	<u>19,901</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,102</u>	<u>\$ 94,102</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 80,000	\$ 80,000	\$ 36,750	\$ (43,250)
Interest on investments	18,000	18,000	8,002	(9,998)
Miscellaneous	-	-	83	83
TOTAL REVENUES	<u>98,000</u>	<u>98,000</u>	<u>44,835</u>	<u>(53,165)</u>
EXPENDITURES				
Current:				
Materials and services	1,000	5,375	1,538	3,837
Capital outlay	488,889	488,889	398,034	90,855
Contingency	824,968	820,593	-	820,593
TOTAL EXPENDITURES	<u>1,314,857</u>	<u>1,314,857</u>	<u>399,572</u>	<u>915,285</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,216,857)</u>	<u>(1,216,857)</u>	<u>(354,737)</u>	<u>862,120</u>
NET CHANGE IN FUND BALANCE	(1,216,857)	(1,216,857)	(354,737)	862,120
FUND BALANCE, Beginning	<u>1,216,857</u>	<u>1,216,857</u>	<u>1,218,622</u>	<u>1,765</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,885</u>	<u>\$ 863,885</u>

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2010**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Water	\$ 94,102
Water SDC	<u>863,885</u>
	957,987
 Adjustments:	
Capital assets, net of depreciation	5,381,449
Compensated absences	<u>(9,423)</u>
 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	 <u><u>\$ 6,330,013</u></u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 26	\$ 26
Interest on investments	-	5,000	1,334	(3,666)
TOTAL REVENUES	-	5,000	1,360	(3,640)
REVENUES OVER (UNDER) EXPENDITURES	-	5,000	1,360	(3,640)
OTHER FINANCING SOURCES (USES)				
Transfers out	(165,500)	(195,000)	(190,902)	4,098
TOTAL OTHER FINANCING SOURCES (USES)	(165,500)	(195,000)	(190,902)	4,098
NET CHANGE IN FUND BALANCE	(165,500)	(190,000)	(189,542)	458
FUND BALANCE, Beginning	165,500	190,000	189,542	(458)
FUND BALANCE, Ending	\$ -	\$ -	-	\$ -

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 7,000	\$ 7,000	\$ 1,591	\$ (5,409)
Charges for services	700,200	700,200	667,704	(32,496)
Rental income	48,000	48,000	48,000	-
Interest on investments	28,000	28,000	9,060	(18,940)
Miscellaneous	-	-	4,438	4,438
TOTAL REVENUES	<u>783,200</u>	<u>783,200</u>	<u>730,793</u>	<u>(52,407)</u>
EXPENDITURES				
Current:				
Personal services	275,099	275,099	265,668	9,431
Materials and services	231,050	231,050	190,097	40,953
Capital outlay	63,250	63,250	19,943	43,307
Debt service	405,879	405,879	405,660	219
Contingency	865,090	865,090	-	865,090
TOTAL EXPENDITURES	<u>1,840,368</u>	<u>1,840,368</u>	<u>881,368</u>	<u>959,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,057,168)</u>	<u>(1,057,168)</u>	<u>(150,575)</u>	<u>906,593</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,000)	(38,000)	(38,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(38,000)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,095,168)	(1,095,168)	(188,575)	906,593
FUND BALANCE, Beginning	<u>1,095,168</u>	<u>1,095,168</u>	<u>1,478,469</u>	<u>383,301</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,894</u>	<u>\$ 1,289,894</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 100,000	\$ 100,000	\$ 59,695	\$ (40,305)
Interest on investments	10,000	10,000	4,146	(5,854)
TOTAL REVENUES	<u>110,000</u>	<u>110,000</u>	<u>63,841</u>	<u>(46,159)</u>
EXPENDITURES				
Current:				
Materials and services	1,000	4,625	1,301	3,324
Capital outlay	-	11,900	2,481	9,419
Debt service	160,000	160,000	159,214	786
Contingency	543,934	532,034	-	532,034
TOTAL EXPENDITURES	<u>704,934</u>	<u>708,559</u>	<u>162,996</u>	<u>545,563</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(594,934)</u>	<u>(598,559)</u>	<u>(99,155)</u>	<u>499,404</u>
NET CHANGE IN FUND BALANCE	(594,934)	(598,559)	(99,155)	499,404
FUND BALANCE, Beginning	<u>594,934</u>	<u>598,559</u>	<u>605,827</u>	<u>7,268</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,672</u>	<u>\$ 506,672</u>

