

CITY OF SISTERS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



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

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CITY OF SISTERS, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

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INTRODUCTORY SECTION

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November 8, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of Sisters, Oregon (the City) for the fiscal year ended June 30, 2014 is hereby submitted.

This report presents the financial position of the City as of June 30, 2014 and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State. We believe the data, as presented, are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

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

City Profile

The City of Sisters, 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 1.87 square miles and serves a population of 2,115. Rural subdivisions and outlying ranches contribute to a population of “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 municipal services including water and sewer utilities, planning and community development, construction and maintenance of streets and sidewalks, parks and other public facilities.

The City Council is required to adopt an annual budget before July 1 of each year. The budget serves as the foundation for the City’s financial planning and control. The City also manages the Sisters Urban Renewal District which is overseen by the City Council acting as the governing body for the Urban Renewal Agency.

Local Economy and Outlook

Sisters continues to struggle with the overall effects of the recession. Vacancies have improved somewhat, businesses are still struggling to hang on and after a relatively strong summer, rents and revenues appear to have stabilized. Hotel occupancies and revenues were up 9.5% for the fiscal year and should be up at least 8% through 2014. Despite these tough economic conditions, there is some positive news appearing on the horizon. The City issued building permits well (+273%) ahead of budget. Home sales activity has been strong in 2014 and new residential construction starts appear to be continuing to be strong in 2015. These factors give a reason to be cautiously optimistic regarding the overall economy here in Sisters.

Long-term Financial Planning

Effective financial management means the City focuses on financial sustainability and maintaining high service levels. Continuing a process of conservative strategic spending, the City is in a good position financially for the next fiscal year.

The City’s on-going financial planning includes annual goals, a five-year financial forecast and a five and ten 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, and system development charge updates. Developing and

Letter of Transmittal, Continued

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 generally accepted accounting principles.

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.

Other Information

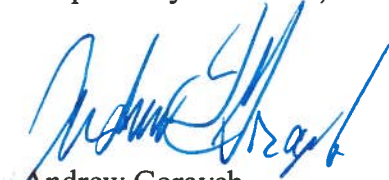
Independent Audit – The State of Oregon requires an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The firm, Dickey and Tremper, LLP was selected. The auditor's report on the financial statements and required supplementary information is included in the Financial Section of this report.

Acknowledgements

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

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

Respectfully submitted,



Andrew Gorayeb
City Manager



Lynne Fujita-Conrads
Finance Officer



CITY OF SISTERS, OREGON

FISCAL YEAR ENDING JUNE 30, 2014

ELECTED OFFICIALS OF THE CITY

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

CITY STAFF

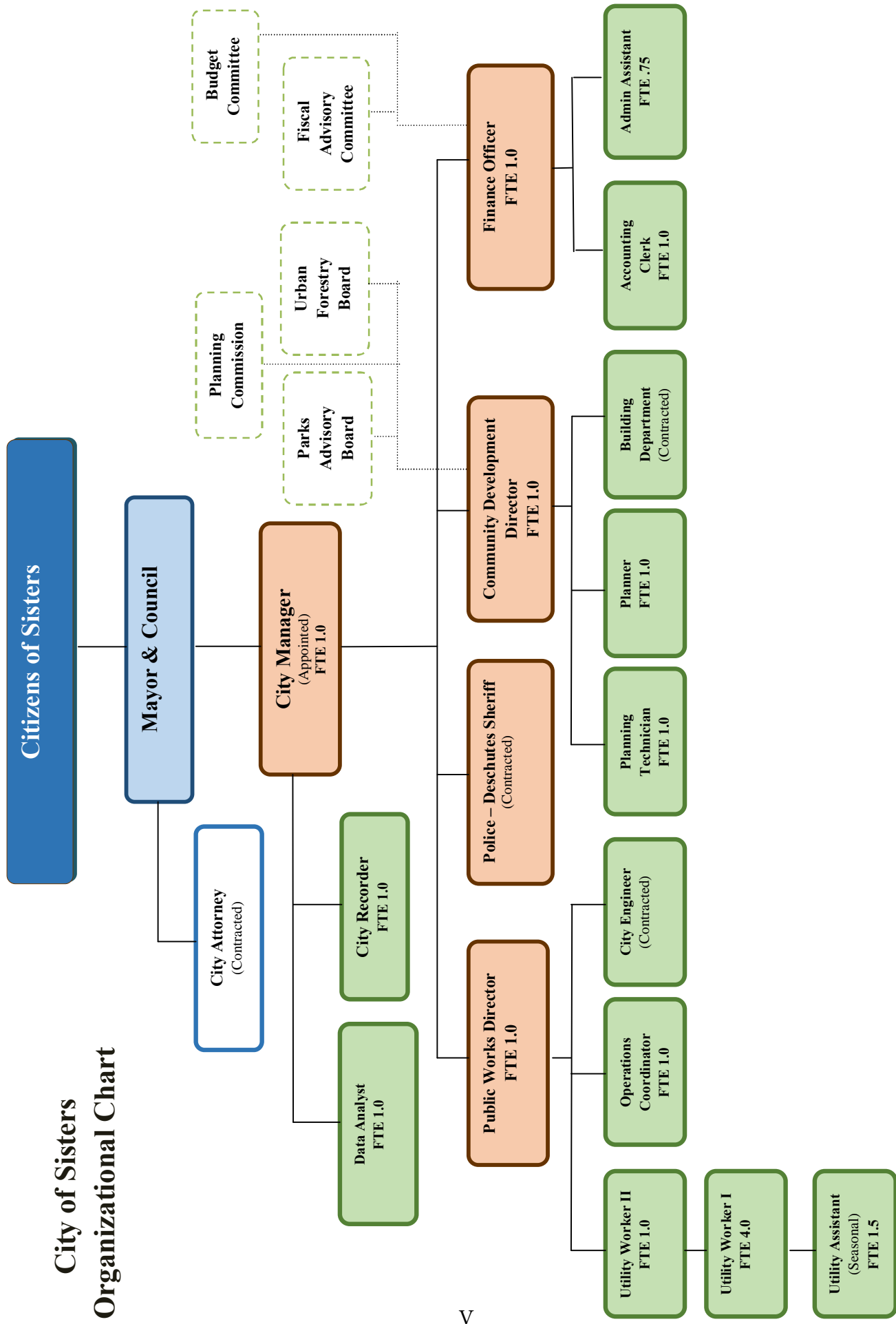
<u>Name</u>	<u>Position</u>
Andrew Gorayeb	City Manager
Lynne Fujita-Conrads	Finance Officer
Paul Bertagna	Public Works Director
Pauline Hardie	Community Development Director
Erik Huffman	City Engineer
Kathy Nelson.....	City Recorder
Steve Bryant.....	City Attorney

MAIL ADDRESS

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

www.ci.sisters.or.us

City of Sisters Organizational Chart



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FINANCIAL SECTION

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Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sisters, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sisters, Oregon, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Funds and Urban Renewal Project Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding New Accounting Policy

As described in Note I.E, during the year ended June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2014, on our consideration of the City of Sisters, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sisters, Oregon's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 8, 2014, on our consideration of the City of Sisters' internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.


Dickey and Tremper, LLP
Certified Public Accountants

November 8, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

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, 2014. Information in the MD&A is based on currently known facts, decisions and conditions. The information presented here should be reviewed in conjunction with additional information furnished in the letter of transmittal, basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Government-wide

- The City's assets totaled \$34.6 million at the end of the fiscal year, an increase of \$.2 million from last fiscal year primarily due to an increase in construction in progress capital assets.
- The City's liabilities totaled \$8.2 million at the end of the fiscal year, a decrease of \$.6 million from last fiscal year primarily due to payoff of a debt obligation and long term debt payments.
- The net position balance (assets over liabilities) of \$26.4 million increased by \$.8 million over last year. The balance is composed of investments in capital assets such as buildings, infrastructure, and roads (\$20.1 million), restricted amounts for future capital projects and debt service (\$2.7 million) and an unrestricted balance (\$3.6 million). The unrestricted balance is available for use to meet the City's on-going obligations to citizens and creditors.
- Revenues for the City totaled \$5.0 million this fiscal year, an increase of \$.2 million from last year, primarily due to an increase in permit and planning fees, a net decrease in capital grants offset by an increase in operating grants, franchise fees and room tax revenue. Capital grant projects for this year included Locust/Hwy 20 Multi-Use Path, and Fir Street Park.
- Expenses for the City totaled \$4.2 million for this fiscal year, an increase of \$.2 million from last year, primarily due to an increase in expenditures related to the Cascade Avenue Improvement project and park maintenance.

Fund Level

- The City's governmental funds have a combined fund balance of \$2.9 million, a decrease of \$.9 million from last year primarily due to capital expenditures and payoff of outstanding debt. The majority of the \$2.9 million combined fund balance is either restricted or assigned. Approximately \$1.7 million is designated for specific programs through legal or contractual provisions, \$1.9 million is within the General Fund.
- Total property taxes of \$.96 million increased \$.009 million or 1% over last fiscal year. Property taxes were split 80%/20% between taxes for operations versus taxes for debt service. Fuel and hotel taxes increased by \$.02 million to \$.5 million.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

- The City's proprietary funds – programs which the city charges for the services it provides – have a combined net position of \$16.6 million at the end of the fiscal year, an increase of \$.5 million from last year primarily due to an increase in system development revenue.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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 business functions intended to recover their costs through user fees and charges. Governmental activities of the City include the following:

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

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

- 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.

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

- Governmental Funds
- Proprietary Funds

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

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

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

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

The City maintains nine individual governmental funds. Information is presented separately for the Combined General Fund, which includes the Reserve Fund and the Street Fund, Urban Renewal Project Fund, City Hall Debt Service Fund, and Urban Renewal Debt Service Fund which are considered to be major funds. Data from the other three 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 40.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

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

The basic governmental fund financial statements can be found on pages 3 through 10 of this report.

Proprietary Funds are used to account for activities supported by user charges and where the emphasis is on the sufficiency of revenues to cover expenses. The City maintains four enterprise funds which are proprietary funds. These enterprise funds account for the City's water and sewer utilities, and water and sewer system development funds. These funds are combined into two reporting units for the financial statements.

The City adopts an annual budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements are provided on pages 54 through 60 of this report. Basic proprietary fund financial statements can be found on pages 11 through 15.

Notes to the Basic Financial Statements. Notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements and are found on pages 16 through 39 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary and actual comparisons for the General Fund and major governmental funds, in the fund financial statements on pages 8 through 10. Supplemental information is found beginning on page 40 of this report.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position:

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

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

	Governmental		Business-Type		Total		Total Change + (-)
	Activities		Activities		Primary Government		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 3.73	\$ 4.25	\$ 2.78	\$ 2.44	\$ 6.51	\$ 6.69	\$ -0.18
Capital assets	7.39	6.86	20.66	20.87	28.05	27.73	0.32
Total assets	11.12	11.10	23.44	23.32	34.57	34.42	0.15
Current liabilities	0.61	0.37	0.29	0.45	0.90	0.83	0.08
Noncurrent liabilities	0.74	1.22	6.51	6.75	7.25	7.97	-0.72
Total liabilities	1.36	1.59	6.80	7.20	8.16	8.80	-0.64
Net position:							
Invested in capital assets, net of related debt	6.68	5.66	14.16	14.14	20.85	19.80	1.04
Restricted	1.03	1.51	1.68	1.35	2.72	2.85	-0.14
Unrestricted	2.05	2.34	0.80	0.63	2.85	2.97	-0.12
Total net position	\$ 9.77	\$ 9.51	\$ 16.64	\$ 16.11	\$ 26.41	\$ 25.62	\$ 0.79

As noted earlier, net position serves as a useful indicator of a government's financial position. For the City of Sisters, assets exceeded liabilities by \$26.4 million at the close of fiscal year 2013-14. The largest portion of the City's net position is invested in capital assets (i.e., land, building, infrastructure, and equipment), and is reported net of related outstanding debt (\$20.8 million). The City uses these capital assets to provide services to citizens; thus, they do not represent resources available for future spending.

The City's capital assets increased by \$.3 million primarily due to the Cascade Avenue Improvement Project, Fir Street Park, and Locust/Hwy 20 Multi Use Path expenditures offset by annual depreciation expense.

Restricted net position totals \$2.7 million and represents cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance of unrestricted net position (\$2.8 million or 10.8%) may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

Statement of Activities:

Net position of the City increased by \$787,190 in the current fiscal year. Governmental activities net position increased by \$257,189, and business-type activities increased by \$530,001.

Table 2
City of Sisters' Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Change
	2014	2013	2014	2013	2014	2013	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 612,917	\$ 477,242	\$ 1,347,700	\$ 1,368,170	\$ 1,960,617	\$ 1,845,412	\$ 115,205
Operating grants and contributions	324,859	294,037	-	-	324,859	294,037	30,822
Capital grants and contributions	323,142	713,042	668,233	315,807	991,375	1,028,849	(37,474)
General revenues:							
Taxes	964,376	954,912	-	-	964,376	954,912	9,464
Other	721,616	675,333	12,069	11,771	733,685	687,104	46,581
Total revenues	\$ 2,946,910	\$ 3,114,566	\$ 2,028,002	\$ 1,695,748	\$ 4,974,912	\$ 4,810,314	\$ 164,598
Expenses:							
General government	\$ 1,203,524	\$ 1,162,204	\$ -	\$ -	\$ 1,203,524	\$ 1,162,204	\$ 41,320
Public safety	486,672	467,954	-	-	486,672	467,954	18,718
Highways and streets	631,587	518,479	-	-	631,587	518,479	113,108
Culture and recreation	245,760	194,903	-	-	245,760	194,903	50,857
Community development	84,354	4,308	-	-	84,354	4,308	80,046
Interest on long-term debt	58,118	62,365	-	-	58,118	62,365	(4,247)
Water	-	-	569,584	539,719	569,584	539,719	29,865
Sewer	-	-	908,123	1,030,325	908,123	1,030,325	(122,202)
Total expenses	\$ 2,710,015	\$ 2,410,213	\$ 1,477,707	\$ 1,570,044	\$ 4,187,722	\$ 3,980,257	\$ 207,465
Increase in net position before transfers	\$ 236,895	\$ 704,353	\$ 550,295	\$ 125,704	\$ 787,190	\$ 830,057	\$ (42,867)
Transfers	20,294	52,388	(20,294)	(52,388)	-	-	-
Change in net position	257,189	756,741	530,001	73,316	787,190	830,057	(42,867)
Net position, July 1	9,511,216	8,754,475	16,112,755	16,039,439	25,623,971	24,793,914	830,057
Net position, June 30	\$ 9,768,405	\$ 9,511,216	\$ 16,642,756	\$ 16,112,755	\$ 26,411,161	\$ 25,623,971	\$ 787,190

Fund-based Financial Analysis

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

Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2.9 million. Approximately \$.3 million or 11% of the balance is unassigned for spending at the City's discretion. The remainder of fund balance is assigned, restricted, or unavailable and is not available for future discretionary spending because it has already be committed to other funds for debt service (\$.01 million) and capital projects from System Development Charges (\$1.0 million).

