

# **CITY OF SISTERS, OREGON**

## **ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2011**



THIS PAGE INTENTIONALLY LEFT BLANK.



**CITY OF SISTERS, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2011**

**TABLE OF CONTENTS**

	<u><b>Page</b></u>
<u><b>INTRODUCTORY SECTION</b></u>	
Transmittal Letter	i - v
Officials of the City	vi
Organizational Chart	vii
Certificate of Achievement	viii
<u><b>FINANCIAL SECTION</b></u>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	A - B
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	a - k
<b>BASIC FINANCIAL STATEMENTS</b>	
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
Proprietary Funds:	10
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13 - 14
Notes to the Basic Financial Statements	15 - 34
<b>SUPPLEMENTAL INFORMATION</b>	
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>
Combining Statements – Combined General Fund:	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	39
Budgetary Comparison Schedules:	40
Schedule of Expenditures and Transfers – Budget and Actual (NON-GAAP BUDGETARY BASIS), By Department:	41
General Fund	42
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Governmental Funds:	43
Capital Project Funds:	
Transportation SDC	44
Park Development	45
Parking District	46
Special Revenue Funds:	
Urban Renewal Project	47
Reserve (sub-fund of the General Fund)	48
Debt Service Funds:	
City Hall Debt Service	49
Urban Renewal Debt Service	50
Proprietary Funds:	51
Enterprise Funds:	
All Water Funds:	
Water	52
Water SDC	53
Reconciliation to Generally Accepted Accounting Principles	54
All Sewer Funds:	
Sewer	55
Sewer SDC	56
Reconciliation to Generally Accepted Accounting Principles	57
Other Financial Schedules:	
Schedule of Outstanding Debt Principal and Interest Transactions	58
Schedule of Governmental Activities Debt Service Future Requirements	59
Schedule of Business-Type Activities Debt Service Future Requirements	
Revenue Bonds Payable	60
Loans Payable	61

### STATISTICAL SECTION

Net Assets By Component – Last Eight Fiscal Years	62
Changes in Net Assets – Last Eight Fiscal Years	63 - 64
Fund Balances, Governmental Funds – Last Eight Fiscal Years	65
Changes in Fund Balances, Governmental Funds – Last Eight Fiscal Years	66
Program Revenues by Function/Program – Last Eight Fiscal Years	67
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	68
Assessed Valuation and Actual Values of Taxable Property – Last Ten Fiscal Years	69
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	70
Property Tax Levies and Collections – Last Ten Fiscal Years	71
Principal Taxpayers – January 1, 2010 and December 31, 2000	72

Ratios of Outstanding Debt By Type – Last Ten Fiscal Years	73
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	74
Legal Debt Margin Information – Last Ten Fiscal Years	75 - 76
Demographic and Economic Statistics – Last Ten Fiscal Years	77
Principal Employers – Current and Nine Years Ago	78
Full Time Equivalent City Employees by Function/Program – Last Eight Fiscal Years	79
Operating Indicators by Function/Program – Last Eight Fiscal Years	80
Capital Asset and Infrastructure Statistics by Function/Program – Last Eight Fiscal Years	81

**REPORTS OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS**

<b>INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS</b>	82 - 83
--	---------

**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>	84 - 85
--	---------

THIS PAGE INTENTIONALLY LEFT BLANK.



# **INTRODUCTORY SECTION**

---



November 10, 2011

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, 2011 is hereby submitted.

This report presents the financial position of the City as of June 30, 2011 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 2,038, numerous rural subdivisions and outlying ranches surround the city and contribute to a population of the “Greater Sisters Country” in the range of 10,000 to 12,000 people.

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

The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget services as the foundation for the City’s financial planning and control. The budget is prepared by fund, category (e.g., 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 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 Country Vision Statement was adopted by every community institution including the City of Sisters, Sisters School District, Sisters Park and Recreation District, Sisters-Camp Sherman Fire Protection District, Sisters Area Chamber of Commerce, Sisters Ranger District, and others. The vision statement created a single blueprint of how the 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.*

### ***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, 2010. 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 2<sup>nd</sup> year that the City received this prestigious award.

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

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 3<sup>rd</sup> certificate.

Letter of Transmittal, Continued

***Other Information***

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

***Acknowledgements***

The preparation of the annual Financial Report was a combined effort of 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

THIS PAGE INTENTIONALLY LEFT BLANK.





# CITY OF SISTERS, OREGON

## FISCAL YEAR ENDING JUNE 30, 2011

### ELECTED OFFICIALS OF THE CITY

<u>Name</u>	<u>Position</u>	<u>Terms</u>
Lon Kellstrom	Mayor	December, 2012
David Asson	Council President	December, 2014
Wendy Holzman	Council Member	December, 2014
Pat Thompson	Council Member	December, 2012
Sharlene Weed	Council Member	December, 2012

### CITY STAFF

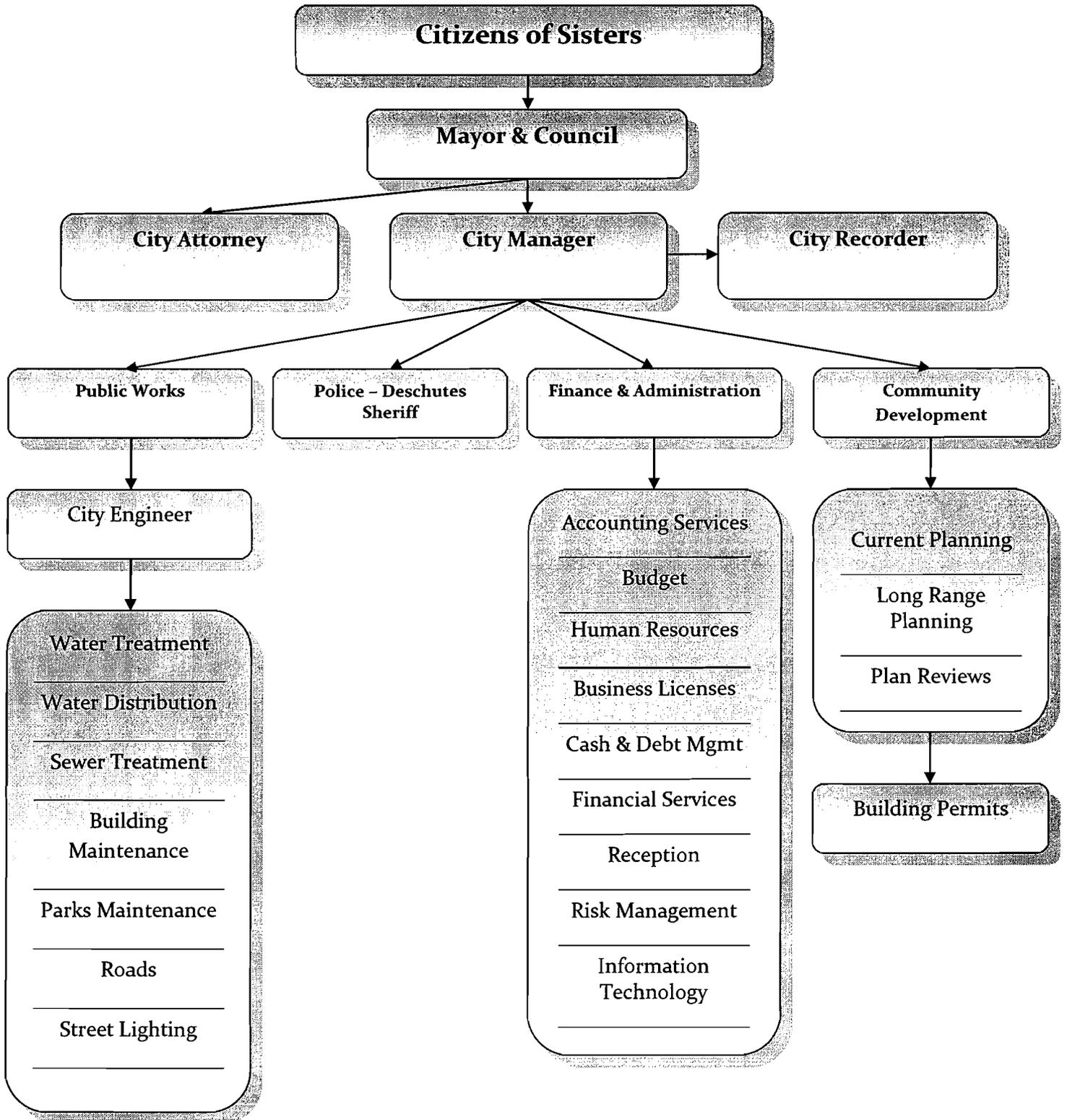
<u>Name</u>	<u>Position</u>
Eileen Stein.....	City Manager
Lisa Young.....	Finance & Administration Director
Paul Bertagna.....	Public Works Director
Pauline Hardie.....	Community Development Director
Richard Nored .....	City Engineer
Kathy Nelson.....	City Recorder
Steve Bryant.....	City Attorney

### MAIL ADDRESS

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

[www.ci.sisters.or.us](http://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, 2010

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.



*Linda C. Danison*

President

*Jeffrey R. Emmer*

Executive Director

THIS PAGE INTENTIONALLY LEFT BLANK.



# FINANCIAL SECTION

---



110 SE First Street  
P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
Fax: (541) 276-9040  
Web: [www.dickeyandtremper.com](http://www.dickeyandtremper.com)

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

## **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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General and Street Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

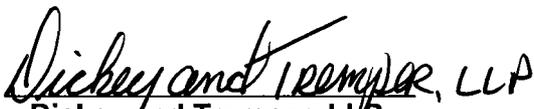
In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of the City of Sisters, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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  
Certified Public Accountants

November 7, 2011

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

---

THIS PAGE INTENTIONALLY LEFT BLANK.



**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

---

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, 2011. 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 \$24.5 million (reported as net assets). This is a \$74,375 increase over the prior year.
- The net assets balance of \$24.5 million is composed of investments in capital assets such as buildings, infrastructure, roads (\$18.9 million), restricted amounts for future capital projects and debt service (\$2.7 million) and an unrestricted balance (\$2.9 million). The unrestricted balance is available for use to meet the City's on-going obligations to citizens and creditors. The unrestricted balance decreased by \$.6 million during the fiscal year.

### **Fund Level**

- The City's governmental funds report a combined fund balance of \$3.4 million, a decrease of \$315,874 from last year. The majority of the \$3.4 million combined fund balance is either restricted or assigned. Approximately \$2.7 million is accounted for in which the resources are designated to specific programs through legal or contractual provisions. Of the \$3.4 million, \$2.2 million is within the Combined General Fund (includes Reserve Fund) and includes \$976K which has been earmarked for advances to other funds and designated reserves.
- Total property taxes increased \$45,852, 5.11% over the prior year. Property tax, split 82%/18% between taxes for operations versus taxes for debt service, was up \$6,629 for operations and \$37,651 for debt service. Other taxes include franchise and hotel taxes which were up \$40,872.
- 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 \$16.3 million, a decrease of \$273,464 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, 2011**

---

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 intended to recover all or a significant portion of their costs through user fees and charges (referred to as business activities).

Governmental activities of the City include the following:

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

Business-type activities of the City include the following:

- Water Utility
- Wastewater Utility

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

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

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

---

- 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 Combined General Fund (includes Reserve Fund) and Street 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 9 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 four (4) budgeted enterprise funds that it uses to account for its water and sewer utilities, and sewer and water system development funds. These funds are combined into three reporting units for the financial statements.

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

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

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 51 through 57 of this report.

The basic proprietary fund financial statements can be found on pages 10 through 14.

**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 15 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 9. 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 + (-)
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 3.98	\$ 4.12	\$ 2.42	\$ 2.91	\$ 6.40	\$ 7.03	\$ -0.63
Capital assets	6.11	6.40	21.48	20.98	27.59	27.38	0.21
Total assets	10.09	10.52	23.90	23.89	33.99	34.41	-0.42
Current liabilities	0.37	0.33	0.35	0.40	0.72	0.73	-0.01
Noncurrent liabilities	1.54	1.66	7.24	7.45	8.78	9.11	-0.33
Total liabilities	1.91	1.99	7.59	7.85	9.50	9.84	-0.34
Net assets:							
Invested in capital assets, net of related debt	4.60	4.74	14.26	13.53	18.86	18.27	0.59
Restricted	1.28	0.93	1.48	1.68	2.76	2.61	0.15
Unrestricted	2.30	2.86	0.57	0.83	2.87	3.69	-0.82
Total net assets	\$ 8.18	\$ 8.53	\$ 16.31	\$ 16.04	\$ 24.49	\$ 24.57	\$ -0.08

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 \$24.5 million at the close of fiscal year 2010-2011. 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

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

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 \$2.8 million and represent cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance are unrestricted net assets (\$2.9 million or 11.7%) may be used to meet the City's ongoing obligations to citizens and creditors.