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2010**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	\$ 1,289,894
Sewer SDC	<u>506,672</u>
	1,796,566
Adjustments:	
Capital assets, net of depreciation	15,595,190
Compensated absences	(10,094)
Accrued interest payable	(225,148)
Long-term debt	<u>(7,444,701)</u>
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	<u>\$ 9,711,813</u>

OTHER FINANCIAL SCHEDULES



CITY OF THE SISTERS, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2010

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2010	Interest Matured and Paid
				Outstanding July 1, 2009	Issued	Matured and Paid		
<u>Governmental Funds</u>								
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	\$ 1,400,000	\$ 1,162,822	\$ -	\$ 82,709	\$ 1,080,113	\$ 55,816
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	\$ 700,000	641,866	-	60,687	581,179	24,760
				<u>1,804,688</u>	<u>-</u>	<u>143,396</u>	<u>1,661,292</u>	<u>80,576</u>
<u>Enterprise Funds</u>								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,173,355	-	31,678	2,141,677	97,801
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,938,336	-	48,527	2,889,809	132,225
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	30,031	-	1,964	28,067	1,152
OEDD Loan Payable	5.25-5.625	4/12/2000	\$ 1,000,000	782,198	-	30,376	751,822	43,299
OEDD Loan Payable	5.50%	7/23/2002	\$ 250,000	209,597	-	7,110	202,487	11,528
Lazy Z Real Estate Loan	4.40%	12/14/2006	\$ 1,700,000	1,524,515	-	93,676	1,430,839	65,538
				<u>7,658,032</u>	<u>-</u>	<u>213,331</u>	<u>7,444,701</u>	<u>351,543</u>
Total				<u>\$ 9,462,720</u>	<u>\$ -</u>	<u>\$ 356,727</u>	<u>\$ 9,105,993</u>	<u>\$ 432,119</u>

CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2010

Year Ending June 30	2006 Full Faith and Credit Bonds		2008 Full Faith and Credit Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 86,679	\$ 51,845	\$ 63,109	\$ 22,339	\$ 149,788	\$ 74,184
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	82,894	2,465	203,244	20,641
2019	126,125	12,398	-	-	126,125	12,398
2020	132,180	6,344	-	-	132,180	6,344
	<u>\$ 1,080,113</u>	<u>\$ 305,127</u>	<u>\$ 581,179</u>	<u>\$ 102,316</u>	<u>\$ 1,661,292</u>	<u>\$ 407,443</u>

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE
June 30, 2010

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 33,104	\$ 96,375	\$ 50,711	\$ 130,041	\$ 83,815	\$ 226,416
2012	34,593	94,886	52,993	127,759	87,586	222,645
2013	36,150	93,329	55,377	125,375	91,527	218,704
2014	37,777	91,702	57,869	122,883	95,646	214,585
2015	39,477	90,002	60,473	120,279	99,950	210,281
2016	41,253	88,226	63,195	117,557	104,448	205,783
2017	43,109	86,370	66,038	114,714	109,147	201,084
2018	45,049	84,430	69,010	111,742	114,059	196,172
2019	47,077	82,402	72,116	108,636	119,193	191,038
2020	49,195	80,284	75,361	105,391	124,556	185,675
2021	51,409	78,070	78,752	102,000	130,161	180,070
2022	53,722	75,757	82,296	98,456	136,018	174,213
2023	56,140	73,339	85,999	94,753	142,139	168,092
2024	58,666	70,813	89,869	90,883	148,535	161,696
2025	61,306	68,173	93,913	86,839	155,219	155,012
2026	64,065	65,414	98,139	82,613	162,204	148,027
2027	66,948	62,531	102,556	78,196	169,504	140,727
2028	69,960	59,519	107,171	73,581	177,131	133,100
2029	73,108	56,371	111,993	68,759	185,101	125,130
2030	76,398	53,081	117,033	63,719	193,431	116,800
2031	79,836	49,643	122,299	58,453	202,135	108,096
2032	83,429	46,050	127,803	52,949	211,232	98,999
2033	87,183	42,296	133,554	47,198	220,737	89,494
2034	91,106	38,373	139,564	41,188	230,670	79,561
2035	95,206	34,273	145,844	34,908	241,050	69,181
2036	99,490	29,989	152,407	28,345	251,897	58,334
2037	103,968	25,511	159,266	21,486	263,234	46,997
2038	108,646	20,833	166,433	14,319	275,079	35,152
2039	113,535	15,944	151,775	6,830	265,310	22,774
2040	118,644	10,835	-	-	118,644	10,835
2041	122,128	5,496	-	-	122,128	5,496
	<u>\$ 2,141,677</u>	<u>\$ 1,870,317</u>	<u>\$ 2,889,809</u>	<u>\$ 2,329,852</u>	<u>\$ 5,031,486</u>	<u>\$ 4,200,169</u>