The *General Fund* is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance in the General Fund was \$940,539. This represents a \$45,644 increase from FY 2012-13.

The *Reserve Fund*, previously reported combined with the General Fund, was dissolved in October of 2013 and transferred to individual funds to establish capital reserves. The

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

remaining balance was used to establish a Strategic Reserve within the General Fund to be used for designated purposes that positively impact the City.

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, 2014 is \$574,074; an increase of \$306,426 from prior year primarily due to a reclassification of franchise fees from the General Fund.

The *City Hall Debt Service Fund* was established as a capital project fund to account for construction of the new city hall. In FY 08-09 the fund was reclassified to a debt service fund and accounts for debt service payments for the city hall.

The *Urban Renewal Debt Service and Project Funds* account for the accumulation of resources and payments for project construction and debt payments related to the Sisters Urban Renewal Plan. The Project Fund saw significant activity this year with projects including Fir Street Improvements, Cascade Avenue Improvements, Fir Street Park, and Façade Grants. These projects were financed with a loan from the General Fund of \$848,818.

Proprietary Funds

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

All Water (including SDC)	\$396,336	(50%)
All Sewer (including SDC)	\$400,941	(50%)

The total proprietary fund unrestricted net assets increased by \$877,783 from the prior year primarily due to an increase in System Development revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund, page 8, shows the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2014. Variances between final budget and actual revenue and expenditure were due to an increase in planning and building inspection fees and budgeted park improvements that were not completed.

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, 2014 amounts to \$28.1 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, 26% is associated with governmental activities and 74% with business-type activities. See Table 3 below.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

In total, the City's capital assets increased by \$.323 million from the prior year. Governmental activities account for \$.538 million of the increase and business-type activities account for \$.215 million decrease. Major capital asset events during the fiscal year included the following:

- Fir Street improvements
- Cascade Avenue improvements
- Fir Street Park project
- Locust/Hwy 20 multi-use path project

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>+ (-)</u>
Land	\$ 639,290	\$ 639,290	\$ 4,274,205	\$ 4,191,605	\$ 4,913,495	\$ 4,830,895	\$ 82,600
Art and sculptures	270,000	250,000	-	-	270,000	250,000	20,000
Construction in progress	629,995	41,181	276,212	274,476	906,207	315,657	590,550
Buildings	2,242,959	2,321,495	561,075	576,551	2,804,034	2,898,046	(94,012)
Improvements, others than buildings	3,516,063	3,508,452	15,462,010	15,704,481	18,978,073	19,212,933	(234,860)
Equipment	95,875	95,582	85,508	127,192	181,383	222,774	(41,391)
Total	<u>\$ 7,394,182</u>	<u>\$ 6,856,000</u>	<u>\$ 20,659,010</u>	<u>\$ 20,874,305</u>	<u>\$ 28,053,192</u>	<u>\$ 27,730,305</u>	<u>\$ 322,887</u>

Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 30 - 32.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

Long-term debt. At the end of the current fiscal year, the City had total noncurrent liabilities of \$7.2 million. Of this amount, \$2.5 million comprises debt backed by the full faith and credit of the government. While the City may specify an internal revenue stream to service this debt, ultimately the City's General Fund or other legally available funds are liable. Revenue bonds account for \$4.7 million of the total debt outstanding. This debt is secured solely by specified revenue sources (i.e. sewer rate revenue). Contracts and notes payable account for \$2.5 million of total debt outstanding.

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

	Governmental		Business-type		Total		Total
	Activities		Activities				Change
	2014	2013	2014	2013	2014	2013	+ (-)
General obligation bonds	\$ 0.0	\$ 1.2	\$ 0.0	\$ 0.0	\$ 0.0	\$ 1.2	\$ (1.2)
Revenue bonds	0.0	0.0	4.7	4.8	4.7	4.8	(0.1)
Notes and Contracts Payable	0.7	0.0	1.8	2.0	2.5	2.0	0.6
Total	\$ 0.7	\$ 1.2	\$ 6.5	\$ 6.7	\$ 7.2	\$ 7.9	\$ (0.7)

During the fiscal year ended June 30, 2014 all scheduled debt payments were met. During the fiscal year the City paid off \$384,200 Full Faith and Credit Bonds related to the East Cascade Realignment project. Full Faith and Credit Bonds of \$807,395 for the city hall construction and Notes Payable of \$2,146,601 related to sewer system construction and property acquisition were refinanced in June 2014.

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 City currently has no general obligation debt applicable to this limit.

Additional information on the City's bonded debt can be found in the notes to the basic financial statements on pages 33 to 35.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparing the budget for the coming fiscal year, the City considered various economic factors and used the following assumptions in compiling of the FY 2014/15 budget:

Property taxes. The City has forecasted a 2% increase in assessed value for properties within the city limits, with a collection rate of 95%.

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

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2014

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

The **personnel services** budget includes a 3.0% merit adjustment for all employees which is tied to performance. Cost of living adjustments were budgeted at 1.5%.

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

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

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

- Property and liability insurance will increase by 11.5%;
- Unemployment insurance will not change;
- Workers compensation insurance rates will not change

Fiscal year 14/15 budgeted operating contingency is \$.7 million which represents 2 months of operating expenses. Reserves for capital replacement and improvements are \$1.6 million, unappropriated reserves are \$.3 million and reserves for future expenditures, which includes expenditures for capital projects and new development, are \$2.7 million.

REQUESTS FOR INFORMATION

This City's financial statements are designed to provide readers with a general overview of the City's finances. The Sisters Urban Renewal Agency has issued a separate report. For questions or additional information, please contact the City's Finance Officer, Lynne Fujita-Conrads at City of Sisters, P.O. Box 39, Sisters, Oregon 97759, or via email, lconrads@ci.sisters.or.us.

BASIC FINANCIAL STATEMENTS

CITY OF SISTERS, OREGON
STATEMENT OF NET POSITION
June 30, 2014

Primary Government

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,254,025	\$ 942,078	\$ 3,196,103
Receivables:			
Accounts, net	86,544	119,399	205,943
Intergovernmental	166,669	-	166,669
Property taxes	40,832	-	40,832
Assessments	149,818	10,426	160,244
Inventories	-	27,904	27,904
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,032,635	1,682,811	2,715,446
Capital assets:			
Land	639,290	4,274,205	4,913,495
Art and sculptures	270,000	-	270,000
Construction in progress	629,995	276,212	906,207
Depreciable assets, net of depreciation	<u>5,854,897</u>	<u>16,108,593</u>	<u>21,963,490</u>
 Total assets	 <u>11,124,705</u>	 <u>23,441,628</u>	 <u>34,566,333</u>
LIABILITIES			
Accounts payable and accrued expenses	388,850	29,146	417,996
Deposits	4,393	69,026	73,419
Accrued interest payable	-	175,510	175,510
Retainage payable	6,734	-	6,734
Unearned revenue	212,667	14,776	227,443
Long-term obligations:			
Due within one year	61,884	206,149	268,033
Due in more than one year	<u>681,772</u>	<u>6,304,265</u>	<u>6,986,037</u>
 Total liabilities	 <u>1,356,300</u>	 <u>6,798,872</u>	 <u>8,155,172</u>
NET POSITION			
Net investment in capital assets	6,684,056	14,162,668	20,846,724
Restricted for:			
Debt service	13,005	313,327	326,332
System development	1,004,936	1,369,484	2,374,420
Other	14,694	-	14,694
Unrestricted	<u>2,051,714</u>	<u>797,277</u>	<u>2,848,991</u>
 Total net position	 <u>\$ 9,768,405</u>	 <u>\$ 16,642,756</u>	 <u>\$ 26,411,161</u>

CITY OF SISTERS, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,203,524	\$ 440,690	\$ 5,107	\$ 10,000	\$ (747,727)	\$ -	\$ (747,727)
Public safety	486,672	-	26,208	-	(460,464)	-	(460,464)
Culture and recreation	245,760	141,843	30,000	27,585	(46,332)	-	(46,332)
Community development	84,354	-	-	157,406	73,052	-	73,052
Highways and streets	631,587	30,384	263,544	128,151	(209,508)	-	(209,508)
Interest on long-term obligation	58,118	-	-	-	(58,118)	-	(58,118)
Total governmental activities	2,710,015	612,917	324,859	323,142	(1,449,097)	-	(1,449,097)
Business-type activities:							
Water	569,584	555,007	-	333,016	-	318,439	318,439
Sewer	908,123	792,693	-	335,217	-	219,787	219,787
Total business-type activities	1,477,707	1,347,700	-	668,233	-	538,226	538,226
Total primary government	\$ 4,187,722	\$ 1,960,617	\$ 324,859	\$ 991,375	(1,449,097)	538,226	(910,871)
General revenues:							
Property taxes levied for:							
General purposes					780,957	-	780,957
Debt service					183,419	-	183,419
Franchise and public services taxes					687,907	-	687,907
Interest and investment earnings					19,834	12,069	31,903
Miscellaneous					13,875	-	13,875
Transfers					20,294	(20,294)	-
Total general revenues, special items, and transfers					1,706,286	(8,225)	1,698,061
Change in net position					257,189	530,001	787,190
Net position, beginning					9,511,216	16,112,755	25,623,971
Net position, ending					\$ 9,768,405	\$ 16,642,756	\$ 26,411,161

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FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

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

Urban Renewal Project Fund

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

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

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

**CITY OF SISTERS, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	Combined General Fund	Street Fund	Urban Renewal Project Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	Other Governmental Funds	Totals
ASSETS							
Cash and cash equivalents	\$ 1,205,777	\$ 595,716	\$ 365,851	\$ 13,005	\$ 222,005	\$ 884,306	\$ 3,286,660
Receivables:							
Property taxes	33,306	-	-	-	7,526	-	40,832
Accounts, net	48,828	37,716	-	-	-	-	86,544
Intergovernmental	22,335	9,502	134,832	-	-	-	166,669
Assessments, net	-	14,479	-	-	-	135,339	149,818
Advances to other funds	<u>848,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>848,818</u>
Total assets	<u>\$ 2,159,064</u>	<u>\$ 657,413</u>	<u>\$ 500,683</u>	<u>\$ 13,005</u>	<u>\$ 229,531</u>	<u>\$ 1,019,645</u>	<u>\$ 4,579,341</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 102,013	\$ 57,341	\$ 216,528	\$ -	\$ -	\$ 12,968	\$ 388,850
Retainage payable	-	2,280	4,454	-	-	-	6,734
Deposits	4,393	-	-	-	-	-	4,393
Unearned revenue	65,057	1,000	-	-	-	146,610	212,667
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>848,818</u>	<u>-</u>	<u>848,818</u>
Total liabilities	<u>171,463</u>	<u>60,621</u>	<u>220,982</u>	<u>-</u>	<u>848,818</u>	<u>159,578</u>	<u>1,461,462</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	<u>49,301</u>	<u>22,718</u>	<u>134,832</u>	<u>-</u>	<u>6,472</u>	<u>-</u>	<u>213,323</u>
Total deferred inflows of resources	<u>49,301</u>	<u>22,718</u>	<u>134,832</u>	<u>-</u>	<u>6,472</u>	<u>-</u>	<u>213,323</u>
FUND BALANCES							
Nonspendable	848,818	-	-	-	-	-	848,818
Restricted	14,694	-	144,869	13,005	-	860,067	1,032,635
Assigned	134,249	574,074	-	-	-	-	708,323
Unassigned	<u>940,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(625,759)</u>	<u>-</u>	<u>314,780</u>
Total fund balances	<u>1,938,300</u>	<u>574,074</u>	<u>144,869</u>	<u>13,005</u>	<u>(625,759)</u>	<u>860,067</u>	<u>2,904,556</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,159,064</u>	<u>\$ 657,413</u>	<u>\$ 500,683</u>	<u>\$ 13,005</u>	<u>\$ 229,531</u>	<u>\$ 1,019,645</u>	<u>\$ 4,579,341</u>

CITY OF SISTERS, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Fund balances - total governmental funds	\$ 2,904,556
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	7,394,182
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	213,323
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(33,530)
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>(710,126)</u>
Net Position of governmental activities	<u><u>\$ 9,768,405</u></u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	Combined General Fund	Street Fund	Urban Renewal Project Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	Other Governmental Funds	Totals
REVENUES							
Property taxes	\$ 787,762	\$ -	\$ -	\$ -	\$ 184,667	\$ -	\$ 972,429
Other taxes	355,306	148,063	-	-	-	-	503,369
Franchise fees	-	268,228	-	-	-	-	268,228
Licenses and fees	530,778	20,403	-	-	-	16,114	567,295
Charges for services	23,066	-	-	-	-	-	23,066
Intergovernmental	109,992	165,585	22,574	-	-	-	298,151
Fines and forfeitures	3,577	-	-	-	-	-	3,577
System dev. charges	-	-	-	-	-	95,657	95,657
Rental income	9,000	-	-	-	-	-	9,000
Interest on investments	10,371	2,287	937	33	1,982	4,226	19,836
Miscellaneous	13,876	9,980	-	-	-	-	23,856
TOTAL REVENUES	1,843,728	614,546	23,511	33	186,649	115,997	2,784,464
EXPENDITURES							
Current:							
General government	1,116,749	-	-	-	-	-	1,116,749
Public safety	486,678	-	-	-	-	-	486,678
Culture and recreation	239,416	-	-	-	-	-	239,416
Community dev.	-	-	22,398	-	-	-	22,398
Highways and streets	-	499,545	-	-	-	-	499,545
Capital outlay	31,213	53,411	712,911	-	-	14,588	812,123
Debt service	-	-	-	143,558	53,958	-	197,516
TOTAL EXPENDITURES	1,874,056	552,956	735,309	143,558	53,958	14,588	3,374,425
REVENUES OVER (UNDER) EXPENDITURES	(30,328)	61,590	(711,798)	(143,525)	132,691	101,409	(589,961)
OTHER FINANCING SOURCES (USES)							
Issuance of refunding debt	-	-	-	710,126	-	-	710,126
Transfers in	1,382,966	263,835	848,818	138,700	-	-	2,634,319
Transfers out	(1,746,207)	(19,000)	-	-	(848,818)	-	(2,614,025)
TOTAL OTHER FINANCING SOURCES (USES)	(363,241)	244,835	848,818	848,826	(848,818)	-	730,420
SPECIAL ITEM							
Payment for early extinguishment of debt	-	-	-	(707,626)	(349,064)	-	(1,056,690)
NET CHANGE IN FUND BALANCE	(393,569)	306,425	137,020	(2,325)	(1,065,191)	101,409	(916,231)
FUND BALANCE, Beginning	2,331,869	267,649	7,849	15,330	439,432	758,658	3,820,787
FUND BALANCE, Ending	\$ 1,938,300	\$ 574,074	\$ 144,869	\$ 13,005	\$ (625,759)	\$ 860,067	\$ 2,904,556

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, 2014

Net change in fund balance - governmental funds \$ (916,231)

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.