**Statement of Activities:**

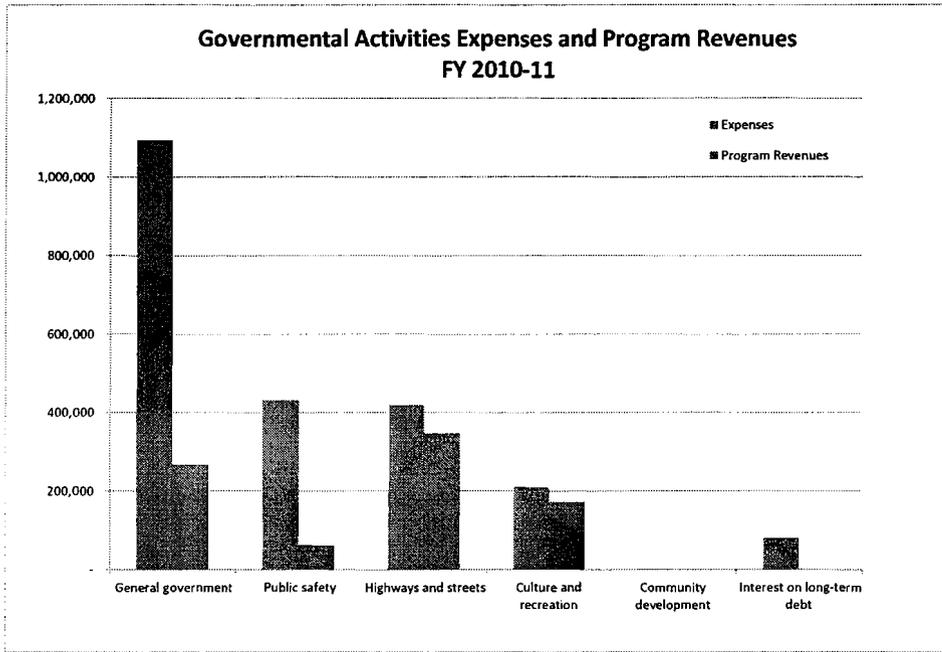
Total net assets of the City decreased by \$74,375 in the current fiscal year. Governmental activities net assets decreased by \$374,839, and business-type activities increased by \$273,464.

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

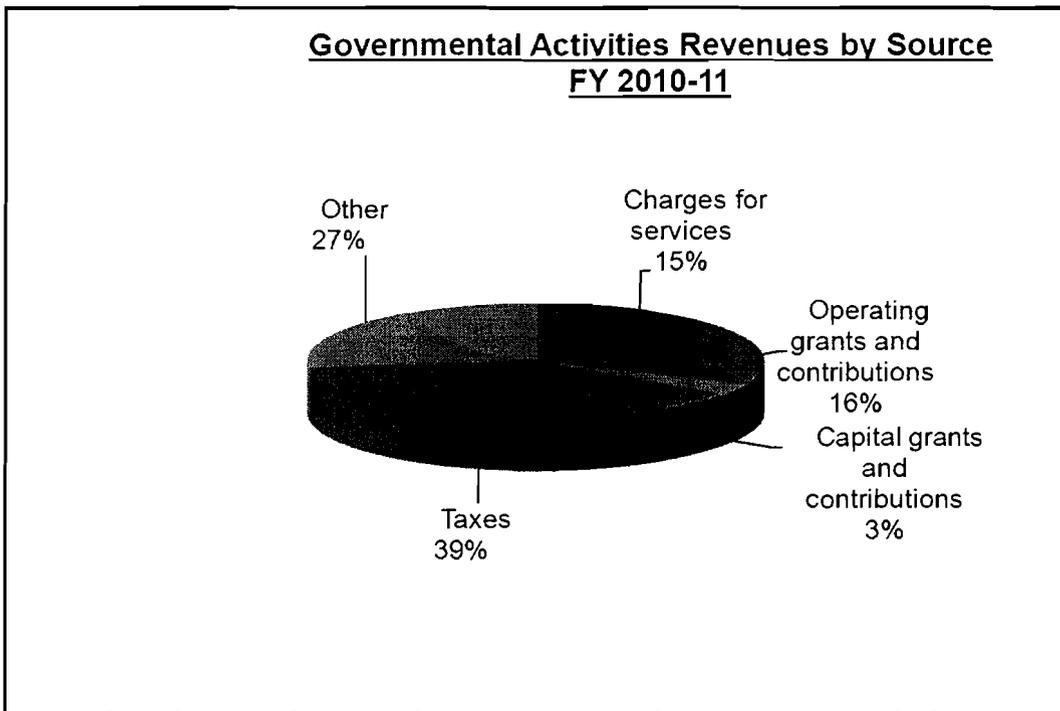
	Governmental Activities		Business-type Activities		Total		Total Change
	2011	2010	2011	2010	2011	2010	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 372,733	\$ 376,358	\$ 1,237,146	\$ 1,191,549	\$ 1,609,879	\$ 1,567,907	\$ 41,972
Operating grants and contributions	402,418	167,684	4,438	4,438	406,856	172,122	234,734
Capital grants and contributions	76,244	729,700	159,930	96,445	236,174	826,145	(589,971)
General revenues:							
Taxes	942,861	898,581	-	-	942,861	898,581	44,280
Contributed revenue	-	-	-	-	-	-	-
Other	656,117	618,840	13,192	24,554	669,309	643,394	25,915
Total revenues	<u>\$ 2,450,373</u>	<u>\$ 2,791,163</u>	<u>\$ 1,414,706</u>	<u>\$ 1,316,986</u>	<u>\$ 3,865,079</u>	<u>\$ 4,108,149</u>	<u>\$ (243,070)</u>
Expenses:							
General government	\$ 1,094,221	\$ 1,098,996	\$ -	\$ -	\$ 1,094,221	\$ 1,098,996	\$ (4,775)
Public safety	432,649	416,018	-	-	432,649	416,018	16,631
Highways and streets	419,487	377,149	-	-	419,487	377,149	42,338
Culture and recreation	210,122	198,941	-	-	210,122	198,941	11,181
Community development	3,269	5,254	-	-	3,269	5,254	(1,985)
Interest on long-term debt	80,230	90,444	-	-	80,230	90,444	(10,214)
Water	-	-	623,143	574,198	623,143	574,198	48,945
Sewer	-	-	1,076,333	1,097,510	1,076,333	1,097,510	(21,177)
Total expenses	<u>\$ 2,239,978</u>	<u>\$ 2,186,802</u>	<u>\$ 1,699,476</u>	<u>\$ 1,671,708</u>	<u>\$ 3,939,454</u>	<u>\$ 3,858,510</u>	<u>\$ 80,944</u>
Increase in net assets before transfers	\$ 210,395	\$ 604,361	\$ (284,770)	\$ (354,722)	\$ (74,375)	\$ 249,639	\$ (324,014)
Transfers	(558,234)	810,223	558,234	(810,223)	-	-	-
Change in net assets	<u>(347,839)</u>	<u>1,414,584</u>	<u>273,464</u>	<u>(1,164,945)</u>	<u>(74,375)</u>	<u>249,639</u>	<u>(324,014)</u>
Net assets, July 1	8,526,685	7,112,101	16,041,826	17,206,771	24,568,511	24,318,872	249,639
Prior period adjustment	-	-	-	-	-	-	-
Net assets, June 30	<u>\$ 8,178,846</u>	<u>\$ 8,526,685</u>	<u>\$ 16,315,290</u>	<u>\$ 16,041,826</u>	<u>\$ 24,494,136</u>	<u>\$ 24,568,511</u>	<u>\$ (74,375)</u>

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

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.

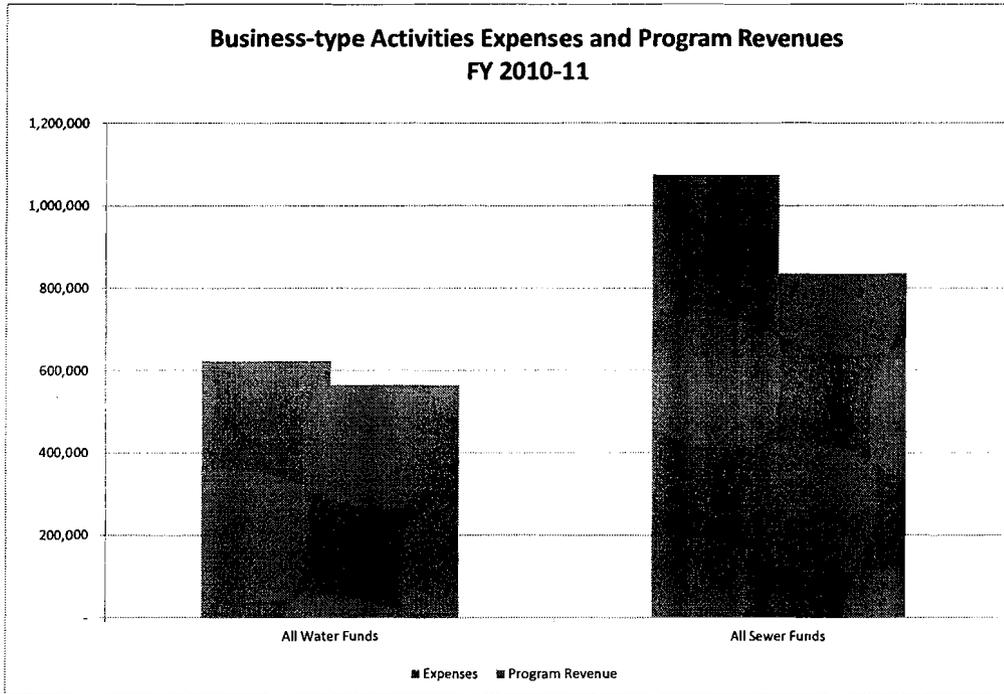


**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

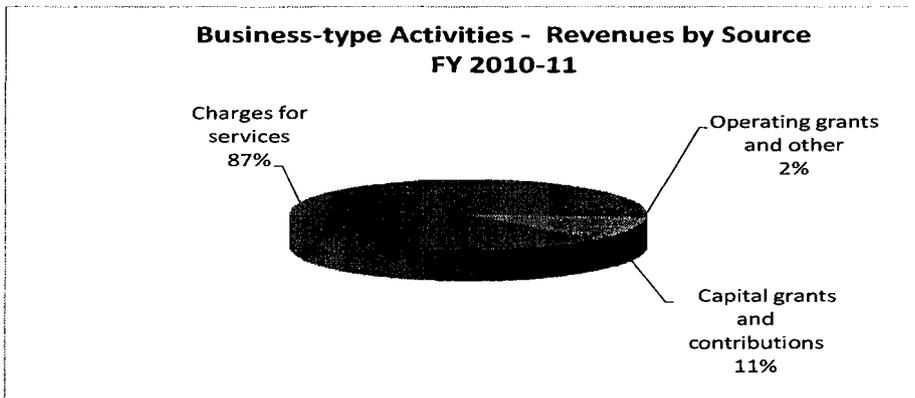
---

**Business-type Activities** increased the City's net assets by \$273,464.

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 87% 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, 2011**

---

**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 \$3.4 million. Approximately \$.7 million or 19% of the balance is unassigned for spending at the City's discretion. The remainder of fund balance is assigned, restricted, or unavaliable and is not available for future discretionary spending because it has already be committed to other funds for debt service (\$.39 million) and police reinstate and capital investments from the Reserve Fund and capital projects from System Development Charges (\$2.3 million).

The *General Fund* is the chief operating fund of the City. At the end of the audited fiscal year, the unassigned fund balance in the General Fund was \$664,780. This represents a \$40,025 increase from FY 2009-10. The increase is due to reduction in interfund receivable.

The *Street Fund* provides for the maintenance, and construction of City streets. The revenues received include state highway gas tax, local gas tax, franchise and inspection fees and intergovernmental revenues. The restricted fund balance at June 30, 2011 is \$214,735; an increase of \$96,840 from prior year for capital projects.

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 assigned fund balance at June 30, 2011 is \$1.4 million, which is combined with the General Fund for reporting purposes.

**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)	\$ 63,374	(11%)
All Sewer (including SDC)	\$ 510,776	(89%)

The total proprietary fund unrestricted net assets decreased by \$251,854 from the prior year.

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

**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, 2011. Significant variance between final budget and actual revenue and expenditure were due to the City anticipated increase in both revenue and expenditure for receiving Oregon Community Development Block Grant for the Central Oregon Microenterprise Facilitation project in current year. However, additional grant were not received until after year end.

**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, 2011 amounts to \$27.6 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, 22% is associated with governmental activities and 78% with business-type activities. See Table 3 below.