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2010

Year Ending June 30	DEQ Loan Payable		OEDD Loan Payable		OEDD Loan Payable		Lazy Z Real Estate Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	78,290	1,294	153,488	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
	<u>\$ 28,067</u>	<u>\$ 6,064</u>	<u>\$ 751,822</u>	<u>\$ 375,653</u>	<u>\$ 202,487</u>	<u>\$ 114,346</u>	<u>\$ 1,430,839</u>	<u>\$ 400,099</u>	<u>\$ 2,413,215</u>	<u>\$ 896,162</u>

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STATISTICAL SECTION

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Activities:							
Invested in capital assets, net of related debt	\$ 4,737,811	\$ 2,747,528	\$ 2,185,223	\$ 1,645,566	\$ 1,255,640	\$ 1,652,423	\$ 1,258,016
Restricted	926,024	922,124	841,393	-	-	-	1,432,305
Unrestricted	2,862,850	3,442,449	3,814,251	2,985,976	3,959,657	2,396,688	942,818
Total governmental activities net assets	<u><u>\$ 8,526,685</u></u>	<u><u>\$ 7,112,101</u></u>	<u><u>\$ 6,840,867</u></u>	<u><u>\$ 4,631,542</u></u>	<u><u>\$ 5,215,297</u></u>	<u><u>\$ 4,049,111</u></u>	<u><u>\$ 3,633,139</u></u>
Business-Type Activities:							
Invested in capital assets, net of related debt	\$ 13,531,938	\$ 13,793,173	\$ 14,025,505	\$ 10,533,929	\$ 9,821,816	\$ 8,765,854	\$ 8,839,128
Restricted	1,683,884	2,106,749	2,069,362	1,029,434	4,309,085	3,355,283	96,102
Unrestricted	826,004	1,306,846	1,332,553	1,659,529	1,665,097	1,563,105	4,090,484
Total business-type activities net assets	<u><u>\$ 16,041,826</u></u>	<u><u>\$ 17,206,768</u></u>	<u><u>\$ 17,427,420</u></u>	<u><u>\$ 13,222,892</u></u>	<u><u>\$ 15,795,998</u></u>	<u><u>\$ 13,684,242</u></u>	<u><u>\$ 13,025,714</u></u>
Primary Government:							
Invested in capital assets, net of related debt	\$ 18,269,749	\$ 16,540,701	\$ 16,210,728	\$ 12,179,495	\$ 11,077,456	\$ 10,418,277	\$ 10,097,144
Restricted	2,609,908	3,028,873	2,910,755	1,029,434	4,309,085	3,355,283	1,528,407
Unrestricted	3,688,854	4,749,295	5,146,804	4,645,505	5,624,754	3,959,793	5,033,302
Total primary government net assets	<u><u>\$ 24,568,511</u></u>	<u><u>\$ 24,318,869</u></u>	<u><u>\$ 24,268,287</u></u>	<u><u>\$ 17,854,434</u></u>	<u><u>\$ 21,011,295</u></u>	<u><u>\$ 17,733,353</u></u>	<u><u>\$ 16,658,853</u></u>