 Unavailable revenues 152,449

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

1,191,595

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

(710,126)

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

 Change in compensated absences (3,176)

 Change in accrued interest payable 4,495

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

 Capital asset purchases \$ 780,393

 Donated capital assets 10,000

 Depreciation expense (252,210)

538,183

Change in net position - governmental activities **\$ 257,189**

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Property taxes	\$ 761,000	\$ 761,000	\$ 787,762	\$ 26,762
Other taxes	315,500	315,500	355,306	39,806
Franchise fees	194,000	-	-	-
Licenses and fees	278,500	339,800	530,778	190,978
Charges for services	23,800	23,800	23,066	(734)
Intergovernmental	113,808	113,808	109,992	(3,816)
Fines and forfeitures	2,500	2,500	3,577	1,077
Rental income	9,000	9,000	9,000	-
Interest on investments	7,440	7,440	8,532	1,092
Miscellaneous	2,150	2,150	13,876	11,726
TOTAL REVENUES	<u>1,707,698</u>	<u>1,574,998</u>	<u>1,841,889</u>	<u>266,891</u>
EXPENDITURES				
Current:				
General government	1,087,742	1,167,402	1,116,749	50,653
Public safety	486,678	486,678	486,678	-
Culture and recreation	209,687	233,887	239,416	(5,529)
Capital outlay	-	278,900	31,213	247,687
Contingency	573,456	13,361	-	13,361
TOTAL EXPENDITURES	<u>2,357,563</u>	<u>2,180,228</u>	<u>1,874,056</u>	<u>306,172</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(649,865)</u>	<u>(605,230)</u>	<u>(32,167)</u>	<u>573,063</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	64,875	1,343,351	1,382,966	39,615
Interfund loan proceeds	22,100	40,100	36,000	(4,100)
Interfund loan payment	(4,100)	(852,918)	(848,818)	4,100
Transfers out	(62,700)	(363,241)	(363,241)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,175</u>	<u>167,292</u>	<u>206,907</u>	<u>39,615</u>
NET CHANGE IN FUND BALANCE	(629,690)	(437,938)	174,740	612,678
Budgetary basis adjustment	-	-	812,818	812,818
FUND BALANCE, Beginning	<u>905,190</u>	<u>905,190</u>	<u>950,742</u>	<u>45,552</u>
FUND BALANCE, Ending	<u>\$ 275,500</u>	<u>\$ 467,252</u>	<u>\$ 1,938,300</u>	<u>\$ 1,471,048</u>

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Other taxes	\$ 139,000	\$ 139,000	\$ 148,063	\$ 9,063
Franchise fees	58,000	252,000	268,228	16,228
Licenses and fees	62,800	1,500	20,403	18,903
Intergovernmental	99,000	194,000	165,585	(28,415)
Interest on investments	500	500	2,287	1,787
Miscellaneous	6,550	6,550	9,980	3,430
TOTAL REVENUES	<u>365,850</u>	<u>593,550</u>	<u>614,546</u>	<u>20,996</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	228,955	228,955	209,887	19,068
Materials and services	177,945	286,745	289,658	(2,913)
Capital outlay	71,000	166,000	53,411	112,589
Contingency	20,749	11,017	-	11,017
TOTAL EXPENDITURES	<u>498,649</u>	<u>692,717</u>	<u>552,956</u>	<u>139,761</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(132,799)</u>	<u>(99,167)</u>	<u>61,590</u>	<u>160,757</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,056	277,891	263,835	(14,056)
Transfers out	(19,000)	(19,000)	(19,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,944)</u>	<u>258,891</u>	<u>244,835</u>	<u>(14,056)</u>
NET CHANGE IN FUND BALANCE	(137,743)	159,724	306,425	146,701
FUND BALANCE, Beginning	<u>137,743</u>	<u>137,743</u>	<u>267,649</u>	<u>129,906</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 297,467</u>	<u>\$ 574,074</u>	<u>\$ 276,607</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL PROJECT FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 140,535	\$ 22,574	\$ (117,961)
Interest on investments	-	-	937	937
TOTAL REVENUES	<u>-</u>	<u>140,535</u>	<u>23,511</u>	<u>(117,024)</u>
EXPENDITURES				
Current:				
Community development:				
Materials and services	4,100	26,100	22,398	3,702
Capital outlay	263,148	967,353	712,911	254,442
Contingency	<u>2,666</u>	<u>2,666</u>	<u>-</u>	<u>2,666</u>
TOTAL EXPENDITURES	<u>269,914</u>	<u>996,119</u>	<u>735,309</u>	<u>260,810</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(269,914)</u>	<u>(855,584)</u>	<u>(711,798)</u>	<u>143,786</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	<u>267,248</u>	<u>852,918</u>	<u>848,818</u>	<u>(4,100)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>267,248</u>	<u>852,918</u>	<u>848,818</u>	<u>(4,100)</u>
NET CHANGE IN FUND BALANCE	(2,666)	(2,666)	137,020	139,686
FUND BALANCE, Beginning	<u>2,666</u>	<u>2,666</u>	<u>7,849</u>	<u>5,183</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,869</u>	<u>\$ 144,869</u>

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 and sewer activities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

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

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

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

CITY OF SISTERS, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	<u>Business - type Activities - Enterprise Funds</u>		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 405,454	\$ 536,624	\$ 942,078
Receivables:			
Accounts, net	53,467	65,932	119,399
Assessments	-	10,426	10,426
Inventories	27,904	-	27,904
Total current assets	<u>486,825</u>	<u>612,982</u>	<u>1,099,807</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,002,934	679,877	1,682,811
Capital assets:			
Land	10,022	4,264,183	4,274,205
Construction in progress	141,197	135,015	276,212
Depreciable assets, net of depreciation	<u>5,810,059</u>	<u>10,298,534</u>	<u>16,108,593</u>
Total noncurrent assets	<u>6,964,212</u>	<u>15,377,609</u>	<u>22,341,821</u>
Total assets	<u>7,451,037</u>	<u>15,990,591</u>	<u>23,441,628</u>
LIABILITIES			
Current liabilities:			
Accounts payable	14,182	14,964	29,146
Accrued interest payable	-	175,510	175,510
Deposits	69,026	-	69,026
Unearned revenue	350	14,426	14,776
Compensated absences payable	5,198	5,357	10,555
Current portion of long-term debt	-	195,594	195,594
Total current liabilities	<u>88,756</u>	<u>405,851</u>	<u>494,607</u>
Long-term debt, net of current portion:			
Compensated absences payable	1,733	1,784	3,517
Notes and contracts payable	-	1,727,785	1,727,785
Bonds payable	-	<u>4,572,963</u>	<u>4,572,963</u>
Total long-term debt, net of current portion	<u>1,733</u>	<u>6,302,532</u>	<u>6,304,265</u>
Total liabilities	<u>90,489</u>	<u>6,708,383</u>	<u>6,798,872</u>
NET POSITION			
Net investment in capital assets	5,961,278	8,201,390	14,162,668
Restricted for system development	1,002,934	366,550	1,369,484
Restricted for debt service	-	313,327	313,327
Unrestricted	<u>396,336</u>	<u>400,941</u>	<u>797,277</u>
Total net position	<u>\$ 7,360,548</u>	<u>\$ 9,282,208</u>	<u>\$ 16,642,756</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
OPERATING REVENUES			
Charges for services	\$ 545,630	\$ 715,963	\$ 1,261,593
Licenses and fees	9,227	9,227	18,454
Rental income	-	48,000	48,000
Miscellaneous	150	19,503	19,653
TOTAL OPERATING REVENUES	<u>555,007</u>	<u>792,693</u>	<u>1,347,700</u>
OPERATING EXPENSES			
Personal services	191,330	185,548	376,878
Materials and services	197,668	190,220	387,888
Depreciation	180,586	297,965	478,551
TOTAL OPERATING EXPENSES	<u>569,584</u>	<u>673,733</u>	<u>1,243,317</u>
OPERATING INCOME (LOSS)	<u>(14,577)</u>	<u>118,960</u>	<u>104,383</u>
NON-OPERATING INCOME (EXPENSES)			
Gain (loss) on disposal of capital assets	-	82,600	82,600
Interest on investments	6,181	5,888	12,069
Interest expense	-	(316,990)	(316,990)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>6,181</u>	<u>(228,502)</u>	<u>(222,321)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(8,396)	(109,542)	(117,938)
CAPITAL CONTRIBUTIONS			
Intergovernmental	12,471	-	12,471
System development charges	223,177	270,327	493,504
Capital asset contributions	97,368	64,890	162,258
TRANSFERS			
Transfers in	36,706	-	36,706
Transfers out	(24,000)	(33,000)	(57,000)
CHANGE IN NET POSITION	337,326	192,675	530,001
NET POSITION, Beginning	<u>7,023,222</u>	<u>9,089,533</u>	<u>16,112,755</u>
NET POSITION, Ending	<u>\$ 7,360,548</u>	<u>\$ 9,282,208</u>	<u>\$ 16,642,756</u>

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 581,613	\$ 795,812	\$ 1,377,425
Payments to suppliers	(246,162)	(207,479)	(453,641)
Payments to employees	(124,739)	(118,829)	(243,568)
Payments for interfund services used	(34,399)	(44,573)	(78,972)
Net cash provided from (used by) operating activities	<u>176,313</u>	<u>424,931</u>	<u>601,244</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	36,706	-	36,706
Transfers out	(24,000)	(33,000)	(57,000)
Net cash provided from (used by) non-capital financing activities	<u>12,706</u>	<u>(33,000)</u>	<u>(20,294)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	105,728	5,938	111,666
System development charges	223,177	270,327	493,504
Proceeds from issuance of debt	-	1,803,924	1,803,924
Acquisition of capital assets	(131,487)	(9,121)	(140,608)
Principal paid on long-term obligations	-	(2,044,494)	(2,044,494)
Interest paid on long-term obligations	-	(351,355)	(351,355)
Net cash provided from (used by) capital and related financing activities	<u>197,418</u>	<u>(324,781)</u>	<u>(127,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>6,181</u>	<u>5,888</u>	<u>12,069</u>
Net cash provided (used) by investing activities	<u>6,181</u>	<u>5,888</u>	<u>12,069</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	392,618	73,038	465,656
CASH AND CASH EQUIVALENTS, Beginning	<u>1,015,770</u>	<u>1,143,463</u>	<u>2,159,233</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,408,388</u></u>	<u><u>\$ 1,216,501</u></u>	<u><u>\$ 2,624,889</u></u>
COMPRISED AS FOLLOWS			
Cash and cash equivalents	\$ 405,454	\$ 536,624	\$ 942,078
Restricted cash and cash equivalents	<u>1,002,934</u>	<u>679,877</u>	<u>1,682,811</u>
	<u><u>\$ 1,408,388</u></u>	<u><u>\$ 1,216,501</u></u>	<u><u>\$ 2,624,889</u></u>

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (14,577)	\$ 118,960	\$ 104,383
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	180,586	297,965	478,551
(Increase) decrease in assets:			
Receivables	17,900	3,119	21,019
Inventories	5,093	-	5,093
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(21,905)	(756)	(22,661)
Deposits	8,706	-	8,706
Unearned revenues	-	4,000	4,000
Compensated absences payable	510	1,643	2,153
Net cash provided from (used by) operating activities	<u>\$ 176,313</u>	<u>\$ 424,931</u>	<u>\$ 601,244</u>
Noncash Investing, Capital, and Financing Activities			
Capital asset contributions	<u>\$ 97,368</u>	<u>\$ 64,890</u>	<u>\$ 162,258</u>
Total noncash investing, capital, and financing activities	<u>\$ 97,368</u>	<u>\$ 64,890</u>	<u>\$ 162,258</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SISTERS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

Sisters Urban Renewal Agency

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

B. Government – Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

The *General Fund* (includes Reserve Fund as sub fund which was dissolved during fiscal year 2014) is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation. The Reserve Fund accounts for money set aside for replacement of capital assets. The principal sources are contributions by other funds and earnings on investments.

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

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

City Hall & URA Debt Service The City Hall and URA Debt Funds are debt service funds and 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.

The City reports the following major proprietary funds:

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

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

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

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

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.

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 to 10

5. Long-Term Obligations

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

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

6. Compensated Absences

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

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

7. Fund Equity

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

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

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources. Fund balances by classification for the year ended June 30, 2014 were as follows:

	Combined General Fund	Street Fund	URA Project Fund	City Hall Debt Service Fund	URA Debt Service Fund	Non-major Governmental I Funds	Total Governmental Funds
Fund Balance							
Nonspendable:							
Notes Receivable	\$ 848,818	-	-	-	-	-	\$ 848,818
Restricted for:							
CATS Grant	14,694	-	-	-	-	-	14,694
Debt Service	-	-	-	13,005	-	-	13,005
Capital Projects	-	-	144,869	-	-	860,067	1,004,936
Assigned to:							
Capital Reserve	134,249	-	-	-	-	-	134,249
Highways and Streets	-	574,074	-	-	-	-	574,074
Unassigned:							
	940,539	-	-	-	(625,759)	-	314,780
Total Fund Balance	\$ 1,938,300	\$ 574,074	\$ 144,869	\$ 13,005	\$ (625,759)	\$ 860,067	\$ 2,904,556

8. Restricted Net Position

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

9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

E. Recently Issued and Adopted Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement restricts the use of the term “deferred” to only those items designed as deferred outflow or deferred inflow of resources by the standards. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The adoption of GASB 65 does not have an impact on the City’s financial statements, except for terminology changes to the statements.