In total, the City's capital assets increased by \$.214 million from the prior year. Governmental activities account for \$.288 million of the increase and business-type activities account for \$.502 million decrease. Major capital asset events during the fiscal year included the following:

- Completion of the Public Works Headquarters valued at \$613,234;
- Completion of several Street projects; Larch Street Improvements, Locust Shoulder,
- Purchased City Hall generator;
- Surplus of equipment and vehicles.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Change</u> <u>+ (-)</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Land	\$ 639,290	\$ 639,290	\$ 4,191,605	\$ 4,191,605	\$ 4,830,895	\$ 4,830,895	\$ -
Art and sculptures	250,000	250,000	-	-	250,000	250,000	-
Construction in progress	66,904	753,142	220,077	238,909	286,981	992,051	(705,070)
Buildings	2,451,361	2,521,953	607,503	2,080	3,058,864	2,524,033	534,831
Improvements, others than buildings	2,570,974	2,092,162	16,231,979	16,398,317	18,802,953	18,490,479	312,474
Equipment	132,085	142,555	228,449	145,728	360,534	288,283	72,251
<b>Total</b>	<b>\$ 6,110,614</b>	<b>\$ 6,399,102</b>	<b>\$ 21,479,613</b>	<b>\$ 20,976,639</b>	<b>\$ 27,590,227</b>	<b>\$ 27,375,741</b>	<b>\$ 214,486</b>

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 \$8.8 million. Of this amount, \$1.7 million comprises debt backed by the full faith and

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

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)**

	Governmental Activities		Business-type Activities		Total		Total Change
	2011	2010	2011	2010	2011	2010	+ (-)
General obligation bonds	\$ 1.5	\$ 1.7	\$ -	\$ -	\$ 1.5	\$ 1.7	\$ (0.2)
Revenue bonds	-	-	4.9	5.0	4.9	5.0	(0.1)
Notes and Contracts Payable	-	-	2.3	2.4	2.3	2.4	(0.1)
<b>Total</b>	<u>\$ 1.5</u>	<u>\$ 1.7</u>	<u>\$ 7.2</u>	<u>\$ 7.4</u>	<u>\$ 8.7</u>	<u>\$ 9.1</u>	<u>\$ (0.4)</u>

During the fiscal year ended June 30, 2011 all scheduled debt payments were met. The City did not issue any new debt during the fiscal year.

Under Oregon Revised Statutes, general obligation debt issues are limited to 3% of the real market value of all taxable property within the City's boundaries. The \$1.5 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 July 1, 2011, the total FY 11/12 budget operating contingency is \$3.8 million include \$2.1 million set aside for new development and future construction or equipment replacement and \$1.7 million is available for operating contingencies.

During preparation of the budget for the ensuing fiscal year, the City considered several economic factors. The following assumptions were utilized in the compilation of the FY 2011 – 2012 budget:

**CITY OF SISTERS, OREGON**  
**Management's Discussion and Analysis**  
**For the Year Ended, June 30, 2011**

---

**Property taxes.** Due to the volatile and devaluation in real estate market of the last years, it has become more difficult to forecasts assessed values. The budget assumes a **0% increase** from the 2010/11 actual assessed values.

The City's current **population** is 2,038. 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 4.8%. 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 17.09% and 13.72% of employee salaries for Tier 1/Tier 2 and Oregon Public Service Retirement Plan (OPSRP) General Service respectively. The City picks up the employee's share of 6% PERS contribution.

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

- Property and casualty insurance will decrease by 11.0%;
- Unemployment insurance will see a 2.0% increase;
- Workers compensation insurance rates will increase by 9.0%.

## **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](mailto:lyoung@ci.sisters.or.us).

THIS PAGE INTENTIONALLY LEFT BLANK.



## **BASIC FINANCIAL STATEMENTS**

---

**CITY OF SISTERS, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,264,956	\$ 785,112	\$ 3,050,068
Receivables:			
Accounts, net	89,543	122,671	212,214
Intergovernmental	125,955	-	125,955
Property taxes	76,053	-	76,053
Assessments	142,361	10,426	152,787
Inventories	-	28,331	28,331
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,277,800	1,479,356	2,757,156
Capital assets:			
Land	639,290	4,191,605	4,830,895
Art and sculptures	250,000	-	250,000
Construction in progress	66,904	220,078	286,982
Depreciable assets, net of depreciation	5,154,420	17,067,930	22,222,350
 Total assets	 <u>10,087,282</u>	 <u>23,905,509</u>	 <u>33,992,791</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	175,527	42,644	218,171
Deposits	4,664	73,260	77,924
Unearned revenue	182,312	10,776	193,088
Accrued interest payable	5,679	220,259	225,938
Retainage payable	-	7,945	7,945
Long-term obligations:			
Due within one year	177,278	248,925	426,203
Due in more than one year	1,362,976	6,986,410	8,349,386
 Total liabilities	 <u>1,908,436</u>	 <u>7,590,219</u>	 <u>9,498,655</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,599,110	14,261,784	18,860,894
Restricted for:			
Debt service	394,366	313,327	707,693
Highways and streets	214,735	-	214,735
System development	638,255	1,166,029	1,804,284
Other	30,444	-	30,444
Unrestricted	2,301,936	574,150	2,876,086
 Total net assets	 <u>\$ 8,178,846</u>	 <u>\$ 16,315,290</u>	 <u>\$ 24,494,136</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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,094,221	\$ 180,527	\$ 87,631	\$ -	\$ (826,063)	\$ -	\$ (826,063)
Public safety	432,649	-	61,895	-	(370,754)	-	(370,754)
Culture and recreation	210,122	127,313	21,907	23,878	(37,024)	-	(37,024)
Community development	3,269	-	-	-	(3,269)	-	(3,269)
Highways and streets	419,487	64,893	230,985	52,366	(71,243)	-	(71,243)
Interest on long-term obligations	80,230	-	-	-	(80,230)	-	(80,230)
Total governmental activities	<u>2,239,978</u>	<u>372,733</u>	<u>402,418</u>	<u>76,244</u>	<u>(1,388,583)</u>	<u>-</u>	<u>(1,388,583)</u>
<b>Business-type activities:</b>							
Water	623,143	487,101	-	78,694	-	(57,348)	(57,348)
Sewer	1,076,333	750,045	4,438	81,236	-	(240,614)	(240,614)
Total business-type activities	<u>1,699,476</u>	<u>1,237,146</u>	<u>4,438</u>	<u>159,930</u>	<u>-</u>	<u>(297,962)</u>	<u>(297,962)</u>
Total primary government	<u>\$ 3,939,454</u>	<u>\$ 1,609,879</u>	<u>\$ 406,856</u>	<u>\$ 236,174</u>	<u>(1,388,583)</u>	<u>(297,962)</u>	<u>(1,686,545)</u>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					771,115	-	771,115
Debt service					171,746	-	171,746
Franchise and public services taxes					613,890	-	613,890
Interest and investment earnings					27,946	13,192	41,138
Miscellaneous					14,281	-	14,281
Transfers					(558,234)	558,234	-
Total general revenues, special items, and transfers					<u>1,040,744</u>	<u>571,426</u>	<u>1,612,170</u>
Change in net assets					(347,839)	273,464	(74,375)
Net assets, beginning					<u>8,526,685</u>	<u>16,041,826</u>	<u>24,568,511</u>
Net assets, ending					<u>\$ 8,178,846</u>	<u>\$ 16,315,290</u>	<u>\$ 24,494,136</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK.



## **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. The activities of the Reserve Fund have also been combined with the General Fund for external financial reporting.

#### **Street Fund**

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

**CITY OF SISTERS, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	Combined General Fund	Street Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,143,853	\$ 257,353	\$ 1,141,550	\$ 3,542,756
Receivables:				
Property taxes	63,255	-	12,798	76,053
Accounts, net	59,096	30,447	-	89,543
Intergovernmental	105,371	13,521	7,063	125,955
Assessments, net	-	-	142,361	142,361
Advances to other funds	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total assets	<u>\$ 2,446,575</u>	<u>\$ 301,321</u>	<u>\$ 1,303,772</u>	<u>\$ 4,051,668</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 78,618	\$ 71,628	\$ 25,281	\$ 175,527
Deposits	4,407	257	-	4,664
Deferred revenue	191,607	14,701	170,870	377,178
Advances from other funds	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Total liabilities	<u>274,632</u>	<u>86,586</u>	<u>271,151</u>	<u>632,369</u>
<b>FUND BALANCES</b>				
Nonspendable	75,000	-	-	75,000
Restricted	30,444	214,735	1,032,621	1,277,800
Assigned	1,401,719	-	-	1,401,719
Unassigned	<u>664,780</u>	<u>-</u>	<u>-</u>	<u>664,780</u>
Total fund balances	<u>2,171,943</u>	<u>214,735</u>	<u>1,032,621</u>	<u>3,419,299</u>
Total liabilities and fund balances	<u>\$ 2,446,575</u>	<u>\$ 301,321</u>	<u>\$ 1,303,772</u>	<u>\$ 4,051,668</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, 2011**

<b>Fund balances - total governmental funds</b>	<b>\$ 3,419,299</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	6,110,614
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	194,866
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(28,750)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(5,679)
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>(1,511,504)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 8,178,846</u></u></b>

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Combined General Fund	Street Fund	Other Governmental Funds	Totals
<b>REVENUES</b>				
Property taxes	\$ 773,030	\$ -	\$ 170,473	\$ 943,503
Other taxes	292,588	135,135	-	427,723
Franchise fees	210,674	56,617	-	267,291
Licenses and fees	242,299	55,714	33,444	331,457
Charges for services	18,600	-	-	18,600
Intergovernmental	127,807	128,151	18,362	274,320
Fines and forfeitures	1,338	-	-	1,338
System development charges	-	-	21,722	21,722
Rental income	12,161	-	-	12,161
Interest on investments	19,584	831	7,532	27,947
Miscellaneous	10,376	9,179	-	19,555
<b>TOTAL REVENUES</b>	<u>1,708,457</u>	<u>385,627</u>	<u>251,533</u>	<u>2,345,617</u>
<b>EXPENDITURES</b>				
Current:				
General government	953,851	-	-	953,851
Public safety	432,655	-	-	432,655
Culture and recreation	178,860	-	28,549	207,409
Community development	-	-	3,269	3,269
Highways and streets	-	310,088	605	310,693
Capital outlay	486,721	37,690	57,536	581,947
Debt service	-	-	230,572	230,572
<b>TOTAL EXPENDITURES</b>	<u>2,052,087</u>	<u>347,778</u>	<u>320,531</u>	<u>2,720,396</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(343,630)</u>	<u>37,849</u>	<u>(68,998)</u>	<u>(374,779)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	1,915	1,990	-	3,905
Transfers in	-	70,000	139,000	209,000
Transfers out	(141,000)	(13,000)	-	(154,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(139,085)</u>	<u>58,990</u>	<u>139,000</u>	<u>58,905</u>
<b>NET CHANGE IN FUND BALANCE</b>	(482,715)	96,839	70,002	(315,874)
<b>FUND BALANCE, Beginning</b>	<u>2,654,658</u>	<u>117,896</u>	<u>962,619</u>	<u>3,735,173</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 2,171,943</u>	<u>\$ 214,735</u>	<u>\$ 1,032,621</u>	<u>\$ 3,419,299</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, 2011**

**Net change in fund balance - governmental funds** \$ (315,874)

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 100,855

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.

149,788

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 5,325

Change in accrued interest payable 555

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 \$ 577,860

Capital asset transfer (613,234)

Depreciation expense (253,114)

(288,488)

**Change in net assets - governmental activities** **\$ (347,839)**

**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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 753,000	\$ 753,000	\$ 773,030	\$ 20,030
Other taxes	275,000	275,000	292,588	17,588
Franchise fees	178,000	178,000	210,674	32,674
Licenses and fees	244,500	244,500	242,299	(2,201)
Charges for services	18,600	18,600	18,600	-
Intergovernmental	64,400	206,568	127,807	(78,761)
Fines and forfeitures	2,000	2,000	1,338	(662)
Rental income	15,000	15,000	12,161	(2,839)
Interest on investments	13,500	13,500	11,047	(2,453)
Miscellaneous	-	-	10,376	10,376
<b>TOTAL REVENUES</b>	<u>1,564,000</u>	<u>1,706,168</u>	<u>1,699,920</u>	<u>(6,248)</u>
<b>EXPENDITURES</b>				
Current:				
General government	993,729	1,131,985	953,851	178,134
Public safety	432,660	432,660	432,655	5
Culture and recreation	198,478	198,478	178,860	19,618
Contingency	350,186	354,098	-	354,098
<b>TOTAL EXPENDITURES</b>	<u>1,975,053</u>	<u>2,117,221</u>	<u>1,565,366</u>	<u>551,855</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(411,053)</u>	<u>(411,053)</u>	<u>134,554</u>	<u>545,607</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	1,915	1,915
Interfund loan proceeds	75,000	75,000	75,000	-
Transfers out	(141,000)	(141,000)	(141,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(66,000)</u>	<u>(66,000)</u>	<u>(64,085)</u>	<u>1,915</u>
<b>NET CHANGE IN FUND BALANCE</b>	(477,053)	(477,053)	70,469	547,522
Budgetary basis adjustment	-	-	(75,000)	(75,000)
<b>FUND BALANCE, Beginning</b>	<u>477,053</u>	<u>477,053</u>	<u>774,755</u>	<u>297,702</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,224</u>	<u>\$ 770,224</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Other taxes	\$ 126,000	\$ 126,000	\$ 135,135	\$ 9,135
Franchise fees	57,950	57,950	56,617	(1,333)
Licenses and fees	46,000	46,000	55,714	9,714
Intergovernmental	365,600	365,600	128,151	(237,449)
Interest on investments	-	-	831	831
Miscellaneous	25,000	25,000	9,179	(15,821)
<b>TOTAL REVENUES</b>	<u>620,550</u>	<u>620,550</u>	<u>385,627</u>	<u>(234,923)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	180,684	181,021	161,902	19,119
Materials and services	200,850	200,513	148,186	52,327
Capital outlay	322,760	322,760	37,690	285,070
Contingency	11,164	11,164	-	11,164
<b>TOTAL EXPENDITURES</b>	<u>715,458</u>	<u>715,458</u>	<u>347,778</u>	<u>367,680</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(94,908)</u>	<u>(94,908)</u>	<u>37,849</u>	<u>132,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	1,990	1,990
Transfers in	70,000	70,000	70,000	-
Transfers out	(13,000)	(13,000)	(13,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>57,000</u>	<u>57,000</u>	<u>58,990</u>	<u>1,990</u>
<b>NET CHANGE IN FUND BALANCE</b>	(37,908)	(37,908)	96,839	134,747
<b>FUND BALANCE, Beginning</b>	<u>37,908</u>	<u>37,908</u>	<u>117,896</u>	<u>79,988</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,735</u>	<u>\$ 214,735</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK.