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

	2010	2009	2008	2007	2006	2005	2004
Program Revenues							
Governmental activities:							
Charges for services, fees and fines							
General government	\$ 194,050	\$ 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	103,405	59,446	60,099	162,877	32,193	24,694	54,711
Community Development	-	-	-	-	-	-	-
Highways and streets	78,903	46,027	40,790	131,074	20,856	5,700	119,302
Operating grants and contributions	167,684	75,518	132,802	70,184	63,617	8,401	30,041
Capital grants and contributions	729,700	385,350	695,780	-	47,341	63,337	-
Total governmental activities program revenues	1,273,742	824,895	1,372,457	1,195,828	720,229	431,019	432,903
Business-type activities:							
Charges for services:							
Water	474,228	425,632	441,431	488,188	406,530	350,772	588,006
Refuse	26	104,281	409,935	419,849	387,956	354,644	350,700
Sewer	717,295	797,956	753,637	977,777	887,684	803,063	1,201,704
Operating grants	4,438	9,810	-	-	-	-	-
Capital grants	96,445	178,783	759,531	651,717	891,854	625,735	-
Total business-type activities program revenues	1,292,432	1,516,462	2,364,534	2,537,531	2,574,024	2,134,214	2,140,410
Total primary government program revenues	2,566,174	2,341,357	3,736,991	3,733,359	3,294,253	2,565,233	2,573,313
Expenses							
Governmental activities:							
General government	1,098,996	1,127,143	1,154,608	820,393	1,393,161	634,320	540,337
Public safety	416,018	400,014	393,254	400,484	374,280	350,715	311,705
City Hall Remodel	-	-	-	1,163,882	127,606	-	-
Culture and recreation	198,941	174,930	160,518	125,284	105,006	144,725	80,423
Community development	5,254	4,863	24,338	-	-	-	-
Highways and streets	377,149	399,322	423,513	92,655	147,591	104,148	121,659
Interest on long term obligations	90,444	104,393	91,435	71,935	12,353	-	-
Depreciation	-	-	-	-	-	-	85,139
Total governmental activities expenses	2,186,802	2,210,665	2,247,666	2,674,633	2,159,997	1,233,908	1,139,263
Business-type activities:							
Water	574,198	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	1,097,510	1,085,297	1,032,411	4,625,056	888,801	823,330	841,631
Total business-type activities expenses	1,671,708	1,728,316	2,008,840	5,439,501	1,651,576	1,468,149	1,475,904
Total primary government expenses	3,858,510	3,938,981	4,256,506	8,114,134	3,811,573	2,702,057	2,615,167
Net Expense							
Governmental activities	(913,060)	(1,385,770)	(875,209)	(1,478,805)	(1,439,768)	(802,889)	(706,360)
Business-type activities	(379,276)	(211,854)	355,694	(2,901,970)	922,448	666,065	664,506
Total primary government net expense	\$ (1,292,336)	\$ (1,597,624)	\$ (519,515)	\$ (4,380,775)	\$ (517,320)	\$ (136,824)	\$ (41,854)

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

(continued)