F. Pending Accounting Pronouncements

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

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

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are applied simultaneously with the provisions of Statement 68.

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, 2014, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amount:

General Fund:	
Support Services	\$ 433
Planning	<u>\$ 7,319</u>
Street Fund:	
Materials and Services	<u>\$ 2,913</u>

C. General Fund Budgetary Basis to GAAP Reconciliation

Net change in General fund balance	\$ 174,740
Budgets required by Oregon Budget Law:	
Transfers in	(1,382,966)
Interfund loan proceeds	(36,000)
Interfund loan payments	<u>848,818</u>
Net change in General Fund GAAP fund balance	\$ (395,408)
Net change in Reserve Fund (sub-fund of General Fund)	<u>1,839</u>
Net change in combined General fund balance	<u>\$ (393,569)</u>

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, 2014. 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. In March of 2014, the City opened a second account with US Bank depository. For the fiscal year ended June 30, 2014, the carrying amount for the City's Bank of the Cascades deposits was \$64,628 and the bank balance was \$64,982. The carrying amount for the City's US Bank deposits was \$209,689 and the bank balance was \$222,112. All deposits are held in the name of the City. Of the bank balances for Bank of the Cascades and US Bank, \$64,982 and \$222,112, respectively, were covered by federal depository insurance.

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, 2014 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 5,636,532
Less amounts classified as cash equivalents			<u>(5,636,532)</u>
Total Investments			<u><u>\$ -</u></u>

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

Cash on hand	\$	700
Carrying amounts of deposits		274,317
Local Government Investment Pool		<u>5,636,532</u>
Total cash and cash equivalents	<u>\$</u>	<u>5,911,549</u>
Funds:		
<u>Governmental Activities</u>		
General	\$	1,205,777
Street		595,716
Urban Renewal Project		365,851
City Hall Debt Service		13,005
Urban Renewal Debt Service		222,005
Other Governmental Funds		<u>884,306</u>
Total Governmental Activities		<u>3,286,660</u>
<u>Business-Type Activities</u>		
Water (\$1,002,934 restricted)		1,408,388
Sewer (\$679,877 restricted)		<u>1,216,501</u>
Total Business-Type Activities		<u>2,624,889</u>
Total cash and cash equivalents	<u>\$</u>	<u>5,911,549</u>

Governmental activities cash and cash equivalents are restricted for debt service for \$13,005, street and system development of \$1,004,936 (including \$89,941 deposited into the ODOT construction account for Cascade avenue improvements, and \$14,694 for other purposes). Business type activities are restricted for system development of \$1,369,484 and debt service of \$313,327.

B. Receivables

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

	General	Street	URA Project	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 33,306	\$ -	\$ -	\$ 7,526	\$ 40,832
Accounts	48,902	37,716	-	-	86,618
Intergovernmental	22,335	9,502	134,832	-	166,669
Assessments	-	14,479	-	167,078	181,557
Allowance For Doubtful Account	(74)	-	-	(31,739)	(31,813)
	<u>\$ 104,469</u>	<u>\$ 61,697</u>	<u>\$ 134,832</u>	<u>\$ 142,865</u>	<u>\$ 443,863</u>

Receivables as of June 30, 2014 for the business-type activities individual major funds are as follows:

	Water	Sewer	Total Business-Type Activities
Accounts	\$ 54,301	\$ 66,705	\$ 121,006
Assessments	-	10,426	10,426
Allowance for doubtful accounts	(834)	(773)	(1,607)
	<u>\$ 53,467</u>	<u>\$ 76,358</u>	<u>\$ 129,825</u>

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

For the fiscal year 2013-2014, the City levied property taxes in the net amount of \$801,633 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, 2014 was \$316,287,784. 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 \$188,351.

Following is a summary of property tax transactions for the year ended June 30, 2014:

	Balances July 1, 2013	2013-14 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2014
2013-14	\$ -	\$ 989,984	\$ (3,320)	\$ (24,116)	\$ (943,355)	\$ 19,193
2012-13	23,222	-	(1,156)	810	(14,226)	8,650
2011-12	10,376	-	(61)	813	(6,442)	4,686
2010-11	6,487	-	(82)	1,096	(5,841)	1,660
2009-10	2,167	-	(94)	462	(2,054)	481
2008-09	522	-	(66)	84	(279)	261
2007-08	231	-	(49)	64	(184)	62
2006-07	44	-	(7)	2	(7)	32
2005-06	30	-	(3)	1	(2)	26
2004-05	27	-	(2)	2	(6)	21
Prior years	89	-	(1)	16	(33)	71
	<u>\$ 43,195</u>	<u>\$ 989,984</u>	<u>\$ (4,841)</u>	<u>\$ (20,766)</u>	<u>\$ (972,429)</u>	<u>35,143</u>
				Cash with County		<u>5,689</u>
				Total Receivable		<u>\$ 40,832</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary, in most cases. The City issued assessments under reimbursement agreements and not all agreements have been signed or formally agreed upon. An allowance for \$31,739 has been established for the unsigned agreements.

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

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletion/ Transfer	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 639,290	\$ -	\$ -	\$ 639,290
Art and sculptures	250,000	20,000	-	270,000
Construction in progress	41,181	744,430	(155,616)	629,995
 Total capital assets, not being depreciated	 930,471	 764,430	 (155,616)	 1,539,285
Capital assets, being depreciated:				
Buildings and improvements	4,155,746	-	-	4,155,746
Tools and equipment	720,276	9,310	-	729,586
Office equipment	368,236	16,653	-	384,889
Street Improvements	4,088,238	-	155,616	4,243,853
 Total capital assets, being depreciated	 9,332,495	 25,963	 155,616	 9,514,074
Accumulated depreciation for:				
Buildings	(1,834,252)	(78,536)	-	(1,912,788)
Tools and equipment	(640,706)	(17,049)	-	(657,755)
Office equipment	(352,224)	(8,620)	-	(360,844)
Street Improvements	(579,785)	(148,005)	-	(727,790)
 Total accumulated depreciation	 (3,406,966)	 (252,210)	 -	 (3,659,176)
 Total capital assets, being depreciated, net	 5,925,529	 (226,247)	 155,616	 5,854,898
 Governmental activities capital assets, net	 \$ 6,855,999	 \$ 538,183	 \$ -	 \$ 7,394,182

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

Governmental activities

General government	\$ 95,652
Culture and recreation	5,029
Highways and streets	<u>151,529</u>
Total depreciation expense - governmental activities	<u><u>\$ 252,210</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2014 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	\$ 94,000	\$(11,400)	\$ 4,274,205
Construction in progress	<u>274,476</u>	<u>18,398</u>	<u>(16,662)</u>	<u>276,212</u>
Total capital assets, not being depreciated	<u>4,466,081</u>	<u>112,398</u>	<u>(28,062)</u>	<u>4,550,417</u>
Capital assets, being depreciated:				
Buildings and improvements	625,272	-	-	625,272
Tools and equipment	536,592	-	-	536,592
Office equipment	67,419	-	-	67,419
Infrastructure	<u>20,298,742</u>	<u>162,258</u>	<u>16,662</u>	<u>20,477,662</u>
Total capital assets, being depreciated	<u>21,528,025</u>	<u>162,258</u>	<u>16,662</u>	<u>21,706,945</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,721)	(15,476)	-	(64,197)
Tools and equipment	(409,400)	(41,683)	-	(451,083)
Office equipment	(67,419)	-	-	(67,419)
Infrastructure	<u>(4,594,261)</u>	<u>(421,392)</u>	<u>-</u>	<u>(5,015,653)</u>
Total accumulated depreciation	<u>(5,119,801)</u>	<u>(478,551)</u>	<u>-</u>	<u>(5,598,352)</u>
Total capital assets, being depreciated, net	<u>16,408,224</u>	<u>(316,293)</u>	<u>16,662</u>	<u>16,108,593</u>
Business-type activities capital assets, net	<u><u>\$20,874,305</u></u>	<u><u>\$(203,895)</u></u>	<u><u>\$(11,400)</u></u>	<u><u>\$20,659,010</u></u>

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

Business-type activities

Water	\$ 180,586
Sewer	<u>297,965</u>
Total depreciation expense - business-type activities	<u>\$ 478,551</u>

D. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental fund balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

	<u>General</u>	<u>Street</u>	<u>Urban Renewal Project</u>	<u>Urban Renewal Debt Service</u>	<u>Totals</u>
Property taxes	\$ 28,671	\$ -	\$ -	\$ 6,472	\$ 35,143
Transient Room Taxes	5,088	-	-	-	5,088
Fuel Taxes	-	8,091	-	-	8,091
Assessments	-	14,627	-	-	14,627
Intergovernmental	<u>15,542</u>	<u>-</u>	<u>134,832</u>	<u>-</u>	<u>150,374</u>
	<u>\$ 49,301</u>	<u>\$ 22,718</u>	<u>\$ 134,832</u>	<u>\$ 6,472</u>	<u>\$ 213,323</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 bonds were paid off in 2014.

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. The bonds were paid off in 2014.

The City borrowed \$710,126 from the Bank of the Cascades in June 2014 to refinance Full Faith and Credit obligations payable to Bank of America for the construction of City Hall and to pay costs of issuance. The loan requires monthly payments of \$4,644 for seven years, including interest at 2.22% and is secured by real property. A balloon payment of \$412,751 is due July 2, 2021. The loan can be repaid at any time, but is subject to prepayment fees if paid off in the first three years. No payments were made during the 2013-14 fiscal year.

Future maturities of the City Hall refinance loan are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 36,736	\$ 14,350
2016	41,158	14,572
2017	42,120	13,610
2018	43,065	12,665
2019	44,031	11,699
2020-2022	503,016	21,195
	<u>\$ 710,126</u>	<u>\$ 88,091</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, 2014 until a total reserve of \$310,280 is established. The total unpaid principal on these two bonds as of June 30, 2014 was \$4,672,913. Future maturities of the bonds are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 99,950	\$ 210,281
2016	104,448	205,783
2017	109,147	201,084
2018	114,059	196,172
2019	119,193	191,038
2020-2024	681,409	869,746
2025-2029	849,159	701,996
2030-2034	1,058,205	492,950
2035-2039	1,296,570	232,438
2040-2041	240,773	16,331
	<u>\$ 4,672,913</u>	<u>\$ 3,317,819</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, 2014 was \$19,505.

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 loan was paid off in 2014.

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 loan was paid off in 2014.

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 loan was paid off in 2014.

In June 2014, a loan in the amount of \$1,029,734 was borrowed from the Bank of the Cascades to refinance a loan payable to Bank of America for the purchase of 230.89 acres

of property for effluent disposal and reuse and to pay costs of issuance. The loan requires monthly payments of \$6,734 for seven years, including interest at 2.22% and is secured by real property. A balloon payment of \$598,522 is due July 2, 2021. The loan can be repaid at any time, but is subject to prepayment fees if paid off in the first three years. No payments were made during the 2013-14 fiscal year.

In June 2014, a loan in the amount of \$744,189 was borrowed from the Bank of the Cascades to refinance loans payable to OEDD for sewer system improvements and to pay costs of issuance. The loan requires monthly payments of \$5,063 for seven years, including interest at 2.22% and is secured by sewer system revenues. A balloon payment of \$449,988 is due July 2, 2021. The loan can be repaid at any time, but is subject to prepayment fees if paid off in the first three years. No payments were made during the 2013-14 fiscal year.

Future maturities of the loans payable are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 95,644	\$ 37,094
2016	106,954	37,581
2017	109,483	35,052
2018	111,968	32,567
2019	114,508	30,027
2020	117,034	27,501
2021	119,765	24,770
2022	1,048,072	1,934
	<u>\$ 1,823,428</u>	<u>\$ 226,526</u>

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Full Faith and Credit Bonds	\$ 1,191,595	\$ 710,126	\$ 1,191,595	\$ 710,126	\$ 36,736
Compensated Absences	30,354	33,530	30,354	33,530	25,148
Governmental activity Long-term obligations	<u>\$ 1,221,949</u>	<u>\$ 743,656</u>	<u>\$ 1,221,949</u>	<u>\$ 743,656</u>	<u>\$ 61,884</u>
Business - type activities					
Revenue Bonds Payable	\$ 4,768,559	\$ -	\$ 95,646	\$ 4,672,913	\$ 99,950
Loans Payable	1,968,353	1,803,924	1,948,848	1,823,429	95,644
Compensated Absences	11,920	14,072	11,920	14,072	10,555
Business-type activity Long-term obligations	<u>\$ 6,748,832</u>	<u>\$ 1,817,996</u>	<u>\$ 2,056,414</u>	<u>\$ 6,510,414</u>	<u>\$ 206,149</u>

F. Advances to/from Other Funds

The General Fund loaned the Urban Renewal Debt Service Fund \$100,000 for capital projects in June 2010. The Capital Project loan was scheduled to be paid off over the next five years, with interest at 4.0%. The loan was paid off in full during the 2013-14 fiscal year.

The General Fund loaned the Urban Renewal Agency a total of \$848,818 in the 2013-14 fiscal year for various improvement projects. The loans are scheduled to be paid off over a 10 year period with interest at .54%. The loans can be paid off at any time and the City is investigating the option of refinancing the loans with external loans but no action was taken for the 2013-14 fiscal year.

G. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers into the governmental activities from the business-type activities in the amount of \$20,294.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ 1,382,966	\$ 1,746,207
Street	263,835	19,000
Urban Renewal Project	848,818	-
City Hall Debt Service	138,700	-
Urban Renewal Debt Service	-	848,818
Business-type activities:		
Water	36,706	24,000
Sewer	-	33,000
	<u>\$ 2,671,025</u>	<u>\$ 2,671,025</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.

H. Special Item

On December 2, 2013, the Urban Renewal Agency paid off debt in the amount of \$349,064 to Bank of America for the Cascade Avenue project loan and in June of 2014, The City paid off the City Hall Full Faith and Credit bonds in the amount of \$807,395. The early extinguishment of debt was infrequent, unusual, under the control of management, and reported on the face of the financials.