## **FUND FINANCIAL STATEMENTS**

---

### **Proprietary Funds**

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

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

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

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

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

**CITY OF SISTERS, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	<b>Business - type Activities - Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>All Water Funds</b>	<b>All Sewer Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 95,257	\$ 689,855	\$ 785,112
Receivables:			
Accounts, net	60,598	62,073	122,671
Assessments	-	10,426	10,426
Inventories	<u>28,331</u>	<u>-</u>	<u>28,331</u>
Total current assets	<u>184,186</u>	<u>762,354</u>	<u>946,540</u>
Noncurrent assets:			
Restricted cash and cash equivalents	734,960	744,396	1,479,356
Capital assets:			
Land	10,022	4,181,583	4,191,605
Construction in progress	141,197	78,881	220,078
Depreciable assets, net of depreciation	<u>5,924,447</u>	<u>11,143,483</u>	<u>17,067,930</u>
Total noncurrent assets	<u>6,810,626</u>	<u>16,148,343</u>	<u>22,958,969</u>
Total assets	<u>\$ 6,994,812</u>	<u>\$ 16,910,697</u>	<u>\$ 23,905,509</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 30,383	\$ 12,261	\$ 42,644
Accrued interest payable	-	220,259	220,259
Retainage payable	7,945	-	7,945
Deposits	73,260	-	73,260
Unearned revenue	350	10,426	10,776
Compensated absences payable	8,874	8,632	17,506
Current portion of long-term debt	<u>-</u>	<u>235,796</u>	<u>235,796</u>
Total current liabilities	120,812	487,374	608,186
Long-term debt, net of current portion:			
Notes and contracts payable	-	2,121,947	2,121,947
Bonds payable	<u>-</u>	<u>4,860,086</u>	<u>4,860,086</u>
Total long-term debt, net of current portion	<u>-</u>	<u>6,982,033</u>	<u>6,982,033</u>
Total liabilities	<u>120,812</u>	<u>7,469,407</u>	<u>7,590,219</u>
Net assets:			
Invested in capital assets, net of related debt	6,075,666	8,186,118	14,261,784
Restricted for system development	734,960	431,069	1,166,029
Restricted for debt service	-	313,327	313,327
Unrestricted	<u>63,374</u>	<u>510,776</u>	<u>574,150</u>
Total net assets	<u>6,874,000</u>	<u>9,441,290</u>	<u>16,315,290</u>
Total liabilities and net assets	<u>\$ 6,994,812</u>	<u>\$ 16,910,697</u>	<u>\$ 23,905,509</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, 2011**

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 484,117	\$ 686,354	\$ 1,170,471
Licenses and fees	2,280	2,280	4,560
Rental income	-	48,000	48,000
Miscellaneous	704	17,850	18,554
<b>TOTAL OPERATING REVENUES</b>	<u>487,101</u>	<u>754,484</u>	<u>1,241,585</u>
<b>OPERATING EXPENSES</b>			
Personal services	258,556	277,735	536,291
Materials and services	194,618	180,612	375,230
Depreciation	169,980	303,657	473,637
<b>TOTAL OPERATING EXPENSES</b>	<u>623,154</u>	<u>762,004</u>	<u>1,385,158</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(136,053)</u>	<u>(7,520)</u>	<u>(143,573)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Gain (loss) on disposal of capital assets	10	22,462	22,472
Interest on investments	5,102	8,090	13,192
Interest expense	-	(336,791)	(336,791)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>5,112</u>	<u>(306,239)</u>	<u>(301,127)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(130,941)	(313,759)	(444,700)
<b>CAPITAL CONTRIBUTIONS</b>			
System development charges	53,694	81,236	134,930
Capital asset contributions	25,000	-	25,000
Capital asset transfers	613,234	-	613,234
<b>TRANSFERS</b>			
Transfers out	(17,000)	(38,000)	(55,000)
<b>CHANGE IN NET ASSETS</b>	543,987	(270,523)	273,464
<b>NET ASSETS, Beginning</b>	<u>6,330,013</u>	<u>9,711,813</u>	<u>16,041,826</u>
<b>NET ASSETS, Ending</b>	<u>\$ 6,874,000</u>	<u>\$ 9,441,290</u>	<u>\$ 16,315,290</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, 2011**

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 459,478	\$ 753,840	\$ 1,213,318
Payments to suppliers	(238,350)	(248,034)	(486,384)
Payments to employees	(170,054)	(180,296)	(350,350)
Payments for interfund services used	(32,081)	(43,136)	(75,217)
Net cash provided from (used by) operating activities	<u>18,993</u>	<u>282,374</u>	<u>301,367</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(17,000)	(38,000)	(55,000)
Net cash provided from (used by) non-capital financing activities	<u>(17,000)</u>	<u>(38,000)</u>	<u>(55,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
System development charges	53,694	81,236	134,930
Proceeds from sale of capital assets	10	22,462	22,472
Acquisition of capital assets	(225,964)	(112,413)	(338,377)
Principal paid on long-term obligations	-	(226,872)	(226,872)
Interest paid on long-term obligations	-	(341,680)	(341,680)
Net cash provided from (used by) capital and related financing activities	<u>(172,260)</u>	<u>(577,267)</u>	<u>(749,527)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	5,102	8,090	13,192
Net cash provided (used) by investing activities	<u>5,102</u>	<u>8,090</u>	<u>13,192</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(165,165)	(324,803)	(489,968)
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>995,382</u>	<u>1,759,054</u>	<u>2,754,436</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 830,217</u>	<u>\$ 1,434,251</u>	<u>\$ 2,264,468</u>
<b>COMPRISED AS FOLLOWS</b>			
Cash and cash equivalents	\$ 95,257	\$ 689,855	\$ 785,112
Restricted cash and cash equivalents	<u>734,960</u>	<u>744,396</u>	<u>1,479,356</u>
	<u>\$ 830,217</u>	<u>\$ 1,434,251</u>	<u>\$ 2,264,468</u>

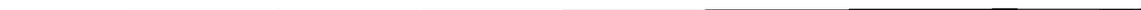
The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>			
Operating income (loss)	\$ (136,053)	\$ (7,520)	\$ (143,573)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	169,980	303,657	473,637
(Increase) decrease in assets:			
Receivables	(18,712)	15,770	(2,942)
Inventories	848	-	848
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	12,390	(11,656)	734
Deposits	(8,911)	-	(8,911)
Unearned revenues	-	(16,414)	(16,414)
Compensated absences payable	(549)	(1,463)	(2,012)
Net cash provided from (used by) operating activities	<u>\$ 18,993</u>	<u>\$ 282,374</u>	<u>\$ 301,367</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Capital asset contributions	\$ 25,000	\$ -	\$ 25,000
Transfer of capital assets between funds	613,234	-	613,234
Total noncash investing, capital, and financing activities	<u>\$ 638,234</u>	<u>\$ -</u>	<u>\$ 638,234</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK.



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

---

---

**CITY OF SISTERS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

**Sisters Urban Renewal Agency**

The Agency was formed to undertake urban renewal projects and activities pursuant to the City's redevelopment plan. The Board of Directors of the Agency consists of the Mayor and the four elected City Council members, 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 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.

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

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

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

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

The City reports the following major governmental funds:

The *General Fund* 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. At year-end, the City decided to have the Reserve Fund be a sub-fund under the General fund. The Reserve Fund accounts for money set aside for replacement of capital assets. The principal sources are contributions by other funds and earnings on investments.

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3. Inventories and Prepaid Expenses

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

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

### 4. Capital Assets

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

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

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

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

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

## 5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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 met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

As of June 30, 2011, the fund balance details by classification are listed below:

	Combined General Fund	Street Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>				
<b>Nonspendable:</b>				
Inventory				
Notes Receivable	\$ 75,000	\$ -	\$ -	\$ 75,000
<b>Restricted for:</b>				
CATS Grant	14,844			14,844
CREFF Grant	9,600			9,600
East Cascade Grant	6,000			6,000
Highways and Streets		214,735		214,735
Debt Service			394,366	394,366
Capital Projects			638,255	638,255
<b>Assigned to:</b>				
Operational Reserve	500,000			500,000
Police Reinstate Reserve	500,000			500,000
Equipment Reserve	50,000			50,000
Building Reserve	301,719			301,719
Vehicle Reserve	50,000			50,000
<b>Unassigned:</b>				
	664,780			664,780
<b>Total Fund Balance</b>	<b>\$ 2,171,943</b>	<b>\$ 214,735</b>	<b>\$ 1,032,621</b>	<b>\$ 3,419,299</b>

Commitment of Resources and fund balance are created the City's highest level of decision-making authority, City Council, generally by resolution or ordinance. In addition, resolution 2011-12 was approved by City Council to authorize City Manager to assign resources and ending fund balance. 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, Reserve Fund, and the Urban Renewal Debt Service fund. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. The General fund and Urban Renewal Debt Service fund budget interfund loan repayments, as required by Oregon Local Budget Law, which is not consistent with GAAP. The Reserve Fund is budgeted as a separate special revenue fund under Oregon Local Budget Law, but the fund does not qualify as a Special Revenue Fund under GASB 54 and has been combined with the General Fund for GAAP. All annual appropriations lapse at fiscal year end.

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

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

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

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

During the year ended June 30, 2011, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2011. 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, 2011, the carrying amount of the City's deposits was \$3,162,308 and the bank balance was \$3,165,510. All deposits are held in the name of the City. Of the bank balance, \$1,700,084 was covered by federal depository insurance. The remaining \$1,465,426 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, 2011 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 2,644,216
Less amounts classified as cash equivalents			<u>(2,644,216)</u>
Total Investments			<u>\$ -</u>

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

Cash on hand	\$ 700
Carrying amounts of deposits	3,162,308
Local Government Investment Pool	<u>2,644,216</u>
Total cash and cash equivalents	<u><u>\$5,807,224</u></u>
Funds:	
<u>Governmental Activities</u>	
General	\$2,143,853
Street	257,353
Other Governmental Funds	<u>1,141,550</u>
Total Governmental Activities	<u>3,542,756</u>
<u>Business-Type Activities</u>	
Water (\$734,960 restricted)	830,217
Sewer (\$744,396 restricted)	<u>1,434,251</u>
Total Business-Type Activities	<u>2,264,468</u>
Total cash and cash equivalents	<u><u>\$5,807,224</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:

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 63,255	\$ -	\$ 12,798	\$ 76,053
Accounts	59,170	30,447	-	89,617
Intergovernmental	105,371	13,521	7,063	125,955
Assessments	-	-	217,334	217,334
Allowance For Doubtful Account	<u>(74)</u>	<u>-</u>	<u>(74,973)</u>	<u>(75,047)</u>
	<u>\$ 227,722</u>	<u>\$ 43,968</u>	<u>\$ 162,222</u>	<u>\$ 433,912</u>

Receivables as of June 30, 2011 for the business-type activities individual major funds are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>
Accounts	\$ 61,432	\$ 62,846	\$ 124,278
Assessments	-	10,426	10,426
Allowance for doubtful accounts	<u>(834)</u>	<u>(773)</u>	<u>(1,607)</u>
	<u>\$ 60,598</u>	<u>\$ 72,499</u>	<u>\$ 133,097</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 2010-2011, the City levied property taxes in the net amount of \$790,848 after reductions for offsets and increases for additional taxes and penalties. The tax rate for the fiscal year was \$2.6417, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2011 was \$273,437,879. 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 \$177,215.

Following is a summary of property tax transactions for the year ended June 30, 2011:

	July 1, 2010	2010-11 Levy	Adjustments	Interest (Discounts)	Collections	June 30, 2011
2010-11	\$ -	\$ 968,063	\$ (5,541)	\$ (21,915)	\$ (901,769)	\$ 38,838
2009-10	44,660	-	(382)	1,433	(26,633)	19,078
2008-09	17,827	-	(175)	1,250	(10,097)	8,805
2007-08	5,762	-	(61)	894	(4,782)	1,813
2006-07	1,002	-	(33)	210	(959)	220
2005-06	195	-	(15)	31	(100)	111
2004-05	73	-	(9)	12	(34)	42
2003-04	25	-	(2)	3	(9)	17
2002-03	50	-	(3)	1	(3)	45
Prior years	72	-	(10)	7	(14)	55
	<u>\$ 69,666</u>	<u>\$ 968,063</u>	<u>\$ (6,231)</u>	<u>\$ (18,074)</u>	<u>\$ (944,400)</u>	<u>69,024</u>
				Cash with County		<u>7,029</u>
				Total Receivable		<u>\$ 76,053</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary, in most cases. The City issued new assessments during the year under reimbursement agreements and not all agreements have been signed or formally agreed upon. An allowance for \$74,973 had been established for the unsigned agreements.

