

CITY OF SISTERS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015



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, 2015

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INTRODUCTORY SECTION

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December 7, 2015

Honorable Mayor Chris Frye,
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, 2015 is hereby submitted.

This report presents the financial position of the City as of June 30, 2015 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 2,190. 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 has begun to move along in recovery. The City has seen an increase in business licenses (2%) and planning and inspection fees (35%). Both room tax and local gas tax collections have increased by 11%. Employers are growing in Sisters, examples being Energyneering, Three Creeks Brewing and Metabolic Maintenance. Sisters School District, continues to struggle with enrollment and related budget challenges, but the rate of decline in enrollment appears to be stabilizing. These factors give a reason to continue 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

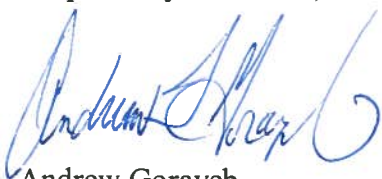
Independent Audit – The State of Oregon requires an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The firm, Dickey and Tremper, LLP was selected. The auditor's 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, 2015

ELECTED OFFICIALS OF THE CITY

<u>Name</u>	<u>Position</u>	<u>Terms</u>
Chris Frye	Mayor	December, 2016
Nancy Connolly	Council President	December, 2018
David Asson	Council Member	December, 2018
Wendy Holzman	Council Member	December, 2016