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, administered by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revises Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

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

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

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

2. Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 10.96% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 7.36% 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, 2014, 2013, and 2012 were \$112,591, \$125,116 and \$124,473 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, 2014. Major projects in progress at June 30, 2014 are as follows:

The Well #2 Improvements project is approximately 66% complete. Costs incurred to date are \$100,755 with total estimated costs of \$152,755. The reservoir development project is 1% complete. Costs incurred to date are \$27,487 with estimated total costs of \$4,750,000. The Creekside water loop upsizing project is 4% complete. Costs incurred to date are \$10,016 with estimated costs of \$250,000. The Washington to Main project is approximately 2% complete. Costs incurred to date are \$2,939 with estimated costs of \$165,186.

Lazy Z Effluent Disposal Design is approximately 8% complete. Costs incurred to date are \$125,285 with total estimated costs of \$1,549,285. SCADA upgrades are approximately 3% complete. Costs incurred to date are \$4,066, with total estimated costs of \$144,066. Treatment plant tree farm project is approximately 47% complete. Costs incurred to date are \$5,664 with total estimated costs of \$12,000.

The Barclay Signal/Roundabout Design project is 4% complete. Costs incurred to date are \$13,425 with estimated costs of \$373,425. The Locust Signal/Roundabout design project is 15% complete. Costs incurred to date are \$13,425 with estimated costs of \$92,500. The Jefferson multi-use path project is 7% complete. Costs incurred to date are \$7,239 with total estimated costs of \$106,854. The Locust Hwy 20 multi-use path project is 56% complete. Costs incurred to date are \$53,411 with estimated costs of \$95,000.

The Fir Street Improvement design is approximately 77% complete. Costs incurred to date are \$3,642 with total estimated costs of \$4,700. The Village Green parking design is approximately 96% complete. Costs incurred to date are \$3,450 with total estimated costs of \$3,600. The Fir Street park project is approximately 74% complete. Costs incurred to date are \$303,804 with estimated costs of \$413,070. The E Cascades Improvements project is approximately 87% complete. Costs incurred to date are \$229,991 with estimated costs of \$263,148.

The website project is approximately 50% complete. Costs incurred to date are \$4,400 with estimated costs of \$8,800.

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

D. Commitments and Contingencies

The City currently has awarded \$191,410 in Façade Grants, of which \$70,783 was paid, leaving an unpaid balance of \$120,627 at June 30, 2014.

E. Subsequent Events

The City's general fund will loan \$30,000 to the URA for trash collection enclosure grants, which will be available for businesses up to \$1,500 each. A supplemental budget was prepared for this loan.

The City prepared a supplemental budget to add holiday lights to the light posts in town. The expected expenditure is \$10,000.

The City prepared a supplemental budget of \$5,000 for street light modifications.

The City is expecting to spend \$25,000 for sidewalk curb ramps and asphalt maintenance.

The City is expecting an additional \$10,000 in expenditures for Fir Street Park to add seat walls and a fire pit.

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SUPPLEMENTAL INFORMATION

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

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

- *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.

**CITY OF SISTERS, OREGON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

	Capital Project			
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 605,320	\$ 148,302	\$ 130,684	\$ 884,306
Receivables:				
Assessments, net	-	-	135,339	135,339
 Total assets	<u>\$ 605,320</u>	<u>\$ 148,302</u>	<u>\$ 266,023</u>	<u>\$ 1,019,645</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 12,968	\$ 12,968
Unearned revenue	-	-	146,610	146,610
 Total liabilities	<u>-</u>	<u>-</u>	<u>159,578</u>	<u>159,578</u>
FUND BALANCES (DEFICIT)				
Restricted	<u>605,320</u>	<u>148,302</u>	<u>106,445</u>	<u>860,067</u>
 Total fund balances	<u>605,320</u>	<u>148,302</u>	<u>106,445</u>	<u>860,067</u>
 Total liabilities and fund balances	<u>\$ 605,320</u>	<u>\$ 148,302</u>	<u>\$ 266,023</u>	<u>\$ 1,019,645</u>

**CITY OF SISTERS, OREGON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2014**

	Capital Project			
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	Totals
REVENUES				
Licenses and fees	\$ -	\$ -	\$ 16,114	\$ 16,114
System development charges	68,072	27,585	-	95,657
Interest on investments	<u>2,915</u>	<u>692</u>	<u>619</u>	<u>4,226</u>
TOTAL REVENUES	<u>70,987</u>	<u>28,277</u>	<u>16,733</u>	<u>115,997</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>14,588</u>	<u>14,588</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>14,588</u>	<u>14,588</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>70,987</u>	<u>28,277</u>	<u>2,145</u>	<u>101,409</u>
NET CHANGE IN FUND BALANCE	70,987	28,277	2,145	101,409
FUND BALANCE, Beginning	<u>534,333</u>	<u>120,025</u>	<u>104,300</u>	<u>758,658</u>
FUND BALANCE, Ending	<u>\$ 605,320</u>	<u>\$ 148,302</u>	<u>\$ 106,445</u>	<u>\$ 860,067</u>

**CITY OF SISTERS, OREGON
COMBINING BALANCE SHEET
COMBINED GENERAL FUND
June 30, 2014**

	General Fund	Reserve Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 1,205,777	\$ -	\$ 1,205,777
Receivables:			
Property taxes	33,306	-	33,306
Accounts	71,163	-	71,163
Advances to other funds	848,818	-	848,818
Total assets	\$ 2,159,064	\$ -	\$ 2,159,064
LIABILITIES			
Accounts payable and accrued liabilities	\$ 102,013	\$ -	\$ 102,013
Unearned revenue	65,057	-	65,057
Deposits	4,393	-	4,393
Total liabilities	171,463	-	171,463
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	49,301	-	49,301
Total deferred inflows of resources	49,301	-	49,301
FUND BALANCES			
Nonspendable	848,818	-	848,818
Restricted	14,694	-	14,694
Assigned	134,249	-	134,249
Unassigned	940,539	-	940,539
Total fund balances	1,938,300	-	1,938,300
Total liabilities and fund balances	\$ 2,159,064	\$ -	\$ 2,159,064

CITY OF SISTERS, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	General Fund	Reserve Fund	Totals
REVENUES			
Property taxes	\$ 787,762	\$ -	\$ 787,762
Other taxes	355,306	-	355,306
Licenses and fees	530,778	-	530,778
Charges for services	23,066	-	23,066
Intergovernmental	109,992	-	109,992
Fines and forfeitures	3,577	-	3,577
Rental income	9,000	-	9,000
Interest on investments	8,532	1,839	10,371
Miscellaneous	13,876	-	13,876
TOTAL REVENUES	<u>1,841,889</u>	<u>1,839</u>	<u>1,843,728</u>
EXPENDITURES			
Current:			
General government	1,116,749	-	1,116,749
Public safety	486,678	-	486,678
Culture and recreation	239,416	-	239,416
Capital outlay	31,213	-	31,213
TOTAL EXPENDITURES	<u>1,874,056</u>	<u>-</u>	<u>1,874,056</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(32,167)</u>	<u>1,839</u>	<u>(30,328)</u>
OTHER FINANCING SOURCES			
Transfers in	1,382,966	-	1,382,966
Transfers out	(363,241)	(1,382,966)	(1,746,207)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,019,725</u>	<u>(1,382,966)</u>	<u>(363,241)</u>
NET CHANGE IN FUND BALANCE	987,558	(1,381,127)	(393,569)
FUND BALANCE, Beginning	<u>950,742</u>	<u>1,381,127</u>	<u>2,331,869</u>
FUND BALANCE, Ending	<u>\$ 1,938,300</u>	<u>\$ -</u>	<u>\$ 1,938,300</u>

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BUDGETARY COMPARISON SCHEDULES

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

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

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

▪ **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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Administration	\$ 481,792	\$ 525,392	\$ 455,589	\$ 69,803
Maintenance	119,445	128,345	119,117	9,228
Parks	209,687	463,887	242,355	221,532
Police	486,678	486,678	486,678	-
Planning	330,482	383,542	390,861	(7,319)
Support services	156,023	179,023	179,456	(433)
Interfund loan payment	4,100	852,918	848,818	4,100
Transfers out	62,700	363,241	363,241	-
Contingency	573,456	13,361	-	13,361
TOTAL EXPENDITURES AND TRANSFERS	\$ 2,424,363	\$ 3,396,387	\$ 3,086,115	\$ 310,272

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

Governmental Funds

Capital Project Funds

- Transportation SDC
- Park SDC
- Parking District

Special Revenue Funds

- 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 20,500	\$ 20,500	\$ 68,072	\$ 47,572
Interest on investments	<u>2,800</u>	<u>2,800</u>	<u>2,915</u>	<u>115</u>
TOTAL REVENUES	<u>23,300</u>	<u>23,300</u>	<u>70,987</u>	<u>47,687</u>
EXPENDITURES				
Contingency	<u>556,625</u>	<u>556,625</u>	<u>-</u>	<u>556,625</u>
TOTAL EXPENDITURES	<u>556,625</u>	<u>556,625</u>	<u>-</u>	<u>556,625</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(533,325)</u>	<u>(533,325)</u>	<u>70,987</u>	<u>604,312</u>
NET CHANGE IN FUND BALANCE	(533,325)	(533,325)	70,987	604,312
FUND BALANCE, Beginning	<u>533,325</u>	<u>533,325</u>	<u>534,333</u>	<u>1,008</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,320</u>	<u>\$ 605,320</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARK SDC FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 6,000	\$ 6,000	\$ 27,585	\$ 21,585
Interest on investments	600	600	692	92
TOTAL REVENUES	<u>6,600</u>	<u>6,600</u>	<u>28,277</u>	<u>21,677</u>
EXPENDITURES				
Contingency	125,614	125,614	-	125,614
TOTAL EXPENDITURES	<u>125,614</u>	<u>125,614</u>	<u>-</u>	<u>125,614</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(119,014)</u>	<u>(119,014)</u>	<u>28,277</u>	<u>147,291</u>
NET CHANGE IN FUND BALANCE	(119,014)	(119,014)	28,277	147,291
FUND BALANCE, Beginning	<u>119,014</u>	<u>119,014</u>	<u>120,025</u>	<u>1,011</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,302</u>	<u>\$ 148,302</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 13,000	\$ 13,000	\$ 16,114	\$ 3,114
Interest on investments	500	500	619	119
TOTAL REVENUES	<u>13,500</u>	<u>13,500</u>	<u>16,733</u>	<u>3,233</u>
EXPENDITURES				
Capital outlay	15,000	15,000	14,588	412
Contingency	91,811	91,811	-	91,811
TOTAL EXPENDITURES	<u>106,811</u>	<u>106,811</u>	<u>14,588</u>	<u>92,223</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(93,311)</u>	<u>(93,311)</u>	<u>2,145</u>	<u>95,456</u>
NET CHANGE IN FUND BALANCE	(93,311)	(93,311)	2,145	95,456
FUND BALANCE, Beginning	<u>93,311</u>	<u>93,311</u>	<u>104,300</u>	<u>10,989</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 106,445</u></u>	<u><u>\$ 106,445</u></u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND (SUB-FUND OF THE GENERAL FUND)
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 7,500	\$ 7,500	\$ 1,839	\$ (5,661)
TOTAL REVENUES	<u>7,500</u>	<u>7,500</u>	<u>1,839</u>	<u>(5,661)</u>
EXPENDITURES				
Capital outlay	45,100	-	-	-
Contingency	<u>1,233,376</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,278,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,270,976)</u>	<u>7,500</u>	<u>1,839</u>	<u>(5,661)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(108,128)</u>	<u>(1,386,604)</u>	<u>(1,382,966)</u>	<u>3,638</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(108,128)</u>	<u>(1,386,604)</u>	<u>(1,382,966)</u>	<u>3,638</u>
NET CHANGE IN FUND BALANCE	(1,379,104)	(1,379,104)	(1,381,127)	(2,023)
FUND BALANCE, Beginning	<u>1,379,104</u>	<u>1,379,104</u>	<u>1,381,127</u>	<u>2,023</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CITY HALL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Interest on investments	\$ 70	\$ 70	\$ 33	\$ (37)
TOTAL REVENUES	<u>70</u>	<u>70</u>	<u>33</u>	<u>(37)</u>
EXPENDITURES				
Debt service	138,700	145,700	851,184	(705,484) *
Contingency	<u>15,457</u>	<u>8,457</u>	<u>-</u>	<u>8,457</u>
TOTAL EXPENDITURES	<u>154,157</u>	<u>154,157</u>	<u>851,184</u>	<u>(697,027)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(154,087)</u>	<u>(154,087)</u>	<u>(851,151)</u>	<u>(697,064)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	-	710,126	710,126
Transfers in	<u>138,700</u>	<u>138,700</u>	<u>138,700</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>138,700</u>	<u>138,700</u>	<u>848,826</u>	<u>710,126</u>
NET CHANGE IN FUND BALANCE	(15,387)	(15,387)	(2,325)	13,062
FUND BALANCE, Beginning	<u>15,387</u>	<u>15,387</u>	<u>15,330</u>	<u>(57)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,005</u>	<u>\$ 13,005</u>

* Exempt from Oregon Budget Law

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 183,200	\$ 183,200	\$ 184,667	\$ 1,467
Interest on investments	2,700	2,700	1,982	(718)
TOTAL REVENUES	<u>185,900</u>	<u>185,900</u>	<u>186,649</u>	<u>749</u>
EXPENDITURES				
Debt service	86,940	487,723	403,022	84,701
Contingency	494,181	75,398	-	75,398
TOTAL EXPENDITURES	<u>581,121</u>	<u>563,121</u>	<u>403,022</u>	<u>160,099</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(395,221)</u>	<u>(377,221)</u>	<u>(216,373)</u>	<u>160,848</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan repayment	<u>(22,100)</u>	<u>(40,100)</u>	<u>(36,000)</u>	<u>4,100</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,100)</u>	<u>(40,100)</u>	<u>(36,000)</u>	<u>4,100</u>
NET CHANGE IN FUND BALANCE	(417,321)	(417,321)	(252,373)	164,948
Budgetary basis adjustment	-	-	(812,818)	(812,818)
FUND BALANCE, Beginning	<u>417,321</u>	<u>417,321</u>	<u>439,432</u>	<u>22,111</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625,759)</u>	<u>\$ (625,759)</u>