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

### C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2011, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletion/ Transfer</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 639,290	\$ -	\$ -	\$ 639,290
Art and sculptures	250,000	-	-	250,000
Construction in progress	753,142	66,904	(753,142)	66,904
<b>Total capital assets, not being depreciated</b>	<b>1,642,432</b>	<b>66,904</b>	<b>(753,142)</b>	<b>956,194</b>
Capital assets, being depreciated				
Buildings and improvements	4,121,814	478,231	(471,844)	4,128,201
Tools and equipment	637,799	-	65,364	703,163
Office equipment	359,970	-	-	359,970
Street Improvements	2,332,124	32,725	546,388	2,911,237
<b>Total capital assets, being depreciated</b>	<b>7,451,707</b>	<b>510,956</b>	<b>139,908</b>	<b>8,102,571</b>
Accumulated depreciation for:				
Buildings	(1,599,861)	(76,979)	-	(1,676,840)
Tools and equipment	(571,315)	(30,787)	-	(602,102)
Office equipment	(283,899)	(45,047)	-	(328,946)
Street Improvements	(239,962)	(100,301)	-	(340,263)
<b>Total accumulated depreciation</b>	<b>(2,695,037)</b>	<b>(253,114)</b>	<b>-</b>	<b>(2,948,151)</b>
<b>Total capital assets, being depreciated, net</b>	<b>4,756,670</b>	<b>257,842</b>	<b>139,908</b>	<b>5,154,420</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,399,102</b>	<b>\$ 324,746</b>	<b>\$ (613,234)</b>	<b>\$ 6,110,614</b>

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

#### Governmental activities

General government	\$ 144,235
Culture and recreation	3,548
Highways and streets	105,331
<b>Total depreciation expense - governmental activities</b>	<b>\$ 253,114</b>

Capital asset activity for the business-type activities for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 4,191,605	\$ -	\$ -	\$ 4,191,605
Construction in progress	238,909	3,514	(22,346)	220,077
Total capital assets, not being depreciated	<u>4,430,514</u>	<u>3,514</u>	<u>(22,346)</u>	<u>4,411,682</u>
Capital assets, being depreciated				
Buildings and improvements	12,038	-	613,234	625,272
Tools and equipment	462,034	138,596	(68,650)	531,980
Office equipment	67,419	-	-	67,419
Infrastructure	19,753,486	221,267	22,346	19,997,099
Total capital assets, being depreciated	<u>20,294,977</u>	<u>359,863</u>	<u>566,930</u>	<u>21,221,770</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,958)	(7,811)	-	(17,769)
Tools and equipment	(318,088)	(54,984)	68,650	(304,422)
Office equipment	(65,637)	(891)	-	(66,528)
Infrastructure	(3,355,169)	(409,951)	-	(3,765,120)
Total accumulated depreciation	<u>(3,748,852)</u>	<u>(473,637)</u>	<u>68,650</u>	<u>(4,153,839)</u>
Total capital assets, being depreciated, net	<u>16,546,125</u>	<u>(113,774)</u>	<u>635,580</u>	<u>17,067,931</u>
Business-type activities capital assets, net	<u>\$ 20,976,639</u>	<u>\$ (110,260)</u>	<u>\$ 613,234</u>	<u>\$ 21,479,613</u>

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

Business-type activities

Water	\$ 169,980
Sewer	<u>303,657</u>
Total depreciation expense - business-type activities	<u>\$ 473,637</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 \$182,312 in unearned deferred revenue for governmental activities and \$10,776 for business-type activities.

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

	General	Street	Other Governmental Funds	Totals
Property taxes	\$ 57,430	\$ -	\$ 11,595	\$ 69,025
Fuel Taxes	-	9,841	-	9,841
Intergovernmental	105,077	3,860	7,063	116,000
Unearned	29,100	1,000	152,212	182,312
	<u>\$ 191,607</u>	<u>\$ 14,701</u>	<u>\$ 170,870</u>	<u>\$ 377,178</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:

June 30	Principal	Interest
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	203,244	20,641
2019	126,125	12,398
2020	132,180	6,344
	<u>\$ 1,511,504</u>	<u>\$ 333,259</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, 2011) until a total reserve of \$310,280 is established. The total unpaid principal on these two bonds as of June 30, 2011 was \$4,947,672. Future maturities of the bonds are as follows:

June 30	Principal	Interest
2012	\$ 87,586	\$ 222,645
2013	91,527	218,704
2014	95,646	214,585
2015	99,950	210,281
2016	104,448	205,783
2017-2021	597,116	954,039
2022-2026	744,115	807,040
2027-2031	927,302	623,853
2032-2036	1,155,586	395,569
2027-2041	1,044,396	121,254
	<u>\$ 4,947,672</u>	<u>\$ 3,973,753</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, 2011 was \$26,036.

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, 2011 was \$716,163.

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, 2011 was \$194,987.

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, 2011 was \$1,332,971.

Future maturities of the loans payable are as follows:

June 30	Principal	Interest
2012	\$ 148,210	\$ 108,358
2013	153,618	101,300
2014	164,276	93,993
2015	170,194	86,150
2016	176,384	78,035
2017-2021	1,020,234	254,960
2022-2026	419,575	57,262
2027	17,666	972
	<u>\$ 2,270,157</u>	<u>\$ 781,030</u>

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

Long-term obligation activity for the year ended June 30, 2011, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Full Faith and Credit Bonds	\$ 1,661,292	\$ -	\$ 149,788	\$ 1,511,504	\$ 156,465
Compensated Absences	34,073	28,750	34,073	28,750	20,813
Governmental activity Long-term obligations	<u>\$ 1,695,365</u>	<u>\$ 28,750</u>	<u>\$ 183,861</u>	<u>\$ 1,540,254</u>	<u>\$ 177,278</u>
<b>Business - type activities</b>					
Revenue Bonds Payable	\$ 5,031,487	\$ -	\$ 83,815	\$ 4,947,672	\$ 87,586
Loans Payable	2,413,214	-	143,057	2,270,157	148,210
Compensated Absences	19,517	17,506	19,517	17,506	13,129
Business-type activity Long-term obligations	<u>\$ 7,464,218</u>	<u>\$ 17,506</u>	<u>\$ 246,389</u>	<u>\$ 7,235,335</u>	<u>\$ 248,925</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 re-alignment and \$100,000 for capital projects. The Urban Renewal Debt Service had made a final payment of \$50,000 on its street improvement loan. Capital Project loan is currently scheduled to be paid off over the next four years, with interest at 4.0%. However, the loan repayment terms are subject to change and the entire balance is reported as advances to/from other funds. The outstanding balance at June 30, 2011 is \$75,000.

#### G. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the governmental activities and transfers into the business-type activities in the amount of \$558,234.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ -	\$ 141,000
Street	70,000	13,000
Other funds	139,000	-
Capital asset transfer	-	613,234
Business-type activities:		
Water	613,234	17,000
Sewer	-	38,000
	<u>\$ 822,234</u>	<u>\$ 822,234</u>

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

#### IV. Other Information

##### A. Risk Management

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

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

###### 1. Plan Description

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

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and

years of service and a factor that varies based on the type of service (general versus police or fire).

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

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

## **2. Funding Policy**

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 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, 2011, 2010, and 2009 were \$81,175, \$87,413, and \$97,300 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, 2011. Major projects in progress at June 30, 2011 are as follows:

The Washington to Main Improvement is approximately 2% complete. Costs incurred to date are \$2,939, with total estimated costs of \$137,104.

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 \$10,016, with total estimated costs of \$250,000.

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

The Jefferson Multi-use Path is approximately 12% complete. Costs incurred to date are \$7,239, with total estimated costs of \$290,000.

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

The Barclay Signal/Roundabout Feasibility project is approximately 13% complete. Costs incurred to date are \$15,407, with estimated costs of \$120,000.

The Safe Routes to School project is approximately 12% complete. Costs incurred to date are \$37,690, with estimated costs of \$290,000.

The Old City Hall Demolition project is approximately 44% complete. Costs incurred to date are \$6,568, with estimated costs of \$15,000.

#### **D. Subsequent Events**

The City received \$1.66 million grant award for the East Cascade Improvement Project in August, 2011. The City also received a \$125,000 grant award from Oregon Department of Transportation for the Santiam Multi-user Path. Both grant awards required no local match from the City.

THIS PAGE INTENTIONALLY LEFT BLANK.



## **SUPPLEMENTAL INFORMATION**

---

THIS PAGE INTENTIONALLY LEFT BLANK.



## COMBINING STATEMENTS

---

---

### Non-Major Governmental Funds

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

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

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

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

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

- *City Hall 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, 2011**

	Capital Project			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	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 474,812	\$ 120,821	\$ 75,200	\$ 2,554	\$ 14,774	\$ 453,389	\$ 1,141,550
Receivables:							
Property taxes	-	-	-	-	-	12,798	12,798
Accounts	-	7,063	-	-	-	-	7,063
Assessments, net	-	-	142,361	-	-	-	142,361
<b>Total assets</b>	<b>\$ 474,812</b>	<b>\$ 127,884</b>	<b>\$ 217,561</b>	<b>\$ 2,554</b>	<b>\$ 14,774</b>	<b>\$ 466,187</b>	<b>\$ 1,303,772</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 15,407	\$ 9,696	\$ -	\$ 178	\$ -	\$ -	\$ 25,281
Deferred revenue	-	7,063	152,212	-	-	11,595	170,870
Advances from other funds	-	-	-	-	-	75,000	75,000
<b>Total liabilities</b>	<b>15,407</b>	<b>16,759</b>	<b>152,212</b>	<b>178</b>	<b>-</b>	<b>86,595</b>	<b>271,151</b>
<b>FUND BALANCES</b>							
Restricted	459,405	111,125	65,349	2,376	14,774	379,592	1,032,621
<b>Total fund balances</b>	<b>459,405</b>	<b>111,125</b>	<b>65,349</b>	<b>2,376</b>	<b>14,774</b>	<b>379,592</b>	<b>1,032,621</b>
<b>Total liabilities and fund balances</b>	<b>\$ 474,812</b>	<b>\$ 127,884</b>	<b>\$ 217,561</b>	<b>\$ 2,554</b>	<b>\$ 14,774</b>	<b>\$ 466,187</b>	<b>\$ 1,303,772</b>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Capital Project			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	
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,473	\$ 170,473
Licenses and fees	-	-	33,444	-	-	-	33,444
Intergovernmental	-	18,362	-	-	-	-	18,362
System development charges	16,205	5,517	-	-	-	-	21,722
Interest on investments	2,692	633	366	22	77	3,742	7,532
<b>TOTAL REVENUES</b>	<b>18,897</b>	<b>24,512</b>	<b>33,810</b>	<b>22</b>	<b>77</b>	<b>174,215</b>	<b>251,533</b>
<b>EXPENDITURES</b>							
Current:							
Culture and recreation	-	28,549	-	-	-	-	28,549
Community development	-	-	-	3,269	-	-	3,269
Highways and streets	605	-	-	-	-	-	605
Capital outlay	55,370	2,166	-	-	-	-	57,536
Debt service	-	-	-	-	138,524	92,048	230,572
<b>TOTAL EXPENDITURES</b>	<b>55,975</b>	<b>30,715</b>	<b>-</b>	<b>3,269</b>	<b>138,524</b>	<b>92,048</b>	<b>320,531</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(37,078)</b>	<b>(6,203)</b>	<b>33,810</b>	<b>(3,247)</b>	<b>(138,447)</b>	<b>82,167</b>	<b>(68,998)</b>
<b>OTHER FINANCING SOURCES</b>							
Transfers in	-	-	-	-	139,000	-	139,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,000</b>	<b>-</b>	<b>139,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(37,078)</b>	<b>(6,203)</b>	<b>33,810</b>	<b>(3,247)</b>	<b>553</b>	<b>82,167</b>	<b>70,002</b>
<b>FUND BALANCE, Beginning</b>	<b>496,483</b>	<b>117,328</b>	<b>31,539</b>	<b>5,623</b>	<b>14,221</b>	<b>297,425</b>	<b>962,619</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 459,405</b>	<b>\$ 111,125</b>	<b>\$ 65,349</b>	<b>\$ 2,376</b>	<b>\$ 14,774</b>	<b>\$ 379,592</b>	<b>\$ 1,032,621</b>

See auditor's report.