	2010	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets							
General revenues:							
Property taxes levied for:							
General purposes	\$ 764,486	\$ 735,578	\$ 681,096	\$ 692,315	\$ 601,592	\$ 483,095	\$ 423,960
Debt service	134,095	132,531	107,868	175,708	-	-	-
Franchise and public service taxes	573,018	582,943	566,293	28,917	733,892	566,597	487,986
Interest and investment earnings	41,232	112,535	192,082	-	183,335	51,629	28,474
Miscellaneous	4,590	3,417	8,169	49,110	-	28,593	4,462
Contributed Revenue	-	-	-	-	539,276	-	-
Gain on disposal of asset	-	-	-	-	466,859	(23,303)	-
Transfers	810,223	90,000	3,793	(51,000)	81,000	112,250	116,000
Total governmental activities	<u>2,327,644</u>	<u>1,657,004</u>	<u>1,559,301</u>	<u>895,050</u>	<u>2,605,954</u>	<u>1,218,861</u>	<u>1,060,882</u>
Business-type activities:							
Contributed Revenue	-	-	-	-	1,029,765	-	-
Interest and investment earnings	24,554	81,203	205,431	277,864	225,543	104,713	6,000
Miscellaneous	-	-	-	-	-	-	54,967
Transfers	(810,223)	(90,000)	(3,793)	51,000	(81,000)	(112,250)	(116,000)
Total business-type activities	<u>(785,669)</u>	<u>(8,797)</u>	<u>201,638</u>	<u>328,864</u>	<u>1,174,308</u>	<u>(7,537)</u>	<u>(55,033)</u>
Total primary government	<u>1,541,975</u>	<u>1,648,207</u>	<u>1,760,939</u>	<u>1,223,914</u>	<u>3,780,262</u>	<u>1,211,324</u>	<u>1,005,849</u>
Change in Net Assets							
Governmental activities	1,414,584	271,234	684,092	(583,755)	1,166,186	415,972	354,522
Business-type activities	(1,164,945)	(220,651)	557,332	(2,573,106)	2,096,756	658,528	609,473
Total primary government change in net assets	<u>249,639</u>	<u>50,583</u>	<u>1,241,424</u>	<u>(3,156,861)</u>	<u>3,262,942</u>	<u>1,074,500</u>	<u>963,995</u>
Net Assets Beginning							
Governmental activities	7,112,101	6,840,867	6,156,775	5,215,297	4,049,111	3,633,139	3,278,617
Business-type activities	17,206,771	17,427,419	16,870,088	15,795,998	13,699,242	13,025,714	12,416,241
Total primary government net assets-beginning	<u>24,318,872</u>	<u>24,268,286</u>	<u>23,026,863</u>	<u>21,011,295</u>	<u>17,748,353</u>	<u>16,658,853</u>	<u>15,694,858</u>
Net Assets Ending							
Governmental activities	8,526,685	7,112,101	6,840,867	4,631,542	5,215,297	4,049,111	3,633,139
Business-type activities	16,041,826	17,206,768	17,427,420	13,222,892	15,795,998	13,684,242	13,025,714
Total Primary Government Net Assets	<u>\$ 24,568,511</u>	<u>\$ 24,318,869</u>	<u>\$ 24,268,287</u>	<u>\$ 17,854,434</u>	<u>\$ 21,011,295</u>	<u>\$ 17,733,353</u>	<u>\$ 16,658,853</u>

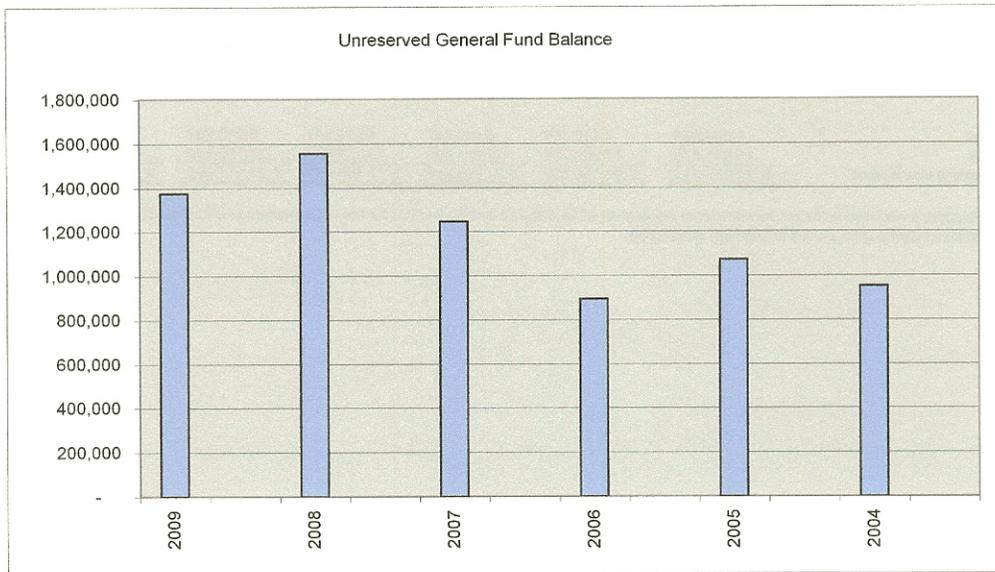
*2008 governmental & business activities included a prior period adjustment of \$1,525,233 and \$3,647,195 for the capitalization of infrastructure.