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

Proprietary Funds

Enterprise Funds

- All Water Funds
 - Water
 - Water SDC

- 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 2,000	\$ 2,000	\$ 9,227	\$ 7,227
Charges for services	506,200	506,200	545,630	39,430
Intergovernmental	-	-	12,471	12,471
Interest on investments	1,000	1,000	1,627	627
Miscellaneous	-	-	150	150
TOTAL REVENUES	<u>509,200</u>	<u>509,200</u>	<u>569,105</u>	<u>59,905</u>
EXPENDITURES				
Current:				
Personal services	213,461	213,461	190,820	22,641
Materials and services	157,670	198,770	197,668	1,102
Capital outlay	25,760	38,494	12,734	25,760
Contingency	<u>108,408</u>	<u>20,755</u>	-	<u>20,755</u>
TOTAL EXPENDITURES	<u>505,299</u>	<u>471,480</u>	<u>401,222</u>	<u>70,258</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,901</u>	<u>37,720</u>	<u>167,883</u>	<u>130,163</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,056	50,762	36,706	(14,056)
Transfers out	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,944)</u>	<u>26,762</u>	<u>12,706</u>	<u>(14,056)</u>
NET CHANGE IN FUND BALANCE	(6,043)	64,482	180,589	116,107
FUND BALANCE, Beginning	<u>181,008</u>	<u>181,008</u>	<u>222,678</u>	<u>41,670</u>
FUND BALANCE, Ending	<u>\$ 174,965</u>	<u>\$ 245,490</u>	<u>\$ 403,267</u>	<u>\$ 157,777</u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER SDC FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 70,000	\$ 70,000	\$ 223,177	\$ 153,177
Interest on investments	4,300	4,300	4,554	254
TOTAL REVENUES	<u>74,300</u>	<u>74,300</u>	<u>227,731</u>	<u>153,431</u>
EXPENDITURES				
Capital outlay	55,240	55,240	-	55,240
Contingency	733,442	733,442	-	733,442
TOTAL EXPENDITURES	<u>788,682</u>	<u>788,682</u>	<u>-</u>	<u>788,682</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(714,382)</u>	<u>(714,382)</u>	<u>227,731</u>	<u>942,113</u>
NET CHANGE IN FUND BALANCE	(714,382)	(714,382)	227,731	942,113
FUND BALANCE, Beginning	<u>714,382</u>	<u>714,382</u>	<u>775,203</u>	<u>60,821</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,934</u>	<u>\$ 1,002,934</u>

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2014**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Water	\$ 403,267
Water SDC	<u>1,002,934</u>

1,406,201

Adjustments:

Capital assets, net of depreciation	5,961,278
Compensated absences	<u>(6,931)</u>

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

\$ 7,360,548

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 2,000	\$ 2,000	\$ 9,227	\$ 7,227
Charges for services	688,550	688,550	715,963	27,413
Rental income	48,000	48,000	48,000	-
Interest on investments	4,200	4,200	4,074	(126)
Miscellaneous	-	-	19,503	19,503
TOTAL REVENUES	<u>742,750</u>	<u>742,750</u>	<u>796,767</u>	<u>54,017</u>
EXPENDITURES				
Current:				
Personal services	200,392	200,392	183,905	16,487
Materials and services	164,720	192,620	190,220	2,400
Capital outlay	-	12,000	5,664	6,336
Debt service	409,800	439,800	1,208,312	(768,512) *
Contingency	<u>213,228</u>	<u>17,061</u>	<u>-</u>	<u>17,061</u>
TOTAL EXPENDITURES	<u>988,140</u>	<u>861,873</u>	<u>1,588,101</u>	<u>(726,228)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(245,390)</u>	<u>(119,123)</u>	<u>(791,334)</u>	<u>(672,211)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	-	779,189	779,189
Transfers in	15,137	15,137	-	(15,137)
Transfers out	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,863)</u>	<u>(17,863)</u>	<u>746,189</u>	<u>764,052</u>
NET CHANGE IN FUND BALANCE	(263,253)	(136,986)	(45,145)	91,841
FUND BALANCE, Beginning	<u>635,843</u>	<u>635,843</u>	<u>942,064</u>	<u>306,221</u>
FUND BALANCE, Ending	<u>\$ 372,590</u>	<u>\$ 498,857</u>	<u>\$ 896,919</u>	<u>\$ 398,062</u>

* Exempt from Oregon Budget Law

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 80,000	\$ 80,000	\$ 270,327	\$ 190,327
Interest on investments	<u>2,200</u>	<u>2,200</u>	<u>1,814</u>	<u>(386)</u>
TOTAL REVENUES	<u>82,200</u>	<u>82,200</u>	<u>272,141</u>	<u>189,941</u>
EXPENDITURES				
Debt service	159,500	169,500	1,187,536	(1,018,036) *
Contingency	<u>170,521</u>	<u>160,521</u>	<u>-</u>	<u>160,521</u>
TOTAL EXPENDITURES	<u>330,021</u>	<u>330,021</u>	<u>1,187,536</u>	<u>(857,515)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(247,821)</u>	<u>(247,821)</u>	<u>(915,395)</u>	<u>(667,574)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	<u>-</u>	<u>-</u>	<u>1,024,735</u>	<u>1,024,735</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>1,024,735</u>	<u>1,024,735</u>
NET CHANGE IN FUND BALANCE	(247,821)	(247,821)	109,340	357,161
FUND BALANCE, Beginning	<u>247,821</u>	<u>247,821</u>	<u>257,210</u>	<u>9,389</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 366,550</u></u>	<u><u>\$ 366,550</u></u>

* Exempt from Oregon Budget Law

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2014**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Sewer	\$ 896,919
Sewer SDC	<u>366,550</u>
	1,263,469

Adjustments:

Capital assets, net of depreciation	14,697,732
Compensated absences	(7,141)
Accrued interest payable	(175,510)
Long-term debt	<u>(6,496,342)</u>

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

\$ 9,282,208

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OTHER FINANCIAL SCHEDULES

CITY OF THE SISTERS, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2014

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2014	Interest Matured and Paid
				Outstanding July 1, 2013	Issued	Matured and Paid		
Governmental Funds								
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	\$ 1,400,000	\$ 807,395	\$ -	\$ 807,395	\$ -	\$ 41,397
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	\$ 700,000	384,200	-	384,200	-	18,102
2014 Full Faith and Credit Bonds	2.22%	6/27/2014	\$ 710,126	-	710,126	-	710,126	-
				<u>1,191,595</u>	<u>710,126</u>	<u>1,191,595</u>	<u>710,126</u>	<u>59,499</u>
Enterprise Funds								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,037,831	-	37,777	2,000,054	91,702
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,730,728	-	57,869	2,672,859	122,883
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	21,752	-	2,247	19,505	774
OEDD Loan Payable	5.25-5.625	4/12/2000	\$ 1,000,000	643,909	-	643,909	-	55,194
OEDD Loan Payable	5.50%	7/23/2002	\$ 250,000	178,726	-	178,726	-	15,231
Lazy Z Real Estate Loan	4.40%	12/14/2006	\$ 1,700,000	1,123,966	-	1,123,966	-	61,070
Lazy Z Property	2.22%	6/27/2014	\$ 1,029,735	-	1,029,735	-	1,029,735	-
Wastewater System	2.22%	6/27/2014	\$ 774,189	-	774,189	-	774,189	-
				<u>6,736,912</u>	<u>1,803,924</u>	<u>2,044,494</u>	<u>6,496,342</u>	<u>346,854</u>
Total				<u>\$ 7,928,507</u>	<u>\$ 2,514,050</u>	<u>\$ 3,236,089</u>	<u>\$ 7,206,468</u>	<u>\$ 406,353</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2014

Year Ending June 30	Notes Payable		Totals	
	Principal	Interest	Principal	Interest
2015	\$ 36,736	\$ 14,350	\$ 36,736	\$ 14,350
2016	41,158	14,572	41,158	14,572
2017	42,120	13,610	42,120	13,610
2018	43,065	12,665	43,065	12,665
2019	44,031	11,699	44,031	11,699
2020	44,989	10,741	44,989	10,741
2021	46,027	9,703	46,027	9,703
2022	412,000	751	412,000	751
	<u>\$ 710,126</u>	<u>\$ 88,091</u>	<u>\$ 710,126</u>	<u>\$ 88,091</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE
June 30, 2014

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 2,000,054</u>	<u>\$ 1,494,025</u>	<u>\$ 2,672,859</u>	<u>\$ 1,823,794</u>	<u>\$ 4,672,913</u>	<u>\$ 3,317,819</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2014

Year Ending June 30	DEQ Loan Payable		Lazy Z Property		Wastewater System Refi		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,324	\$ 642	\$ 53,270	\$ 20,808	\$ 40,050	\$ 15,644	\$ 95,644	\$ 37,094
2016	2,403	563	59,681	21,131	44,870	15,887	106,954	37,581
2017	2,486	480	61,077	19,735	45,920	14,837	109,483	35,052
2018	2,571	395	62,447	18,365	46,950	13,807	111,968	32,567
2019	2,658	308	63,847	16,965	48,003	12,754	114,508	30,027
2020	2,749	217	65,237	15,575	49,048	11,709	117,034	27,501
2021	2,843	123	66,743	14,069	50,179	10,578	119,765	24,770
2022	1,471	25	597,432	1,090	449,169	819	1,048,072	1,934
	<u>\$ 19,505</u>	<u>\$ 2,753</u>	<u>\$ 1,029,734</u>	<u>\$ 127,738</u>	<u>\$ 774,189</u>	<u>\$ 96,035</u>	<u>\$ 1,823,428</u>	<u>\$ 226,526</u>

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STATISTICAL SECTION

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 6,684	\$ 5,664	\$ 5,253	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185	\$ 1,646	\$ 1,256	\$ 1,652
Restricted	1,032	1,509	1,111	1,071	926	922	841	-	-	-
Unrestricted	2,052	2,338	2,390	2,509	2,863	3,442	3,814	2,986	3,960	2,397
Total governmental activities net position	<u>\$ 9,768</u>	<u>\$ 9,511</u>	<u>\$ 8,754</u>	<u>\$ 8,179</u>	<u>\$ 8,527</u>	<u>\$ 7,112</u>	<u>\$ 6,840</u>	<u>\$ 4,632</u>	<u>\$ 5,216</u>	<u>\$ 4,049</u>
Business-Type Activities:										
Invested in capital assets, net of related debt	\$ 13,453	\$ 14,137	\$ 14,107	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025	\$ 10,534	\$ 9,822	\$ 8,766
Restricted	1,683	1,346	1,433	1,479	1,684	2,107	2,069	1,029	4,309	3,355
Unrestricted	1,507	630	499	574	826	1,307	1,333	1,660	1,665	1,563
Total business-type activities net position	<u>\$ 16,643</u>	<u>\$ 16,113</u>	<u>\$ 16,039</u>	<u>\$ 16,315</u>	<u>\$ 16,042</u>	<u>\$ 17,207</u>	<u>\$ 17,427</u>	<u>\$ 13,223</u>	<u>\$ 15,796</u>	<u>\$ 13,684</u>
Primary Government:										
Invested in capital assets, net of related debt	\$ 20,137	\$ 19,801	\$ 19,360	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211	\$ 12,180	\$ 11,078	\$ 10,418
Restricted	2,715	2,855	2,544	2,550	2,610	3,029	2,911	1,029	4,309	3,355
Unrestricted	3,559	2,968	2,889	3,083	3,689	4,749	5,147	4,646	5,625	3,960
Total primary government net position	<u>\$ 26,411</u>	<u>\$ 25,624</u>	<u>\$ 24,793</u>	<u>\$ 24,494</u>	<u>\$ 24,569</u>	<u>\$ 24,319</u>	<u>\$ 24,269</u>	<u>\$ 17,855</u>	<u>\$ 21,012</u>	<u>\$ 17,733</u>

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Program Revenues										
Governmental activities:										
Charges for services, fees and fines										
General government	\$ 441	\$ 249	\$ 210	\$ 181	\$ 194	\$ 259	\$ 443	\$ 559	\$ 546	\$ 318
Public safety	-	-	-	-	-	-	-	273	10	10
Culture and recreation	142	125	115	127	103	59	60	163	32	25
Community Development	-	-	-	-	-	-	-	-	-	-
Highways and streets	30	103	82	65	79	46	41	131	21	6
Operating grants and contributions	325	294	293	402	168	76	133	70	64	8
Capital grants and contributions	323	713	401	76	730	385	696	-	47	63
Total governmental activities program revenues	<u>1,261</u>	<u>1,484</u>	<u>1,101</u>	<u>851</u>	<u>1,274</u>	<u>825</u>	<u>1,373</u>	<u>1,196</u>	<u>720</u>	<u>430</u>
Business-type activities:										
Charges for services:										
Water	555	543	513	487	474	426	441	488	406	351
Refuse	-	-	-	-	0	104	410	420	388	355
Sewer	793	825	774	750	717	798	754	978	888	803
Operating grants	-	-	-	4	4	10	-	-	-	-
Capital grants	668	316	164	160	97	179	759	652	892	626
Total business-type activities program revenues	<u>2,016</u>	<u>1,684</u>	<u>1,451</u>	<u>1,401</u>	<u>1,292</u>	<u>1,517</u>	<u>2,364</u>	<u>2,538</u>	<u>2,574</u>	<u>2,135</u>
Total primary government program revenues	<u>3,277</u>	<u>3,168</u>	<u>2,552</u>	<u>2,252</u>	<u>2,566</u>	<u>2,342</u>	<u>3,737</u>	<u>3,734</u>	<u>3,294</u>	<u>2,565</u>
Expenses										
Governmental activities:										
General government	1,204	1,162	1,007	1,094	1,099	1,127	1,155	820	1,393	634
Public safety	487	468	450	433	416	400	393	400	374	351
City Hall Remodel	-	-	-	-	-	-	-	1,164	128	-
Culture and recreation	246	195	186	210	199	175	161	125	105	145
Community development	84	4	4	3	5	5	24	-	-	-
Highways and streets	631	519	403	420	377	399	423	93	148	104
Interest on long term obligations	58	62	70	80	90	104	92	72	12	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>2,710</u>	<u>2,410</u>	<u>2,120</u>	<u>2,240</u>	<u>2,186</u>	<u>2,210</u>	<u>2,248</u>	<u>2,674</u>	<u>2,160</u>	<u>1,234</u>
Business-type activities:										
Water	570	540	593	623	574	578	540	533	434	342
Refuse	-	-	-	-	-	65	437	281	329	303
Sewer	908	1,030	1,090	1,076	1,098	1,085	1,032	4,625	889	823
Total business-type activities expenses	<u>1,478</u>	<u>1,570</u>	<u>1,683</u>	<u>1,699</u>	<u>1,672</u>	<u>1,728</u>	<u>2,009</u>	<u>5,439</u>	<u>1,652</u>	<u>1,468</u>
Total primary government expenses	<u>4,188</u>	<u>3,980</u>	<u>3,803</u>	<u>3,939</u>	<u>3,858</u>	<u>3,938</u>	<u>4,257</u>	<u>8,113</u>	<u>3,812</u>	<u>2,702</u>
Net Expense										
Governmental activities	(1,449)	(926)	(1,019)	(1,389)	(912)	(1,385)	(875)	(1,478)	(1,440)	(804)
Business-type activities	538	114	(232)	(298)	(380)	(211)	355	(2,901)	922	667
Total primary government net expense	<u>\$ (911)</u>	<u>\$ (812)</u>	<u>\$ (1,251)</u>	<u>\$ (1,687)</u>	<u>\$ (1,292)</u>	<u>\$ (1,596)</u>	<u>\$ (520)</u>	<u>\$ (4,379)</u>	<u>\$ (518)</u>	<u>\$ (137)</u>