**CITY OF SISTERS, OREGON  
 COMBINING BALANCE SHEET  
 COMBINED GENERAL FUND  
 June 30, 2011**

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 737,216	\$ 1,406,637	\$ 2,143,853
Receivables:			
Property taxes	63,255	-	63,255
Accounts	164,467	-	164,467
Advances to other funds	<u>75,000</u>	<u>-</u>	<u>75,000</u>
 Total assets	 <u>\$ 1,039,938</u>	 <u>\$ 1,406,637</u>	 <u>\$ 2,446,575</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 73,700	\$ 4,918	\$ 78,618
Deposits	4,407	-	4,407
Deferred revenue	<u>191,607</u>	<u>-</u>	<u>191,607</u>
 Total liabilities	 <u>269,714</u>	 <u>4,918</u>	 <u>274,632</u>
<b>FUND BALANCES</b>			
Nonspendable	75,000	-	75,000
Restricted	30,444	-	30,444
Assigned	-	1,401,719	1,401,719
Unassigned	<u>664,780</u>	<u>-</u>	<u>664,780</u>
 Total fund balances	 <u>770,224</u>	 <u>1,401,719</u>	 <u>2,171,943</u>
 Total liabilities and fund balances	 <u>\$ 1,039,938</u>	 <u>\$ 1,406,637</u>	 <u>\$ 2,446,575</u>

**CITY OF SISTERS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**COMBINED GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ 773,030	\$ -	\$ 773,030
Other taxes	292,588	-	292,588
Franchise fees	210,674	-	210,674
Licenses and fees	242,299	-	242,299
Charges for services	18,600	-	18,600
Intergovernmental	127,807	-	127,807
Fines and forfeitures	1,338	-	1,338
Rental income	12,161	-	12,161
Interest on investments	11,047	8,537	19,584
Miscellaneous	10,376	-	10,376
<b>TOTAL REVENUES</b>	<u>1,699,920</u>	<u>8,537</u>	<u>1,708,457</u>
<b>EXPENDITURES</b>			
Current:			
General government	953,851	-	953,851
Public safety	432,655	-	432,655
Culture and recreation	178,860	-	178,860
Capital outlay	-	486,721	486,721
<b>TOTAL EXPENDITURES</b>	<u>1,565,366</u>	<u>486,721</u>	<u>2,052,087</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>134,554</u>	<u>(478,184)</u>	<u>(343,630)</u>
<b>OTHER FINANCING SOURCES</b>			
Sale of property	1,915	-	1,915
Transfers out	(141,000)	-	(141,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(139,085)</u>	<u>-</u>	<u>(139,085)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,531)	(478,184)	(482,715)
<b>FUND BALANCE, Beginning</b>	<u>774,755</u>	<u>1,879,903</u>	<u>2,654,658</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 770,224</u>	<u>\$ 1,401,719</u>	<u>\$ 2,171,943</u>

See auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK.



## **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 fund) are presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.

THIS PAGE INTENTIONALLY LEFT BLANK.



**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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>EXPENDITURES AND TRANSFERS</b>				
Administration	\$ 410,891	\$ 410,891	\$ 327,312	\$ 83,579
Maintenance	110,221	110,221	103,666	6,555
Parks	198,478	198,478	178,860	19,618
Police	432,660	432,660	432,655	5
Planning	346,467	346,467	272,066	74,401
Support services	267,150	405,406	391,807	13,599
Contingency	350,186	354,098	-	354,098
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>\$ 2,116,053</b>	<b>\$ 2,258,221</b>	<b>\$ 1,706,366</b>	<b>\$ 551,855</b>

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

---

**Governmental Funds**

**Capital Project Funds**

- Transportation SDC
- Park Development
- Parking District

**Special Revenue Funds**

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

**Debt Service Funds**

- City Hall Debt Service
- Urban Renewal Debt Service

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**TRANSPORTATION SDC FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
System development charges	\$ 59,500	\$ 59,500	\$ 16,205	\$ (43,295)
Interest on investments	4,000	4,000	2,692	(1,308)
<b>TOTAL REVENUES</b>	<u>63,500</u>	<u>63,500</u>	<u>18,897</u>	<u>(44,603)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Materials and services	8,000	8,000	605	7,395
Capital outlay	40,000	72,725	55,370	17,355
Contingency	491,606	479,258	-	479,258
<b>TOTAL EXPENDITURES</b>	<u>539,606</u>	<u>559,983</u>	<u>55,975</u>	<u>504,008</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(476,106)</u>	<u>(496,483)</u>	<u>(37,078)</u>	<u>459,405</u>
<b>NET CHANGE IN FUND BALANCE</b>	(476,106)	(496,483)	(37,078)	459,405
<b>FUND BALANCE, Beginning</b>	<u>476,106</u>	<u>496,483</u>	<u>496,483</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,405</u>	<u>\$ 459,405</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PARK DEVELOPMENT FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 18,362	\$ (6,638)
System development charges	18,000	18,000	5,517	(12,483)
Interest on investments	800	800	633	(167)
<b>TOTAL REVENUES</b>	<u>43,800</u>	<u>43,800</u>	<u>24,512</u>	<u>(19,288)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Materials and services	51,250	51,250	28,549	22,701
Capital outlay	-	19,400	2,166	17,234
Contingency	113,961	94,561	-	94,561
<b>TOTAL EXPENDITURES</b>	<u>165,211</u>	<u>165,211</u>	<u>30,715</u>	<u>134,496</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(121,411)</u>	<u>(121,411)</u>	<u>(6,203)</u>	<u>115,208</u>
<b>NET CHANGE IN FUND BALANCE</b>	(121,411)	(121,411)	(6,203)	115,208
<b>FUND BALANCE, Beginning</b>	<u>121,411</u>	<u>121,411</u>	<u>117,328</u>	<u>(4,083)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,125</u>	<u>\$ 111,125</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 15,000	\$ 15,000	\$ 33,444	\$ 18,444
Interest on investments	2,000	2,000	366	(1,634)
<b>TOTAL REVENUES</b>	<u>17,000</u>	<u>17,000</u>	<u>33,810</u>	<u>16,810</u>
<b>EXPENDITURES</b>				
Contingency	<u>29,373</u>	<u>29,373</u>	<u>-</u>	<u>29,373</u>
<b>TOTAL EXPENDITURES</b>	<u>29,373</u>	<u>29,373</u>	<u>-</u>	<u>29,373</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(12,373)</u>	<u>(12,373)</u>	<u>33,810</u>	<u>46,183</u>
<b>NET CHANGE IN FUND BALANCE</b>	(12,373)	(12,373)	33,810	46,183
<b>FUND BALANCE, Beginning</b>	<u>12,373</u>	<u>12,373</u>	<u>31,539</u>	<u>19,166</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,349</u>	<u>\$ 65,349</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**URBAN RENEWAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 200	\$ 200	\$ 22	\$ (178)
<b>TOTAL REVENUES</b>	<u>200</u>	<u>200</u>	<u>22</u>	<u>(178)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Materials and services	3,600	3,600	3,269	331
Contingency	960	960	-	960
<b>TOTAL EXPENDITURES</b>	<u>4,560</u>	<u>4,560</u>	<u>3,269</u>	<u>1,291</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,360)</u>	<u>(4,360)</u>	<u>(3,247)</u>	<u>1,113</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,360)	(4,360)	(3,247)	1,113
<b>FUND BALANCE, Beginning</b>	<u>4,360</u>	<u>4,360</u>	<u>5,623</u>	<u>1,263</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,376</u>	<u>\$ 2,376</u>

**CITY OF SISTERS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**RESERVE FUND (SUB-FUND OF THE GENERAL FUND)**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 12,000	\$ 12,000	\$ 8,537	\$ (3,463)
<b>TOTAL REVENUES</b>	<u>12,000</u>	<u>12,000</u>	<u>8,537</u>	<u>(3,463)</u>
<b>EXPENDITURES</b>				
Capital outlay	317,000	578,521	486,721	91,800
Contingency	<u>1,326,606</u>	<u>1,313,382</u>	<u>-</u>	<u>1,313,382</u>
<b>TOTAL EXPENDITURES</b>	<u>1,643,606</u>	<u>1,891,903</u>	<u>486,721</u>	<u>1,405,182</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,631,606)</u>	<u>(1,879,903)</u>	<u>(478,184)</u>	<u>1,401,719</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,631,606)	(1,879,903)	(478,184)	1,401,719
<b>FUND BALANCE, Beginning</b>	<u>1,631,606</u>	<u>1,879,903</u>	<u>1,879,903</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,401,719</u></u>	<u><u>\$ 1,401,719</u></u>

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

**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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 200	\$ 200	\$ 77	\$ (123)
<b>TOTAL REVENUES</b>	<u>200</u>	<u>200</u>	<u>77</u>	<u>(123)</u>
<b>EXPENDITURES</b>				
Debt service	139,000	139,000	138,524	476
Contingency	<u>13,941</u>	<u>13,941</u>	<u>-</u>	<u>13,941</u>
<b>TOTAL EXPENDITURES</b>	<u>152,941</u>	<u>152,941</u>	<u>138,524</u>	<u>14,417</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(152,741)</u>	<u>(152,741)</u>	<u>(138,447)</u>	<u>14,294</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(13,741)	(13,741)	553	14,294
<b>FUND BALANCE, Beginning</b>	<u>13,741</u>	<u>13,741</u>	<u>14,221</u>	<u>480</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,774</u>	<u>\$ 14,774</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**URBAN RENEWAL DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 133,000	\$ 133,000	\$ 170,473	\$ 37,473
Interest on investments	3,000	3,000	3,742	742
<b>TOTAL REVENUES</b>	<u>136,000</u>	<u>136,000</u>	<u>174,215</u>	<u>38,215</u>
<b>EXPENDITURES</b>				
Debt service	93,200	93,200	92,048	1,152
Contingency	199,701	199,701	-	199,701
<b>TOTAL EXPENDITURES</b>	<u>292,901</u>	<u>292,901</u>	<u>92,048</u>	<u>200,853</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(156,901)</u>	<u>(156,901)</u>	<u>82,167</u>	<u>239,068</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan repayment	(75,000)	(75,000)	(75,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(231,901)	(231,901)	7,167	239,068
Budgetary basis adjustment	-	-	75,000	75,000
<b>FUND BALANCE, Beginning</b>	<u>231,901</u>	<u>231,901</u>	<u>297,425</u>	<u>65,524</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379,592</u>	<u>\$ 379,592</u>

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

---

**Proprietary Funds**

**Enterprise Funds**

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

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 5,000	\$ 5,000	\$ 2,280	\$ (2,720)
Charges for services	573,100	573,100	484,117	(88,983)
Interest on investments	2,000	2,000	752	(1,248)
Miscellaneous	-	-	704	704
<b>TOTAL REVENUES</b>	<u>580,100</u>	<u>580,100</u>	<u>487,853</u>	<u>(92,247)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	291,075	291,581	259,106	32,475
Materials and services	211,290	210,784	194,315	16,469
Capital outlay	66,550	66,550	39,297	27,253
Contingency	70,419	70,419	-	70,419
<b>TOTAL EXPENDITURES</b>	<u>639,334</u>	<u>639,334</u>	<u>492,718</u>	<u>146,616</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(59,234)</u>	<u>(59,234)</u>	<u>(4,865)</u>	<u>54,369</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	10	10
Transfers out	(17,000)	(17,000)	(17,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(17,000)</u>	<u>(17,000)</u>	<u>(16,990)</u>	<u>10</u>
<b>NET CHANGE IN FUND BALANCE</b>	(76,234)	(76,234)	(21,855)	54,379
<b>FUND BALANCE, Beginning</b>	<u>76,234</u>	<u>76,234</u>	<u>94,103</u>	<u>17,869</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,248</u>	<u>\$ 72,248</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER SDC FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 80,000	\$ 80,000	\$ 53,694	\$ (26,306)
Interest on investments	6,000	6,000	4,350	(1,650)
<b>TOTAL REVENUES</b>	<u>86,000</u>	<u>86,000</u>	<u>58,044</u>	<u>(27,956)</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	1,000	1,000	303	697
Capital outlay	434,700	434,700	186,666	248,034
Contingency	519,805	519,805	-	519,805
<b>TOTAL EXPENDITURES</b>	<u>955,505</u>	<u>955,505</u>	<u>186,969</u>	<u>768,536</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(869,505)</u>	<u>(869,505)</u>	<u>(128,925)</u>	<u>740,580</u>
<b>NET CHANGE IN FUND BALANCE</b>	(869,505)	(869,505)	(128,925)	740,580
<b>FUND BALANCE, Beginning</b>	<u>869,505</u>	<u>869,505</u>	<u>863,885</u>	<u>(5,620)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,960</u>	<u>\$ 734,960</u>

See auditor's report.

**CITY OF SISTERS, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL WATER FUNDS  
For the Fiscal Year Ended June 30, 2011**

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

Water	\$ 72,248
Water SDC	<u>734,960</u>
	807,208

Adjustments:

Capital assets, net of depreciation	6,075,666
Compensated absences	<u>(8,874)</u>

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

\$ 6,874,000

**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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 2,000	\$ 2,000	\$ 2,280	\$ 280
Charges for services	704,000	704,000	686,354	(17,646)
Rental income	48,000	48,000	48,000	-
Interest on investments	10,000	10,000	5,459	(4,541)
Miscellaneous	-	-	17,850	17,850
<b>TOTAL REVENUES</b>	<u>764,000</u>	<u>764,000</u>	<u>759,943</u>	<u>(4,057)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	309,740	311,257	279,199	32,058
Materials and services	200,740	199,223	180,356	18,867
Capital outlay	175,000	175,000	112,414	62,586
Debt service	409,800	409,800	409,338	462
Contingency	578,293	578,293	-	578,293
<b>TOTAL EXPENDITURES</b>	<u>1,673,573</u>	<u>1,673,573</u>	<u>981,307</u>	<u>692,266</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(909,573)</u>	<u>(909,573)</u>	<u>(221,364)</u>	<u>688,209</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	22,462	22,462
Transfers out	(38,000)	(38,000)	(38,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(38,000)</u>	<u>(38,000)</u>	<u>(15,538)</u>	<u>22,462</u>
<b>NET CHANGE IN FUND BALANCE</b>	(947,573)	(947,573)	(236,902)	710,671
<b>FUND BALANCE, Beginning</b>	<u>947,573</u>	<u>947,573</u>	<u>1,289,896</u>	<u>342,323</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,052,994</u>	<u>\$ 1,052,994</u>

See auditor's report.