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund							
Advance to Other Funds	\$ 150,000	\$ 200,000	\$ 350,000	\$ -	\$ -	\$ -	\$ -
Reserved for System Development	-	-	-	-	-	-	-
Unreserved	<u>624,755</u>	<u>1,375,521</u>	<u>1,556,021</u>	<u>1,246,149</u>	<u>894,317</u>	<u>1,073,060</u>	<u>952,308</u>
Total general fund	<u>774,755</u>	<u>1,575,521</u>	<u>1,906,021</u>	<u>1,246,149</u>	<u>894,317</u>	<u>1,073,060</u>	<u>952,308</u>
All Other Governmental Funds							
Reserved: Debt Service	311,646	368,628	318,913	-	-	-	-
Sys Dev, Paths, Streets	614,378	553,496	522,480	-	-	-	-
Unreserved	<u>2,034,392</u>	<u>1,802,921</u>	<u>1,885,641</u>	<u>1,747,383</u>	<u>3,069,989</u>	<u>1,321,264</u>	<u>1,132,243</u>
Total all other governmental funds	<u>2,960,416</u>	<u>2,725,045</u>	<u>2,727,034</u>	<u>1,747,383</u>	<u>3,069,989</u>	<u>1,321,264</u>	<u>1,132,243</u>
Total governmental funds	<u>\$ 3,735,171</u>	<u>\$ 4,300,566</u>	<u>\$ 4,633,055</u>	<u>\$ 2,993,532</u>	<u>\$ 3,964,306</u>	<u>\$ 2,394,324</u>	<u>\$ 2,084,551</u>

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



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

	2010	2009	2008	2007	2006	2005	2004
Revenues							
Property taxes	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384	\$ 606,245	\$ 539,658	\$ 480,935
Other taxes	306,332	280,279	267,551	-	-	-	-
Intergovernmental	398,297	119,346	215,523	123,094	325,737	202,082	208,958
Franchise Fees	249,422	254,122	243,443	-	-	-	-
Licenses and Fines	339,994	317,995	496,848	1,125,644	1,106,255	651,118	637,197
Fines and forfeitures	1,828	2,729	4,728	-	10,592	10,477	8,175
System development charges	13,609	123,427	445,324	-	-	-	-
Charges for services	18,600	22,475	27,900	-	-	-	-
Rental income	15,000	15,000	14,300	-	-	59,089	-
Interest on Investments	41,231	112,536	192,082	175,708	183,335	51,630	28,474
Miscellaneous Revenues	8,225	9,244	57,019	25,116	11,537	32,691	14,046
Total revenues	2,290,189	2,094,728	2,733,798	2,132,946	2,243,701	1,546,745	1,377,785
Expenditures							
Current:							
General Government	940,768	952,762	984,572	867,682	1,356,497	591,953	536,799
Public safety	416,015	400,014	393,255	374,529	356,694	327,290	311,705
Culture and recreation	194,673	170,978	156,967	117,164	100,072	135,058	80,614
Community development	5,254	4,863	24,338	-	-	-	-
Highways and streets	293,712	358,486	323,388	86,650	140,656	97,192	113,491
Capital outlay	1,016,692	388,121	447,065	1,468,171	644,210	197,879	438,403
Debt service	234,372	241,997	164,700	138,524	21,548	-	-
Total expenditures	3,101,486	2,517,221	2,494,285	3,052,720	2,619,677	1,349,372	1,481,012
Revenues over (under) expenditures	(811,297)	(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	1,395,064	740,610	737,000	288,000	243,634	220,000	378,593
Operating transfers out	(1,149,162)	(650,610)	(710,000)	(339,000)	(162,634)	(107,600)	(262,593)
Total other financing sources (uses)	245,902	90,000	727,000	(51,000)	1,945,959	112,400	116,000
Net change in fund balances	\$ (565,395)	\$ (332,493)	\$ 966,513	\$ (970,774)	\$ 1,569,983	\$ 309,773	\$ 12,773
Debt service as a percentage of noncapital expenditures	11.2%	11.4%	8.0%	8.7%	1.1%	0.0%	0.0%