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

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Position										
General revenues:										
Property taxes levied for:										
General purposes	\$ 781	\$ 768	\$ 762	\$ 771	\$ 764	\$ 736	\$ 681	\$ 692	\$ 602	\$ 483
Debt service	183	187	132	172	134	133	108	176	-	-
Franchise and public service taxes	688	646	608	614	573	583	566	29	734	567
Interest and investment earnings	20	23	25	28	41	112	192	-	183	52
Miscellaneous	14	7	10	14	5	3	8	49	-	28
Contributed Revenue	-	-	-	-	-	-	-	-	539	-
Gain on disposal of asset	-	-	-	-	-	-	-	-	467	(23)
Transfers	20	52	57	(558)	810	90	4	(51)	81	112
Total governmental activities	1,706	1,683	1,594	1,041	2,327	1,657	1,559	895	2,606	1,219
Business-type activities:										
Contributed Revenue	-	-	-	-	-	-	-	-	1,030	-
Interest and investment earnings	12	11	13	13	24	81	205	278	225	105
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(20)	(52)	(57)	558	(810)	(90)	(4)	51	(81)	(112)
Total business-type activities	(8)	(41)	(44)	571	(786)	(9)	201	329	1,174	(7)
Total primary government	1,698	1,642	1,550	1,612	1,541	1,648	1,760	1,224	3,780	1,212
Change in Net Position										
Governmental activities	257	757	575	(348)	1,415	272	684	(583)	1,167	415
Business-type activities	530	74	(276)	273	(1,166)	(220)	556	(2,572)	2,097	660
Total primary government change in net position	787	831	299	(75)	249	52	1,240	(3,155)	3,264	1,075
Net Position Beginning										
Governmental activities	9,511	8,754	8,179	8,527	7,112	6,841	6,157	5,215	4,049	3,633
Business-type activities	16,113	16,039	16,315	16,042	17,207	17,427	16,870	15,796	13,699	13,026
Total primary government net position-beginning	25,624	24,793	24,494	24,569	24,319	24,268	23,027	21,011	17,748	16,659
Net Position Ending										
Governmental activities	9,768	9,511	8,754	8,179	8,527	7,113	6,841	4,632	5,216	4,048
Business-type activities	16,643	16,113	16,039	16,315	16,042	17,207	17,427	13,224	15,796	13,686
Total Primary Government Net Position	\$ 26,411	\$ 25,624	\$ 24,793	\$ 24,494	\$ 24,569	\$ 24,320	\$ 24,268	\$ 17,856	\$ 21,012	\$ 17,734

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

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Combined General Fund										
Advance to Other Funds	\$ 848,818	\$ 36,000	\$ 55,000	\$ 75,000	\$ 150,000	\$ 200,000	\$ 350,000	\$ -	\$ -	\$ -
Restricted	14,694	19,848	14,848	30,444	-	-	-	-	-	-
Assigned for Police,Capital & Streets	708,323	1,381,126	1,388,811	1,401,719	-	-	-	-	-	-
Unassigned	940,539	894,895	891,220	664,780	624,755	1,375,521	1,556,021	1,246,149	894,317	1,073,060
Total general fund	2,512,374	2,331,869	2,349,879	2,171,943	774,755	1,575,521	1,906,021	1,246,149	894,317	1,073,060
All Other Governmental Funds										
Restricted: Debt Service	13,005	454,762	368,942	394,366	311,646	368,628	318,913	-	-	-
Sys Dev, Paths, Streets	1,004,934	1,034,154	726,905	852,990	614,378	553,496	522,480	-	-	-
Unreserved/Unassigned	(625,759)	-	-	-	2,034,392	1,802,921	1,885,641	1,747,383	3,069,989	1,321,264
Total all other governmental funds	392,180	1,488,916	1,095,847	1,247,356	2,960,416	2,725,045	2,727,034	1,747,383	3,069,989	1,321,264
Total governmental funds	\$ 2,904,554	\$ 3,820,785	\$ 3,445,726	\$ 3,419,299	\$ 3,735,171	\$ 4,300,566	\$ 4,633,055	\$ 2,993,532	\$ 3,964,306	\$ 2,394,324

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

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

CITY OF SISTERS, OREGON
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years¹
(modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Property taxes	\$ 972,429	\$ 971,237	\$ 903,370	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384	\$ 606,245	\$ 539,658
Other taxes	503,369	478,725	444,425	427,723	306,332	280,279	267,551	-	-	-
Intergovernmental	298,151	658,070	635,413	274,320	398,297	119,346	215,523	123,094	325,737	202,082
Franchise Fees	268,228	259,467	260,103	267,291	249,422	254,122	243,443	-	-	-
Licenses and Fines	567,295	426,179	353,217	331,457	339,994	317,995	496,848	1,125,644	1,106,255	651,118
Fines and forfeitures	3,577	3,157	1,766	1,338	1,828	2,729	4,728	-	10,592	10,477
System development charges	95,657	42,022	55,914	21,722	13,609	123,427	445,324	-	-	-
Charges for services	23,066	25,619	24,700	18,600	18,600	22,475	27,900	-	-	-
Rental income	9,000	9,000	9,000	12,161	15,000	15,000	14,300	-	-	59,089
Interest on Investments	19,836	22,450	24,693	27,947	41,231	112,536	192,082	175,708	183,335	51,630
Miscellaneous Revenues	23,856	20,014	28,881	19,555	8,225	9,244	57,019	25,116	11,537	32,691
Total revenues	<u>2,784,464</u>	<u>2,915,940</u>	<u>2,741,482</u>	<u>2,345,617</u>	<u>2,290,189</u>	<u>2,094,728</u>	<u>2,733,798</u>	<u>2,132,946</u>	<u>2,243,701</u>	<u>1,546,745</u>
Expenditures										
Current:										
General Government	1,116,749	1,066,934	900,854	953,851	940,768	952,762	984,572	867,682	1,356,497	591,953
Public safety	486,678	467,960	449,961	432,655	416,015	400,014	393,255	374,529	356,694	327,290
Culture and recreation	239,416	189,724	180,366	207,409	194,673	170,978	156,967	117,164	100,072	135,058
Community development	22,398	4,308	3,687	3,269	5,254	4,863	24,338	-	-	-
Highways and streets	499,545	384,973	288,713	310,693	293,712	358,486	323,388	86,650	140,656	97,192
Capital outlay	812,123	257,564	721,494	577,860	1,016,692	388,121	447,065	1,468,171	644,210	197,879
Debt service										
Principal	134,905	163,444	156,466	149,787	143,397	137,055	75,306	71,857	11,095	-
Interest	62,611	62,969	70,506	80,785	90,975	104,942	89,394	66,667	10,453	-
Total expenditures	<u>3,374,425</u>	<u>2,597,876</u>	<u>2,772,047</u>	<u>2,716,309</u>	<u>3,101,486</u>	<u>2,517,221</u>	<u>2,494,285</u>	<u>3,052,720</u>	<u>2,619,677</u>	<u>1,349,372</u>
Revenues over (under) expenditures	<u>(589,961)</u>	<u>318,064</u>	<u>(30,565)</u>	<u>(370,692)</u>	<u>(811,297)</u>	<u>(422,493)</u>	<u>239,513</u>	<u>(919,774)</u>	<u>(375,976)</u>	<u>197,373</u>
Other Financing Sources (Uses)										
Issuance of debt	710,126	-	-	-	-	-	700,000	-	1,398,100	-
Sale of fixed assets	-	-	-	3,905	-	-	-	-	466,859	-
Operating transfers in	2,634,319	156,780	213,600	209,000	1,395,064	740,610	737,000	288,000	243,634	220,000
Operating transfers out	(2,614,025)	(99,780)	(156,600)	(154,000)	(1,149,162)	(650,610)	(710,000)	(339,000)	(162,634)	(107,600)
Total other financing sources (uses)	<u>730,420</u>	<u>57,000</u>	<u>57,000</u>	<u>58,905</u>	<u>245,902</u>	<u>90,000</u>	<u>727,000</u>	<u>(51,000)</u>	<u>1,945,959</u>	<u>112,400</u>
Special Item										
Payment for early extinguishment of debt	(1,056,690)									
Net change in fund balances	<u>\$ (916,231)</u>	<u>\$ 375,064</u>	<u>\$ 26,435</u>	<u>\$ (311,787)</u>	<u>\$ (565,395)</u>	<u>\$ (332,493)</u>	<u>\$ 966,513</u>	<u>\$ (970,774)</u>	<u>\$ 1,569,983</u>	<u>\$ 309,773</u>
Debt service as a percentage of noncapital expenditures	<u>8.4%</u>	<u>10.7%</u>	<u>12.4%</u>	<u>12.1%</u>	<u>12.7%</u>	<u>12.8%</u>	<u>8.7%</u>	<u>9.6</u>	<u>1.1</u>	<u>0.0%</u>

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Function/Program										
Governmental activities										
General government	\$ 613,203	\$ 254,252	\$ 215,851	\$ 268,158	\$ 199,438	\$ 512,754	\$ 445,436	\$ 558,873	\$ 609,247	\$ 319,410
Public safety	26,208	21,808	26,606	61,895	21,937	-	54,128	272,820	10,592	10,477
Culture and recreation	199,428	145,968	119,136	173,098	134,355	71,093	76,037	162,877	54,803	47,577
Highways and streets	422,079	1,062,293	739,693	348,244	918,012	241,048	796,856	201,258	45,587	53,555
Total governmental activities	<u>1,260,918</u>	<u>1,484,321</u>	<u>1,101,286</u>	<u>851,395</u>	<u>1,273,742</u>	<u>824,895</u>	<u>1,372,457</u>	<u>1,195,828</u>	<u>720,229</u>	<u>431,019</u>
Business-type activities										
Water	888,023	730,442	585,906	565,795	510,978	517,862	838,823	751,160	834,065	657,497
Refuse	-	-	-	-	26	104,281	409,935	419,849	387,956	354,644
Sewer	1,127,910	953,535	865,237	835,719	781,428	894,319	1,115,776	1,366,522	1,352,003	1,122,073
Total business-type activities	<u>2,015,933</u>	<u>1,683,977</u>	<u>1,451,143</u>	<u>1,401,514</u>	<u>1,292,432</u>	<u>1,516,462</u>	<u>2,364,534</u>	<u>2,537,531</u>	<u>2,574,024</u>	<u>2,134,214</u>
Total Primary government	<u>\$ 3,276,851</u>	<u>\$ 3,168,298</u>	<u>\$ 2,552,429</u>	<u>\$ 2,252,909</u>	<u>\$ 2,566,174</u>	<u>\$ 2,341,357</u>	<u>\$ 3,736,991</u>	<u>\$ 3,733,359</u>	<u>\$ 3,294,253</u>	<u>\$ 2,565,233</u>

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>
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
2012	769,256	307,575
2013	782,387	330,912
2014	787,762	355,306

Source: Current and prior year's financial statements

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

Fiscal Year Ended June 30,	Real Property	Manufactured Structures	Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Measure 5 Real Market Value (RMV)
2005	174,989,645	142,460	6,733,101	4,027,000	185,892,206	2.6417	262,193,635
2006	200,318,254	176,090	6,956,565	3,199,100	210,650,009	2.6417	320,811,827
2007	230,681,761	196,740	7,764,154	3,101,400	241,744,055	2.6417	416,131,125
2008	259,662,042	269,090	8,627,120	2,647,400	271,205,652	2.6417	586,314,650
2009	279,355,466	202,480	8,390,970	2,834,900	290,783,816	2.6417	641,825,525
2010	293,239,921	196,270	9,595,580	2,310,100	305,341,871	2.6417	518,138,455
2011	299,029,708	159,640	8,986,640	2,858,400	311,034,388	2.6417	451,070,086
2012	294,195,678	178,990	8,188,750	2,843,630	305,407,048	2.6417	393,289,238
2013	301,988,249	171,390	7,728,030	2,474,000	312,361,669	2.6417	386,590,358
2014	306,870,940	209,820	6,945,910	2,799,800	316,826,470	2.6417	375,985,330

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

Fiscal Year	City of Sisters*			Overlapping Rates					Total Direct & Overlapping Rates
	General Fund	Urban Renewal	Total	Deschutes County	School ₁ District #6	COCC ₂	SPRD ₃	Camp Sherman Fire Dist	
2005	2.58	0.34	2.92	3.20	6.61	0.71	0.22	2.67	16.33
2006	2.57	0.39	2.96	3.18	6.60	0.70	0.21	2.66	16.31
2007	2.58	0.33	2.91	3.15	6.53	0.70	0.22	2.67	16.18
2008	2.57	0.41	2.98	3.14	6.41	0.69	0.21	2.97	16.40
2009	2.56	0.47	3.03	3.37	6.36	0.69	0.21	2.88	16.54
2010	2.56	0.46	3.02	3.38	6.39	0.60	0.21	2.91	16.51
2011	2.54	0.58	3.12	3.32	6.30	0.71	0.21	2.86	16.52
2012	2.56	0.45	3.01	3.34	5.86	0.73	0.21	2.89	16.04
2013	2.53	0.63	3.16	3.32	5.76	0.73	0.21	2.84	16.02
2014	2.53	0.60	3.13	3.21	5.72	0.72	0.21	2.85	15.84