**CITY OF SISTERS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER SDC FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 118,400	\$ 118,400	\$ 81,236	\$ (37,164)
Interest on investments	3,000	3,000	2,631	(369)
<b>TOTAL REVENUES</b>	<u>121,400</u>	<u>121,400</u>	<u>83,867</u>	<u>(37,533)</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	1,000	1,000	256	744
Debt service	159,500	159,500	159,214	286
Contingency	441,164	441,164	-	441,164
<b>TOTAL EXPENDITURES</b>	<u>601,664</u>	<u>601,664</u>	<u>159,470</u>	<u>442,194</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(480,264)</u>	<u>(480,264)</u>	<u>(75,603)</u>	<u>404,661</u>
<b>NET CHANGE IN FUND BALANCE</b>	(480,264)	(480,264)	(75,603)	404,661
<b>FUND BALANCE, Beginning</b>	<u>480,264</u>	<u>480,264</u>	<u>506,672</u>	<u>26,408</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,069</u>	<u>\$ 431,069</u>

See auditor's report.

**CITY OF SISTERS, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL SEWER FUNDS  
For the Fiscal Year Ended June 30, 2011**

<b>BUDGETARY BASIS FUND BALANCE (NON-GAAP):</b>	
Sewer	\$ 1,052,994
Sewer SDC	<u>431,069</u>
	1,484,063
 Adjustments:	
Capital assets, net of depreciation	15,403,947
Compensated absences	(8,632)
Accrued interest payable	(220,259)
Long-term debt	<u>(7,217,829)</u>
 <b>GENERALLY ACCEPTED ACCOUNTING  PRINCIPLES BASIS (GAAP) NET ASSETS</b>	 <b><u>\$ 9,441,290</u></b>

THIS PAGE INTENTIONALLY LEFT BLANK.



## **OTHER FINANCIAL SCHEDULES**

---

---

**CITY OF THE SISTERS, OREGON  
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL  
AND INTEREST TRANSACTIONS  
For the Fiscal Year Ended June 30, 2011**

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2011	Interest Matured and Paid
				Outstanding July 1, 2010	Issued	Matured and Paid		
<b>Governmental Funds</b>								
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	\$ 1,400,000	\$ 1,080,113	\$ -	\$ 86,679	\$ 993,434	\$ 51,845
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	\$ 700,000	581,179	-	63,109	518,070	22,339
				<u>1,661,292</u>	<u>-</u>	<u>149,788</u>	<u>1,511,504</u>	<u>74,184</u>
<b>Enterprise Funds</b>								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,141,678	-	33,104	2,108,574	96,375
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,889,809	-	50,711	2,839,098	130,041
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	28,067	-	2,031	26,036	1,075
OEDD Loan Payable	5.25-5.625	4/12/2000	\$ 1,000,000	751,822	-	35,659	716,163	41,704
OEDD Loan Payable	5.50%	7/23/2002	\$ 250,000	202,488	-	7,501	194,987	11,137
Lazy Z Real Estate Loan	4.40%	12/14/2006	\$ 1,700,000	1,430,837	-	97,866	1,332,971	61,348
				<u>7,444,701</u>	<u>-</u>	<u>226,872</u>	<u>7,217,829</u>	<u>341,680</u>
<b>Total</b>				<u>\$ 9,105,993</u>	<u>\$ -</u>	<u>\$ 376,660</u>	<u>\$ 8,729,333</u>	<u>\$ 415,864</u>

See auditor's report.

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS**  
**June 30, 2011**

Year Ending June 30	2006 Full Faith and Credit Bonds		2008 Full Faith and Credit Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 90,839	\$ 47,684	\$ 65,626	\$ 18,822	\$ 156,465	\$ 66,506
2013	95,200	43,324	68,244	17,204	163,444	60,528
2014	99,769	38,754	70,968	14,482	170,737	53,236
2015	104,558	33,966	73,797	11,651	178,355	45,617
2016	109,577	28,948	76,741	8,705	186,318	37,653
2017	114,836	23,688	79,802	5,646	194,638	29,334
2018	120,350	18,176	82,892	2,463	203,242	20,639
2019	126,125	12,398	-	-	126,125	12,398
2020	132,180	6,344	-	-	132,180	6,344
	<u>\$ 993,434</u>	<u>\$ 253,282</u>	<u>\$ 518,070</u>	<u>\$ 78,973</u>	<u>\$ 1,511,504</u>	<u>\$ 332,255</u>

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE**  
**June 30, 2011**

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	122,129	5,496	-	-	122,129	5,496
	<u>\$ 2,108,574</u>	<u>\$ 1,773,942</u>	<u>\$ 2,839,098</u>	<u>\$ 2,199,811</u>	<u>\$ 4,947,672</u>	<u>\$ 3,973,753</u>

**CITY OF THE SISTERS, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE**  
**June 30, 2011**

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
2012	\$ 2,101	\$ 865	\$ 35,963	\$ 39,788	\$ 7,913	\$ 10,724	\$ 102,233	\$ 56,981	148,210	\$ 108,358
2013	2,173	793	36,291	37,810	8,348	10,289	106,806	52,408	153,618	101,300
2014	2,247	719	41,638	35,814	8,807	9,830	111,584	47,630	164,276	93,993
2015	2,324	642	42,003	33,524	9,292	9,345	116,575	42,639	170,194	86,150
2016	2,403	563	42,388	31,214	9,803	8,834	121,790	37,424	176,384	78,035
2017	2,486	480	47,794	28,882	10,342	8,295	127,237	31,977	187,859	69,634
2018	2,571	395	48,222	26,254	10,911	7,726	132,929	26,285	194,633	60,660
2019	2,658	308	48,676	23,601	11,511	7,126	138,875	20,339	201,720	51,374
2020	2,749	217	54,153	20,924	12,144	6,493	145,087	14,127	214,133	41,761
2021	2,843	123	54,657	17,946	12,812	5,825	151,577	7,637	221,889	31,531
2022	1,481	25	60,201	14,871	13,517	5,121	78,278	1,295	153,477	21,312
2023	-	-	65,775	11,485	14,260	4,377	-	-	80,035	15,862
2024	-	-	66,381	7,785	15,044	3,593	-	-	81,425	11,378
2025	-	-	72,021	4,051	15,872	2,766	-	-	87,893	6,817
2026	-	-	-	-	16,745	1,893	-	-	16,745	1,893
2027	-	-	-	-	17,666	972	-	-	17,666	972
	<u>\$ 26,036</u>	<u>\$ 5,130</u>	<u>\$ 716,163</u>	<u>\$ 333,949</u>	<u>\$ 194,987</u>	<u>\$ 103,209</u>	<u>\$ 1,332,971</u>	<u>\$ 338,742</u>	<u>\$ 2,270,157</u>	<u>\$ 781,030</u>

THIS PAGE INTENTIONALLY LEFT BLANK.



# **STATISTICAL SECTION**

---

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental Activities:</b>								
Invested in capital assets, net of related debt	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185	\$ 1,646	\$ 1,256	\$ 1,652	\$ 1,258
Restricted	1,278	926	922	841	-	-	-	1,432
Unrestricted	2,302	2,863	3,442	3,814	2,986	3,960	2,397	943
<b>Total governmental activities net assets</b>	<u>\$ 8,179</u>	<u>\$ 8,527</u>	<u>\$ 7,112</u>	<u>\$ 6,840</u>	<u>\$ 4,632</u>	<u>\$ 5,216</u>	<u>\$ 4,049</u>	<u>\$ 3,633</u>
<b>Business-Type Activities:</b>								
Invested in capital assets, net of related debt	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025	\$ 10,534	\$ 9,822	\$ 8,766	\$ 8,839
Restricted	1,479	1,684	2,107	2,069	1,029	4,309	3,355	96
Unrestricted	574	826	1,307	1,333	1,660	1,665	1,563	4,090
<b>Total business-type activities net assets</b>	<u>\$ 16,315</u>	<u>\$ 16,042</u>	<u>\$ 17,207</u>	<u>\$ 17,427</u>	<u>\$ 13,223</u>	<u>\$ 15,796</u>	<u>\$ 13,684</u>	<u>\$ 13,025</u>
<b>Primary Government:</b>								
Invested in capital assets, net of related debt	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211	\$ 12,180	\$ 11,078	\$ 10,418	\$ 10,097
Restricted	2,757	2,610	3,029	2,911	1,029	4,309	3,355	1,528
Unrestricted	2,876	3,689	4,749	5,147	4,646	5,625	3,960	5,033
<b>Total primary government net assets</b>	<u>\$ 24,494</u>	<u>\$ 24,569</u>	<u>\$ 24,319</u>	<u>\$ 24,269</u>	<u>\$ 17,855</u>	<u>\$ 21,012</u>	<u>\$ 17,733</u>	<u>\$ 16,658</u>

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

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

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

(continued)

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

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

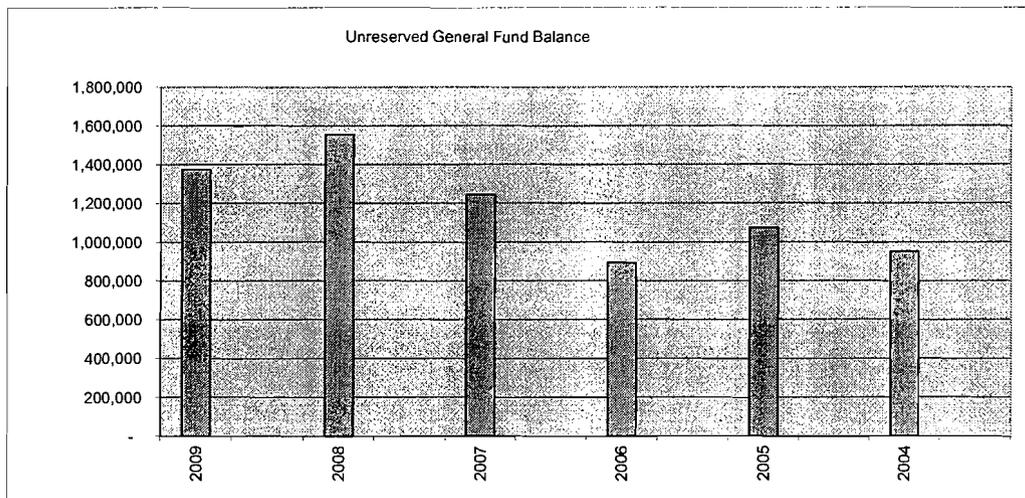
\*\*2007 business activities included a prior period adjustment of \$15,000.

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

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

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

The City implemented GASB 54 in the 2011 fiscal year and the Reserve Fund was combined with the General Fund for external reporting. Information on the new fund balance categories is shown on a prospective basis.



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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>								
Property taxes	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384	\$ 606,245	\$ 539,658	\$ 480,935
Other taxes	427,723	306,332	280,279	267,551	-	-	-	-
Intergovernmental	274,320	398,297	119,346	215,523	123,094	325,737	202,082	208,958
Franchise Fees	267,291	249,422	254,122	243,443	-	-	-	-
Licenses and Fines	331,457	339,994	317,995	496,848	1,125,644	1,106,255	651,118	637,197
Fines and forfeitures	1,338	1,828	2,729	4,728	-	10,592	10,477	8,175
System development charges	21,722	13,609	123,427	445,324	-	-	-	-
Charges for services	18,600	18,600	22,475	27,900	-	-	-	-
Rental income	12,161	15,000	15,000	14,300	-	-	59,089	-
Interest on Investments	27,947	41,231	112,536	192,082	175,708	183,335	51,630	28,474
Miscellaneous Revenues	19,555	8,225	9,244	57,019	25,116	11,537	32,691	14,046
Total revenues	<u>2,345,617</u>	<u>2,290,189</u>	<u>2,094,728</u>	<u>2,733,798</u>	<u>2,132,946</u>	<u>2,243,701</u>	<u>1,546,745</u>	<u>1,377,785</u>
<b>Expenditures</b>								
Current:								
General Government	953,851	940,768	952,762	984,572	867,682	1,356,497	591,953	536,799
Public safety	432,655	416,015	400,014	393,255	374,529	356,694	327,290	311,705
Culture and recreation	207,409	194,673	170,978	156,967	117,164	100,072	135,058	80,614
Community development	3,269	5,254	4,863	24,338	-	-	-	-
Highways and streets	310,693	293,712	358,486	323,388	86,650	140,656	97,192	113,491
Capital outlay	581,947	1,016,692	388,121	447,065	1,468,171	644,210	197,879	438,403
Debt service:								
Principal	149,787	143,397	137,055	75,306	71,857	11,095	-	-
Interest	80,785	90,975	104,942	89,394	66,667	10,453	-	-
Total expenditures	<u>2,720,396</u>	<u>3,101,486</u>	<u>2,517,221</u>	<u>2,494,285</u>	<u>3,052,720</u>	<u>2,619,677</u>	<u>1,349,372</u>	<u>1,481,012</u>
Revenues over (under) expenditures	<u>(374,779)</u>	<u>(811,297)</u>	<u>(422,493)</u>	<u>239,513</u>	<u>(919,774)</u>	<u>(375,976)</u>	<u>197,373</u>	<u>(103,227)</u>
<b>Other Financing Sources (Uses)</b>								
Issuance of debt	-	-	-	700,000	-	1,398,100	-	-
Sale of capital assets	3,905	-	-	-	-	466,859	-	-
Transfers in	209,000	1,395,064	740,610	737,000	288,000	243,634	220,000	378,593
Transfers out	(154,000)	(1,149,162)	(650,610)	(710,000)	(339,000)	(162,634)	(107,600)	(262,593)
Total other financing sources (uses)	<u>58,905</u>	<u>245,902</u>	<u>90,000</u>	<u>727,000</u>	<u>(51,000)</u>	<u>1,945,959</u>	<u>112,400</u>	<u>116,000</u>
Net change in fund balances	<u>\$ (315,874)</u>	<u>\$ (565,395)</u>	<u>\$ (332,493)</u>	<u>\$ 966,513</u>	<u>\$ (970,774)</u>	<u>\$ 1,569,983</u>	<u>\$ 309,773</u>	<u>\$ 12,773</u>
Debt service as a percentage of noncapital expenditures	<u>12.1%</u>	<u>11.2%</u>	<u>11.4%</u>	<u>8.0%</u>	<u>8.7%</u>	<u>1.1%</u>	<u>0.0%</u>	<u>0.0%</u>