¹ Information is presented for years ended subsequent to the implementation of GASB 34.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Function/Program							
Governmental activities							
General government	\$ 199,438	\$ 512,754	\$ 445,436	\$ 558,873	\$ 609,247	\$ 319,410	\$ 220,674
Public safety	21,937	-	54,128	272,820	10,592	10,477	8,175
Culture and recreation	134,355	71,093	76,037	162,877	54,803	47,577	55,211
Highways and streets	918,012	241,048	796,856	201,258	45,587	53,555	148,843
Total governmental activities	<u>1,273,742</u>	<u>824,895</u>	<u>1,372,457</u>	<u>1,195,828</u>	<u>720,229</u>	<u>431,019</u>	<u>432,903</u>
Business-type activities							
Water	510,978	517,862	838,823	751,160	834,065	657,497	588,006
Refuse	26	104,281	409,935	419,849	387,956	354,644	350,700
Sewer	781,428	894,319	1,115,776	1,366,522	1,352,003	1,122,073	1,201,704
Total business-type activities	<u>1,292,432</u>	<u>1,516,462</u>	<u>2,364,534</u>	<u>2,537,531</u>	<u>2,574,024</u>	<u>2,134,214</u>	<u>2,140,410</u>
Total Primary government	<u>\$ 2,566,174</u>	<u>\$ 2,341,357</u>	<u>\$ 3,736,991</u>	<u>\$ 3,733,359</u>	<u>\$ 3,294,253</u>	<u>\$ 2,565,233</u>	<u>\$ 2,573,313</u>

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

Year	General Fund Property Taxes	Transient Room Taxes
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
2010	763,768	270,219

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
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
2010	296,327,452	2.6417	451,946,338

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	School₁ District #6	COCC₂	SOAR₃	Camp Sherman Fire Dist	Total Tax Rate
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
2010	3.12	3.32	6.30	0.71	0.21	2.86	16.52

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

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			Total Collections to Date	
		Amount	Percentage of Levy	Collections in Subsequent Years	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%	24,754	709,933	95.31%
2010	783,045	724,470	92.52%	39,297	763,767	97.54%

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.

CITY OF SISTERS, OREGON
Principal Taxpayers
City of Sisters
December 31, 2008 and December 31, 1998

January 1, 2009

Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Sisters Corporation	\$ 6,408,330	1	2.14%
Bank of the Cascades	5,945,180	2	1.99%
3 Sisters Parnters, LLC	4,105,300	3	1.37%
Best Western Ponderosa Lodge, Inc	3,733,440	4	1.25%
Hayden Homes, LLC	3,384,520	5	1.13%
Willits, LLC	2,867,290	6	0.96%
Sisters Commerical II, LLC	2,832,760	7	0.95%
Threewind Associates LLC	2,573,680	8	0.86%
Dutch Pacific Properties, LLC	2,496,286	9	0.83%
Stewart Weitzmn Rev Liv Trust	2,165,850	10	0.72%
	<u>\$ 36,512,636</u>		<u>12.20%</u>
 Total Assessed Valuation	 <u>\$ 299,354,922</u>		

December 31, 1999

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

N/A - Information at City level not available.

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loans Payable	Revenue Bonds	Loans Payable			
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	1,925
2010	1,661,292	-	5,031,486	2,413,225	9,106,003	N/A	1,925

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	1,925	1,804,688	207,366	0.93%	938
2009	1,925	1,661,292	207,366	0.85%	863

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.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Real market value	\$ 451,946,338	\$ 643,450,218	\$ 587,988,136	\$ 417,851,899
Debt limit rate	3%	3%	3%	3%
Debt limit	13,558,390	19,303,507	17,639,644	12,535,557
Less general bonded debt June 30,	1,661,292	1,804,688	1,941,742	1,317,048
Legal debt margin	<u>\$ 11,897,098</u>	<u>\$ 17,498,819</u>	<u>\$ 15,697,902</u>	<u>\$ 11,218,509</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.37%	 0.28%	 0.33%	 0.32%

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

2006	2005	2004	2003	2002	2001
<u>\$ 325,918,877</u>	<u>\$ 263,293,519</u>	<u>\$ 225,353,081</u>	<u>\$ 195,127,768</u>	<u>\$ 167,078,957</u>	<u>\$ 113,268,366</u>
3%	3%	3%	3%	3%	3%
<u>9,777,566</u>	<u>7,898,806</u>	<u>6,760,592</u>	<u>5,853,833</u>	<u>5,012,369</u>	<u>3,398,051</u>
<u>1,388,905</u>	-	-	-	-	-
<u>\$ 8,388,661</u>	<u>\$ 7,898,806</u>	<u>\$ 6,760,592</u>	<u>\$ 5,853,833</u>	<u>\$ 5,012,369</u>	<u>\$ 3,398,051</u>
0.43%	0.00%	0.00%	0.00%	0.00%	0.00%

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
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	1,894	1,306	27,297	14.95%
2010	1,925	1,296	N/A	13.30%

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.