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

₁ School District #6 includes Sisters School District and Education Service District (ESD)

₂ COCC - Central Oregon Community College

₃ SPRD - Sisters Parks and Recreation District

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

Fiscal Year Ended June 30,	Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	544,880	513,917	94.32%	30,937	544,854	100.00%
2006	626,751	597,065	95.26%	29,654	626,719	99.99%
2007	710,141	664,595	93.59%	45,484	710,079	99.99%
2008	807,122	753,572	93.37%	53,288	806,860	99.97%
2009	879,759	806,487	91.67%	72,792	879,279	99.95%
2010	920,414	851,565	92.52%	67,190	918,755	99.82%
2011	968,063	901,769	93.15%	61,609	963,378	99.52%
2012	918,015	862,038	93.90%	47,325	909,363	99.06%
2013	981,366	927,418	94.50%	34,755	962,173	98.04%
2014	989,983	943,355	95.29%	-	943,355	95.29%

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

CITY OF SISTERS, OREGON
Principal Taxpayers
City of Sisters
June 30, 2014 and June 30, 2004

June 30, 2014			
Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
SISTERS CORPORATION	\$ 7,341,890	1	2.32%
3 SISTERS PARTNERS LLC	4,620,190	2	1.46%
BEST WESTERN PONDEROSA LODGE INC	4,194,550	3	1.33%
SISTERS COMMERCIAL II LLC,	3,188,180	4	1.01%
THREEWIND ASSOCIATES L L C	3,180,920	5	1.01%
WILLITTS LLC	3,133,430	6	0.99%
DINSDALE, PETER B	1,936,500	7	0.61%
COLD SPRINGS LLC	1,832,800	8	0.58%
JAQUA, STEPHEN	1,560,090	9	0.49%
141 E CASCADE LLC	1,483,950	10	0.47%
	<u>\$ 32,472,500</u>		
Total Assessed Valuation	<u>\$ 316,287,784</u>		

June 30, 2004			
Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
N/A	N/A	1	N/A
N/A	N/A	2	N/A
N/A	N/A	3	N/A
N/A	N/A	4	N/A
N/A	N/A	5	N/A
N/A	N/A	6	N/A
N/A	N/A	7	N/A
N/A	N/A	8	N/A
N/A	N/A	9	N/A
N/A	N/A	10	N/A
	<u>\$ -</u>		
Total Assessed Valuation (estimated)	<u>N/A</u>		

N/A - Information at City level not available.

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

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Population
	General Obligation Bonds	Loans Payable	Revenue Bonds	Loans Payable			
2005	-	-	5,442,992	1,162,935	6,605,927	0.1203	1,660
2006	1,388,905	-	5,382,072	1,132,096	7,903,073	0.1274	1,745
2007	1,317,048	-	5,311,789	2,799,952	9,428,789	0.1409	1,825
2008	1,941,742	-	5,188,442	2,674,754	9,804,938	0.1412	1,875
2009	1,804,688	-	5,111,691	2,546,339	9,462,718	0.1367	1,925
2010	1,661,292	-	5,031,486	2,413,225	9,106,003	0.1468	1,925
2011	1,511,504	-	4,947,672	2,270,157	8,729,333	0.1257	2,038
2012	1,355,039	-	4,860,086	2,121,936	8,337,061	0.1703	2,055
2013	1,191,595	-	4,768,559	1,968,353	7,928,507	0.1499	2,115
2014	-	710,126	4,672,913	1,823,429	7,206,468	0.1065	2,115

N/A - Information at City level not available.

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

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

Fiscal Year	Population	General Obligation Bonds	Total Taxable Assessed Value (000)'s	Percentage of Debt to Value of Property	Net Bonded Debt Per Capita Value (000)'s
2005	1,660	-	185,892	0.00%	0
2006	1,745	1,388,905	210,650	0.66%	796
2007	1,825	1,317,048	241,744	0.54%	722
2008	1,875	1,941,742	271,206	0.72%	1,036
2009	1,925	1,804,688	290,784	0.62%	938
2010	1,925	1,661,292	305,342	0.54%	863
2011	2,038	1,511,504	311,034	0.49%	742
2012	2,055	1,355,039	305,407	0.44%	659
2013	2,115	1,191,595	312,362	0.38%	563

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

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

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

	2014	2013	2012	2011	2010
Real market value	\$ 375,985,330	\$ 386,590,358	\$ 393,289,238	\$ 451,070,086	\$ 518,138,455
Debt limit rate	3%	3%	3%	3%	3%
Debt limit	11,279,560	11,597,711	11,798,677	13,532,103	15,544,154
Less general bonded debt June 30,	-	1,191,595	1,355,039	1,511,504	1,661,292
Legal debt margin	<u>\$ 11,279,560</u>	<u>\$ 10,406,116</u>	<u>\$ 10,443,638</u>	<u>\$ 12,020,599</u>	<u>\$ 13,882,862</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.00%	 0.31%	 0.34%	 0.34%	 0.32%

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

2009	2008	2007	2006	2005
\$ 641,825,525	\$ 586,314,650	\$ 416,131,125	\$ 320,811,827	\$ 262,193,635
3%	3%	3%	3%	3%
19,254,766	17,589,440	12,483,934	9,624,355	7,865,809
1,804,688	1,941,742	1,317,048	1,388,905	-
<u>\$ 17,450,078</u>	<u>\$ 15,647,698</u>	<u>\$ 11,166,886</u>	<u>\$ 8,235,450</u>	<u>\$ 7,865,809</u>
0.28%	0.33%	0.32%	0.43%	0.00%

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

Fiscal Year	Population¹	Personal Income²	Per Capita Personal Income³	School Enrollment⁴	Unemployment Rate⁵
2005	1,660	54,917,780	33,083	1,329	5.50%
2006	1,745	62,024,280	35,544	1,436	4.30%
2007	1,825	66,895,375	36,655	1,332	4.40%
2008	1,875	69,429,375	37,029	1,303	6.90%
2009	1,925	69,234,550	35,966	1,306	14.70%
2010	1,935	48,945,825	25,295	1,296	13.60%
2011	2,038	49,723,124	24,398	1,218	12.20%
2012	2,080	52,877,760	25,422	1,155	10.90%
2013	2,115	53,498,925	25,295	1,148	9.70%
2014	2,115	67,696,920	32,008	1,141	7.50%

Data Sources

- ¹ Center for Population Research and Census, Portland State University
- ² Estimation; Calculated, Population multiplied by Per Capita Personal Income
- ³ Per Capita Income as reported by Worksource, Oregon Employment Department
- ⁴ Sisters School District #6
- ⁵ 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**

2013-14		
Employer	Employees	Rank
Sisters School District	131	1
Sisters Coffee Company	60	2
FivePine Lodge & Conference Center	35	3
Three Creeks Brewing	45	4
Ray's Food Place	65	5
McDonald's Sisters	30	6
Energyneering Systems	43	7
Metabolic Maintenance	31	8
Sisters Athletic Club	31	9
Bi-Mart Sisters	29	10
	500	

2003-04

Information for 2003-04 is not readily available.

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

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
General government	2.53	2.44	2.62	2.49	2.30	1.50	1.70	1.40	1.40	1.20
Culture and recreation	1.50	1.48	1.51	1.04	1.30	1.00	0.90	0.80	1.30	0.60
Community development	0.85	0.85	0.85	1.03	2.00	2.00	1.50	1.40	1.30	0.70
Streets and highways	1.90	1.91	1.91	1.11	1.20	1.10	1.10	1.20	1.10	0.80
Total governmental activities	6.78	6.68	6.89	5.67	6.80	5.60	5.20	4.80	5.10	3.30
Business-type activities:										
Water	2.00	1.92	2.09	2.50	2.50	2.40	2.00	1.70	2.60	1.70
Sewer	1.97	1.90	2.02	2.83	3.20	2.30	1.80	1.40	1.40	1.10
Refuse	-	-	-	-	-	2.20	2.00	2.10	1.90	1.90
Total business-type activities	3.97	3.82	4.11	5.33	5.70	6.90	5.80	5.20	5.90	4.70
Total primary government budgeted FTE	10.75	10.50	11.00	11.00	12.50	12.50	11.00	10.00	11.00	8.00
City of Sisters										
Management and exempt	6.00	6.00	6.00	6.00	7.00	6.00	6.00	4.00	3.00	3.00
Temporary employees	0.50	0.50	0.50	0.50	0.50	0.50	0.33	0.33	0.33	0.33
Total Employees	17.25	17.00	17.50	17.50	20.00	19.00	17.33	14.33	14.33	11.33

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

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

FUNCTION/PROGRAM	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:										
Street										
Street miles	28.4	28.2	28.2	28.2	19	19	19	18	17.5	17
Street resurfing miles	1.5	1.5	2	2	1.5	1.5	0.5	0.5	0	0
Culture and recreation										
Parks	7	7	7	7	7	7	7	7	7	7
Special event permits issued	43	56	54	52	47	47	34	32	29	32
Public Safety (1)										
Calls for service	N/A	N/A	N/A	N/A	784	784	967	N/A	N/A	N/A
Number of arrests	N/A	N/A	N/A	N/A	115	115	186	N/A	N/A	N/A
Business-type Activities:										
Water										
Water mains (miles)	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33	32	31.4
Average daily water consumption -CCF(2)	69,599	75,166	71,275	68,244	73,641	73,641	73,752	75,591	64,004	64,473
Sewer										
Sanitary sewers (miles)	23	23	23	23	23	23	23	23	22.5	22
Maximum daily treatment capacity	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd	396,000 gpd
Average daily sewer treatment	189,000 gpd	196,000 gpd	194,000 gpd	182,000 gpd	168,000 gpd	168,000 gpd	168,000 gpd	160,000 gpd	150,000 gpd	140,000 gpd

(1) Police statistics are for the calendar year.

(2) 1,000 cubic feet

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

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

FUNCTION/PROGRAM	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
General Government										
Buildings owned-all structures	18	18	18	19	18	18	18	17	16	16
Vehicles/Equip (i.e. trailers, mowers)	5	5	5	5	5	5	5	5	4	4
Vehicles (i.e. cars & pick ups)-excluding police	12	12	15	15	15	15	15	15	14	14
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	8	8	7	7	7	7	5	5	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	9	8	8	7	7	7	7	7	5	5
Streets and Highways										
Miles of streets maintained by City:										
Paved	26.9	26.5	26.5	26.5	18.5	18.5	18.5	17.5	17.0	16.5
Unpaved	1.5	1.5	1.5	1.5	0.5	0.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	3	3	3	3	3	2	2	2	2
Business-type Activities										
Water										
Reservoirs	1	1	1	1	1	1	1	1	1	1
Wells	3	3	3	3	3	3	3	3	2	2
Wastewater										
Treatment plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	4	4	4	4	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, 2014, and have issued our report thereon dated November 8, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

Expenditures exceeded appropriations for the 2013-2014 budget in the following amount:

General Fund:	
Support Services	\$ 433
Planning	\$ 7,319
Street Fund:	
Materials and Services	\$ 2,913

The City of Sisters is required to notify the Oregon State Treasury Department about any changes regarding financial institutions holding City deposits within 3 days. The City opened an account at a new financial institution in March 2014 and did not notify the State until August 2014.

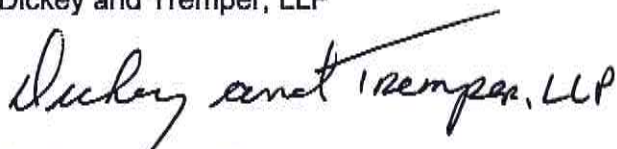
OAR 162-10-0230 Internal Control

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 8, 2014.

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



November 8, 2014



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sisters, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Sisters, Oregon's basic financial statements, and have issued our report thereon dated November 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sisters, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sisters, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sisters, Oregon's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2014-01 and 2014-02 to be material weaknesses.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified. As described in the accompanying schedule of findings and responses, we

identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Compliance and Other Matters

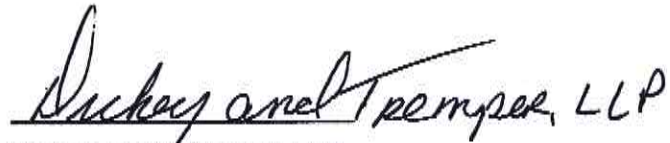
As part of obtaining reasonable assurance about whether City of Sisters, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Sisters, Oregon's Response to Findings

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

Purpose of this Report

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



Dickey and Tremper, LLP
Certified Public Accountants

Pendleton, Oregon
November 8, 2014

**CITY OF SISTERS, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2014**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

02 Significant deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Sisters. The deficiencies described below as 2014-01 and 2014-02 are reported as a material weaknesses.

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

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2014-01

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

Effect: There were contributions of infrastructure improvements to the water and sewer utilities, an exchange of land, and other items that were not properly reflected in the capital asset schedules by management and corrected during the audit process.

Cause: Capital asset schedules are done through a manual process, which increases the risk of human error. There also is not a formal process in place for receiving contributions of capital assets from outside parties and the Urban Renewal Agency.

Auditor's recommendation: We recommend that management review its year-end reporting of capital assets process to incorporate additional oversight and review of staff work. We further recommend that the City establish and follow a policy for receiving contributions of public improvements from outside parties and the Urban Renewal Agency.

Management's response: The acceptance of contributed capital assets will be incorporated into the City's Policies and Procedures to ensure items will not be overlooked in the future. Additionally the staff will include the review of Council minutes in the year-end closing process to ensure proper recording of capital asset activity.

2014-02

Condition and criteria: The City's controls over the fiscal year-end financial reporting process rely largely on manual entries to record activity on the modified accrual basis of accounting. There were journal entries required to correct year-end balances. Significant adjustments were required in the areas of accounts receivable, revenue, deferred inflows, accounts payable, and capital assets.

Effect: Adjustments were required to correct the accounting records for the affected areas and some of the adjustments were material, resulting in a material weakness to be reported.

Cause: Year-end entries are done each year through a manual process, which increases the risk of human error.

Auditor's recommendation: We recommend that management review its year-end journal entry processes to incorporate additional oversight and review.

Management's response: Management agrees with the condition and the auditor's recommendation. Additional oversight and review of the year-end closing process will be incorporated in the future, including review of cash collections received after the City's 30 day "available and measurable" period.

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