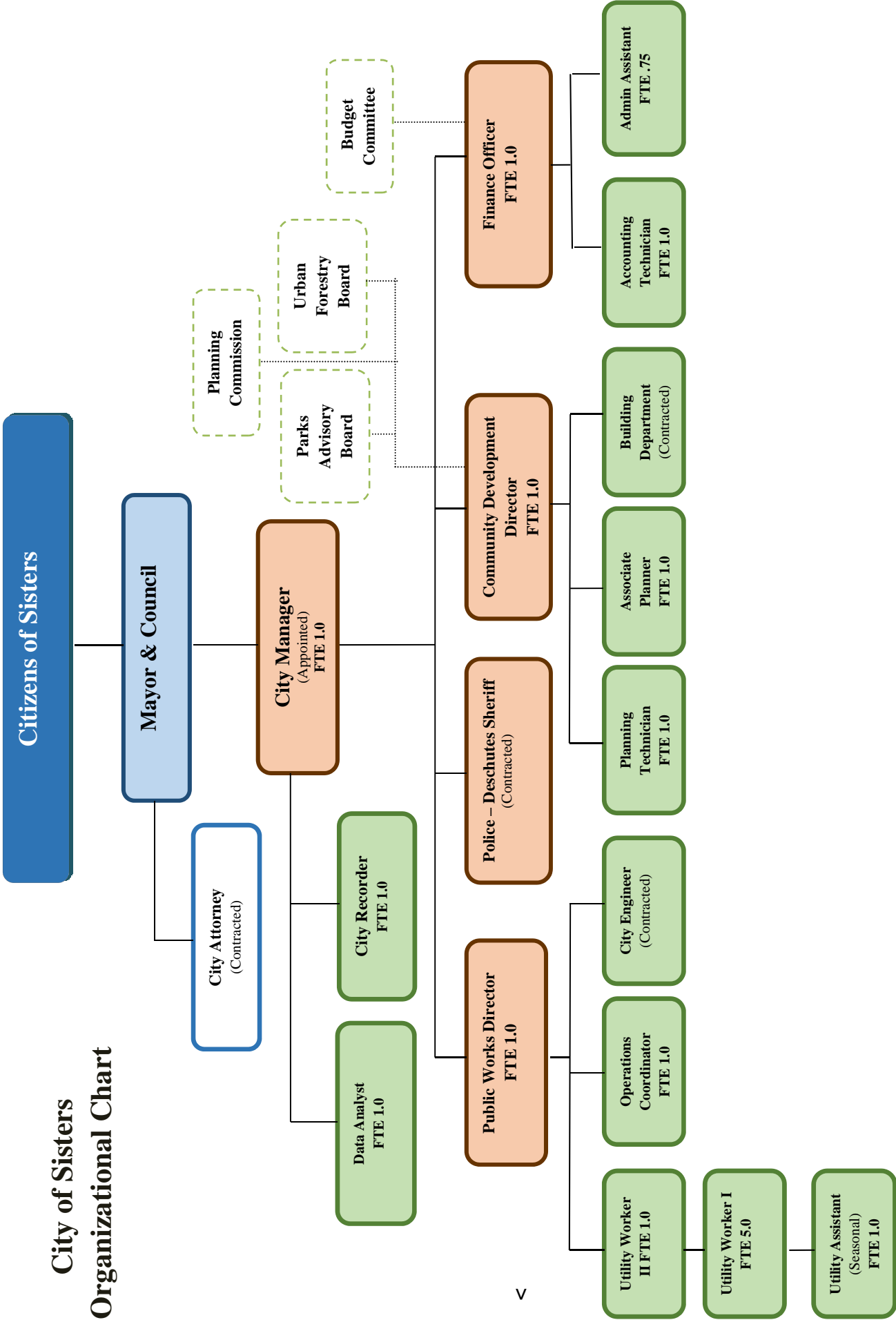
CITY STAFF

<u>Name</u>	<u>Position</u>
Andrew Gorayeb.....	City Manager
Lynne Fujita-Conrads	Finance Officer
Paul Bertagna.....	Public Works Director
Patrick Davenport	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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Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

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, 2015, 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. 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.

A

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, 2015, 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 Principle

As described in Note I. E. and Note IV, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the City's Proportional Share of the Net Pension Liability (Asset) and the City's Contribution to the Oregon Public Employees Retirement System, and Notes to Required Supplementary Information, as listed in the table of contents 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 December 7, 2015, 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 December 7, 2015, 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

December 7, 2015

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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, 2015

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, 2015. 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 \$36.9 million at the end of the fiscal year, an increase of \$2.3 million from last fiscal year primarily due to a \$1.3 million loan received for urban renewal projects, \$.5 million for street improvements and contributed assets, and \$.5 million in system development charges.
- The City's liabilities totaled \$9.1 million at the end of the fiscal year, an increase of \$1 million from last fiscal year primarily due to the urban renewal loan offset by debt service payments and a decrease in accounts payable.
- The net position balance (assets over liabilities) of \$27.4 million increased by \$1 million over last year. The balance is composed of investments in capital assets such as buildings, infrastructure, and roads (\$20.2 million), restricted amounts for future capital projects and debt service (\$3.9 million) and an unrestricted balance (\$3.3 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 \$5.6 million this fiscal year, an increase of \$.6 million from last year, primarily due to contributed capital from development projects. A \$.1 million increase in permit and planning fees were offset by a decrease in grant revenue due to the completion of Fir Street Park.
- Expenses for the City totaled \$4.2 million for this fiscal year remaining flat compared to FY 13/14. A \$.2 million favorable adjustment to pension expense was offset by an increase in building inspection, public safety, and economic development expenditures.

Fund Level

- The City's governmental funds have a combined fund balance of \$4.0 million, an increase of \$1.1 million from last year primarily due to a \$1.3 million loan received for urban renewal projects offset by capital expenditures for street improvements. The majority of the \$4.0 million combined fund balance is either restricted or assigned. Approximately \$2.2 million is designated for specific programs through legal or contractual provisions, \$1.9 million is within the General Fund.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

- Total property taxes of \$.9 million decreased 2.8% over last fiscal year. 87% of property tax collections were for operations and 13% for debt service. Fuel and lodging taxes increased 12.9% to \$.6 million.
- Licenses and fees increased by \$.1 million due to an increase in inspection fees and park user fees. Intergovernmental revenue increased by \$.2 million for grant proceeds for Fir Street Park and Hood Avenue parking improvements.
- The City's proprietary funds have a combined net position of \$17.5 million at the end of the fiscal year, an increase of \$1 million from last year. Each of the City's four proprietary funds increased their fund balance in FY14/15.

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 net position has 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. 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,

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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
- Highways and Streets

Business-type activities of the City include the following:

- Water Utility
- Wastewater Utility

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 demonstrate compliance with 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.

The City maintains eight individual governmental funds. Information is presented separately for the General Fund, the Street Fund, and Urban Renewal Project Fund which are considered to be major funds. Data from the other five governmental funds are combined into a single,

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of combining statements.