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

2009-10

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Sisters School District	150	1
Ray's Food Place	62	2
USFS(Sisters Ranger District)	45	3
Bimart	32	4
Sisters Athletic Club	31	5
	<u>320</u>	

2000-01

Information for 2000-01 is not readily available.

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

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

Function/Program	2010	2009	2008	2007	2006	2005	2004
Governmental activities:							
General government	2.3	1.5	1.7	1.4	1.4	1.2	N/A
Culture and recreation	1.3	1.0	0.9	0.8	1.3	0.6	N/A
Community development	2.0	2.0	1.5	1.4	1.3	0.7	N/A
Streets and highways	1.2	1.1	1.1	1.2	1.1	0.8	N/A
Total governmental activities	6.8	5.6	5.2	4.8	5.1	3.3	-
Business-type activities:							
Water	2.5	2.4	2.0	1.7	2.6	1.7	N/A
Sewer	3.2	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	5.7	6.9	5.8	5.2	5.9	4.7	-
Total primary government budgeted FTE	12.5	12.5	11.0	10.0	11.0	8.0	-
City of Sisters							
Management and exempt	7.0	6.0	6.0	4.0	3.0	3.0	N/A
Temporary employees	0.50	0.50	0.33	0.33	0.33	0.33	N/A
Total Employees	20.00	19.00	17.33	14.33	14.33	11.33	N/A

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

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

FUNCTION/PROGRAM	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:							
Street							
Street miles	28.2	19	19	18	17.5	17	16.5
Street resurfing miles	1.5	1.5	0.5	0.5	0	0	0
Culture and recreation							
Parks	7	7	7	7	7	7	7
Special event permits issued	52	47	34	32	29	32	28
Public Safety							
Calls for service	732	784	967	N/A	N/A	N/A	N/A
Number of arrests	110	115	186	N/A	N/A	N/A	N/A
Business-type Activities:							
Water							
Water mains (miles)	33.5	33.5	33.5	33	32	31.4	31
Average daily water consumption** (CF)	71,160	73,641	73,752	75,591	64,004	64,473	75,506
Sewer							
Sanitary sewers (miles)	23	23	23	23	22.5	22	21.5
Maximum daily treatment capacity	396,000 gpd						
Average daily sewer treatment	158,000 gpd	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.

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

FUNCTION/PROGRAM	2010	2009	2008	2007	2006	2005	2004
Governmental Activities							
General Government							
Buildings owned-all structures	19	18	18	17	16	16	16
Vehicles/Equip (i.e. trailers, mowers)	5	5	5	5	4	4	4
Vehicles (i.e. cars & pick ups)-excluding police	15	15	15	15	14	14	14
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	1	1	5	5	5	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	7	7	7	7	5	5	5
Streets and Highways							
Miles of streets maintained by City:							
Paved	26.7	18.5	18.5	17.5	17.0	16.5	16.0
Unpaved	1.5	0.5	0.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	3	2	2	2	2	2
Business-type Activities							
Water							
Reservoirs	1	1	1	1	1	1	1
Wells	3	3	3	3	2	2	2
Wastewater							
Treatment plant	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	3	3	3

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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 operating as designed and there were no material weakness reported in accordance with SAS 115 and *Government Auditing Standards*. We noted other matters involving internal control, which we have reported to management of the City of Sisters in a separate letter, dated December 3, 2010.

2. INVESTMENTS

Our review of deposit and investment balances during the year ended June 30, 2010, 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, 2010.

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 2009-10 and the preparation and adoption of the budget for 2010-11. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget

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, 2010, 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, 2010, 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.

10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDANTLY ELECTED OFFICIALS

This statement is not applicable to the City of Sisters.



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

December 3, 2010

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 City of Sisters, Oregon, as of and for the year ended June 30, 2010 which collectively comprise the City of Sisters, Oregon's basic financial statements and have issued our report thereon dated December 3, 2010. 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 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 an opinion on the effectiveness City of Sisters, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sisters, Oregon's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sisters, Oregon's 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated December 3, 2010.

This report is intended solely for the information and use of management, City Council, others within the entity, 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