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

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

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

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

<u>Year</u>	<u>General Fund Property Taxes</u>	<u>Transient Room Taxes</u>
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
2011	773,030	292,588

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

<b>Fiscal Year Ended December 31</b>	<b>Real Property</b>	<b>Manufactured Structures</b>	<b>Personal Property</b>	<b>Public Utility</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Measure 5 Real Market Value (RMV)</b>
2002	132,819,668	26,869	6,509,883	3,907,229	143,263,649	2.6417	195,127,768
2003	152,539,646	101,586	6,264,343	4,127,619	163,033,194	2.6417	225,353,081
2004	174,989,645	142,460	6,733,101	4,027,000	185,892,206	2.6417	262,193,635
2005	200,318,254	176,090	6,956,565	3,199,100	210,650,009	2.6417	320,811,827
2006	230,681,761	196,740	7,764,154	3,101,400	241,744,055	2.6417	416,131,125
2007	259,662,042	269,090	8,627,120	2,647,400	271,205,652	2.6417	586,314,650
2008	279,355,466	202,480	8,390,970	2,834,900	290,783,816	2.6417	641,825,525
2009	293,239,921	196,270	9,595,580	2,310,100	305,341,871	2.6417	518,138,455
2010	299,029,708	159,640	8,986,640	2,858,400	311,034,388	2.6417	451,070,086
2011	294,195,678	178,990	8,188,750	2,843,630	305,407,048	2.6417	393,299,238

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

Fiscal Year	City of Sisters	<u>Overlapping Rates</u>					Total Direct & Overlapping Rates
		Deschutes County	School <sub>1</sub> District #6	COCC <sub>2</sub>	SPRD <sub>3</sub>	Camp Sherman Fire Dist	
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
2011	3.01	3.34	5.86	0.73	0.21	2.89	16.04

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

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

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

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

<b>Fiscal Year Ended June 30,</b>	<b>Tax Levy for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2002	343,044	323,883	94.41%	19,107	342,990	99.98%
2003	378,460	319,519	84.43%	58,897	378,416	99.99%
2004	432,665	407,181	94.11%	25,440	432,621	99.99%
2005	481,654	453,868	94.23%	27,769	481,637	100.00%
2006	545,086	519,704	95.34%	25,344	545,048	99.99%
2007	631,207	590,013	93.47%	41,097	631,110	99.98%
2008	698,186	650,304	93.14%	46,315	696,619	99.78%
2009	744,901	685,179	91.98%	52,267	737,446	99.00%
2010	783,045	724,470	92.52%	42,343	766,813	97.93%
2011	790,848	736,690	93.15%	-	736,690	93.15%

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  
January 1, 2010 and December 31, 2000

**January 1, 2010**

<b>Taxpayer</b>	<b>Real Property Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
SISTERS CORPORATION	\$ 6,600,560	1	2.23%
3 SISTERS PARTNERS LLC	4,228,360	2	1.43%
BEST WESTERN PONDEROSA LODGE I	3,843,700	3	1.30%
DINSDALE, PETER B	3,371,160	4	1.14%
CARPENTER, RICHARD L & JELINDA S	3,181,200	5	1.07%
WILLITTS LLC	2,953,300	6	1.00%
SISTERS COMMERCIAL II LLC,	2,917,710	7	0.98%
THREEWIND ASSOCIATES L L C	2,911,020	8	0.98%
DUTCH PACIFIC PROPERTIES LP	2,484,520	9	0.84%
FIVE PINE LLC,	1,865,850	10	0.63%
	<u>\$ 34,357,380</u>		<u>11.59%</u>
 Total Assessed Valuation	 <u>\$ 296,327,452</u>		

**December 31, 2000**

<b>Taxpayer</b>	<b>Real Property Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
	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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Loans Payable</b>	<b>Revenue Bonds</b>	<b>Loans Payable</b>			
<b>2002</b>	-	-	6,302,137	1,205,760	7,507,897	N/A	1,080
<b>2003</b>	-	-	5,598,857	1,224,917	6,823,774	N/A	1,430
<b>2004</b>	-	-	5,540,256	1,194,198	6,734,454	N/A	1,490
<b>2005</b>	-	-	5,442,992	1,162,935	6,605,927	N/A	1,660
<b>2006</b>	1,388,905	-	5,382,072	1,132,096	7,903,073	N/A	1,745
<b>2007</b>	1,317,048	-	5,311,789	2,799,952	9,428,789	N/A	1,825
<b>2008</b>	1,941,742	-	5,188,442	2,674,754	9,804,938	N/A	1,875
<b>2009</b>	1,804,688	-	5,111,691	2,546,339	9,462,718	N/A	1,925
<b>2010</b>	1,661,292	-	5,031,486	2,413,225	9,106,003	N/A	1,925
<b>2011</b>	1,511,504	-	4,947,672	2,270,157	8,729,333	N/A	2,038

N/A - Information at City level not available.

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

<b>Fiscal Year</b>	<b>Population</b>	<b>General Obligation Bonds</b>	<b>Total Taxable Assessed Value (000)'s</b>	<b>Percentage of Debt to Value of Property</b>	<b>Net Bonded Debt Per Capita Value (000)'s</b>
<b>2002</b>	1,080	-	143,264	0.00%	0
<b>2003</b>	1,430	-	163,033	0.00%	0
<b>2004</b>	1,490	-	185,892	0.00%	0
<b>2005</b>	1,660	-	210,650	0.00%	0
<b>2006</b>	1,745	1,388,905	241,744	0.71%	796
<b>2007</b>	1,825	1,317,048	271,206	0.68%	722
<b>2008</b>	1,875	1,941,742	290,784	1.00%	1,036
<b>2009</b>	1,925	1,804,688	305,342	0.93%	938
<b>2010</b>	1,925	1,661,292	311,034	0.85%	863
<b>2011</b>	2,038	1,511,504	305,407	0.78%	742

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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Real market value	\$ 393,299,238	\$ 451,070,086	\$ 518,138,455	\$ 641,825,525
Debt limit rate	3%	3%	3%	3%
Debt limit	11,798,977	13,532,103	15,544,154	19,254,766
Less general bonded debt June 30,	1,511,504	1,661,292	1,804,688	1,941,742
Legal debt margin	<u>\$ 10,287,473</u>	<u>\$ 11,870,811</u>	<u>\$ 13,739,466</u>	<u>\$ 17,313,024</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.38%	 0.37%	 0.35%	 0.30%

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

<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 586,314,650	\$ 416,131,125	\$ 320,811,827	\$ 262,193,635	\$ 225,353,081	\$ 195,127,768
3%	3%	3%	3%	3%	3%
17,589,440	12,483,934	9,624,355	7,865,809	6,760,592	5,853,833
1,317,048	1,388,905	-	-	-	-
<u>\$ 16,272,392</u>	<u>\$ 11,095,029</u>	<u>\$ 9,624,355</u>	<u>\$ 7,865,809</u>	<u>\$ 6,760,592</u>	<u>\$ 5,853,833</u>
0.22%	0.33%	0.00%	0.00%	0.00%	0.00%

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

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup></b>	<b>Per Capita Personal Income<sup>3</sup></b>	<b>School Enrollment<sup>4</sup></b>	<b>Unemployment Rate<sup>5</sup></b>
<b>2002</b>	1,080	31,658,040	29,313	1,103	7.20%
<b>2003</b>	1,430	43,407,650	30,355	1,193	8.00%
<b>2004</b>	1,490	47,262,800	31,720	1,299	6.50%
<b>2005</b>	1,660	54,917,780	33,083	1,329	5.50%
<b>2006</b>	1,745	62,024,280	35,544	1,436	4.30%
<b>2007</b>	1,825	66,895,375	36,655	1,332	4.40%
<b>2008</b>	1,875	69,429,375	37,029	1,303	6.90%
<b>2009</b>	1,925	69,234,550	35,966	1,306	14.70%
<b>2010</b>	1,935	N/A	N/A	1,296	13.60%
<b>2011</b>	2,038	N/A	N/A	1,218	12.20%

*Data Sources*

<sup>1</sup> Center for Population Research and Census, Portland State University

<sup>2</sup> Estimation; Calculated, Population multiplied by Per Capita Personal Income

<sup>3</sup> Per Capita Income as reported by Worksource, Oregon Employment Department

<sup>4</sup> Sisters School District #6

<sup>5</sup> Unemployment Rate is at the Deschutes County level.

N/A: Data was not available for this year

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

**2010-11**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Sisters School District	152	1
USFS(Sisters Ranger District)	80	2
Ray's Food Place	66	3
Three Creeks Brewing	55	4
Sisters Athletic Club	33	5
Bimart	31	6
	<u>417</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 Eight Fiscal Years**

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

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

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

<b>FUNCTION/PROGRAM</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Governmental Activities:</b>								
<b>Street</b>								
Street miles	28.2	19	19	19	18	17.5	17	16.5
Street resurfing miles	2	1.5	1.5	0.5	0.5	0	0	0
<b>Culture and recreation</b>								
Parks	7	7	7	7	7	7	7	7
Special event permits issued	52	47	47	34	32	29	32	28
<b>Public Safety</b>								
Calls for service	N/A	784	784	967	N/A	N/A	N/A	N/A
Number of arrests	N/A	115	115	186	N/A	N/A	N/A	N/A
<b>Business-type Activities:</b>								
<b>Water</b>								
Water mains (miles)	33.5	33.5	33.5	33.5	33	32	31.4	31
Average daily water consumption** (CF)	90,103	73,641	73,641	73,752	75,591	64,004	64,473	75,506
<b>Sewer</b>								
Sanitary sewers (miles)	23	23	23	23	23	22.5	22	21.5
Maximum daily treatment capacity	396,000 gpd							
Average daily sewer treatment	182,000 gpd	168,000 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 Eight Fiscal Years

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

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

---

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

We have audited the basic financial statements of the City of Sisters as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Sisters financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

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

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

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated November 7, 2011.

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

Dickey and Tremper, LLP

*Dickey and Tremper, LLP*  
November 7, 2011



110 SE First Street  
P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
Fax: (541) 276-9040  
Web: [www.dickeyandtremper.com](http://www.dickeyandtremper.com)

Dickey and Tremper, LLP  
Certified Public Accountants and Business Advisors

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

November 7, 2011

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, 2011 which collectively comprise the City of Sisters, Oregon's basic financial statements and have issued our report thereon dated November 7, 2011. 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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting as the following:

The City did improvements to streets, sidewalks and parking and executed individual reimbursement agreements with property owners to reimburse their

portion of the costs. The project did not go through the normal process for a reimbursement district. It appears that the property owners were notified after the project was substantially complete that they were required to reimburse the City for the costs.

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

#### Compliance and Other Matters

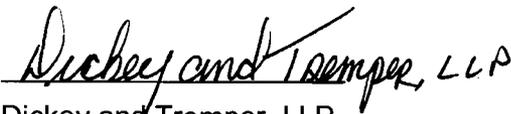
As part of obtaining reasonable assurance about whether City of Sisters, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 a compliance finding that is required to be reported under *Government Auditing Standards* as following:

The City was required to have adopted and published Fair Housing Resolution prior to receiving the first drawdown of Community Development Block Grant funds. The City adopted the Fair Housing Resolution 2011-03 on May 26, 2011 and received the first cash request on February 23, 2011. Per review of publication, the City had merely published intent to do a resolution on Fair Housing.

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated November 7, 2011

City of Sisters, Oregon had prepared a corrective action response to the findings identified in our audit described above that compliance with the Fair Housing Resolution publication requirement will be met on any future Community Development Block Grant the City may receive.

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  
Certified Public Accountants