Proprietary Funds are used to account for activities supported by user charges 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.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including budgetary to actual comparisons for the major and non-major funds.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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		
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 4.81	\$ 3.73	\$ 3.63	\$ 2.78	\$ 8.44	\$ 6.51	\$ 1.93
Capital assets	7.83	7.39	20.60	20.66	28.43	28.05	0.38
Total assets	<u>12.64</u>	<u>11.12</u>	<u>24.23</u>	<u>23.44</u>	<u>36.87</u>	<u>34.56</u>	<u>2.31</u>
Deferred Outflows	0.04	-	0.02	-	0.06	-	0.06
Current liabilities	0.55	0.61	0.31	0.29	0.86	0.90	-0.04
Noncurrent liabilities	1.94	0.74	6.32	6.51	8.26	7.25	1.01
Total liabilities	<u>2.49</u>	<u>1.36</u>	<u>6.63</u>	<u>6.80</u>	<u>9.12</u>	<u>8.16</u>	<u>0.97</u>
Deferred Inflows	0.28	-	0.11	-	0.39	-	0.39
Net position:							
Invested in capital assets, net of related debt	5.93	6.69	14.30	14.16	20.23	20.85	-0.62
Restricted	1.73	1.03	2.17	1.68	3.90	2.71	1.19
Unrestricted	2.25	2.05	1.04	0.80	3.29	2.85	0.44
Total net position	<u>\$ 9.91</u>	<u>\$ 9.77</u>	<u>\$ 17.51</u>	<u>\$ 16.64</u>	<u>\$ 27.42</u>	<u>\$ 26.41</u>	<u>\$ 1.01</u>

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 \$27.42 million at the close of fiscal year 2014/15. The largest portion of the City's net position (74%) is invested in capital assets (e.g., land, building, infrastructure, and equipment), and is reported net of related outstanding debt. 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 \$.38 million primarily due to contributed assets from development and street infrastructure expenditures offset by annual depreciation expense.

Restricted net position totals \$3.90 million (14%) and represents cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net position (\$3.29 million or 12%) 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, 2015

Statement of Activities:

Net position of the City increased by \$1.0 million in the current fiscal year. Governmental activities' net position increased by \$146,542 and business-type activities increased by \$869,018.

Table 2
City of Sisters' Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Change
	2015	2014	2015	2014	2015	2014	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 729,887	\$ 612,917	\$ 1,439,761	\$ 1,347,700	\$ 2,169,648	\$ 1,960,617	\$ 209,031
Operating grants and contributions	341,225	324,859	-	-	341,225	324,859	16,366
Capital grants and contributions	526,006	323,142	967,087	668,233	1,493,093	991,375	501,718
General revenues:							
Taxes	937,268	964,376	-	-	937,268	964,376	(27,108)
Other	675,608	721,616	13,367	12,069	688,975	733,685	(44,710)
Total revenues	\$ 3,209,994	\$ 2,946,910	\$ 2,420,215	\$ 2,028,002	\$ 5,630,209	\$ 4,974,912	\$ 655,297
Expenses:							
General government	\$ 1,287,783	\$ 1,203,524	\$ -	\$ -	\$ 1,287,783	\$ 1,203,524	\$ 84,259
Public safety	523,010	486,672	-	-	523,010	486,672	36,338
Highways and streets	605,520	631,587	-	-	605,520	631,587	(26,067)
Culture and recreation	252,144	245,760	-	-	252,144	245,760	6,384
Community development	102,926	84,354	-	-	102,926	84,354	18,572
Interest on long-term debt	43,475	58,118	-	-	43,475	58,118	(14,643)
Water	-	-	557,033	569,584	557,033	569,584	(12,551)
Sewer	-	-	865,513	908,123	865,513	908,123	(42,610)
Total expenses	\$ 2,814,858	\$ 2,710,015	\$ 1,422,546	\$ 1,477,707	\$ 4,237,404	\$ 4,187,722	\$ 49,682
Increase in net position before transfers	\$ 395,136	\$ 236,895	\$ 997,669	\$ 550,295	\$ 1,392,805	\$ 787,190	\$ 605,615
Transfers	20,869	20,294	(20,869)	(20,294)	-	-	-
Change in net position	416,005	257,189	976,800	530,001	1,392,805	787,190	605,615
Net position, July 1	9,498,942	9,511,216	16,534,974	16,112,755	26,033,916	25,623,971	409,945
Net position, June 30	\$ 9,914,947	\$ 9,768,405	\$ 17,511,774	\$ 16,642,756	\$ 27,426,721	\$ 26,411,161	\$ 1,015,560

Governmental Funds

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$4.0 million. Approximately \$1.6 million or 40% of the balance is unassigned for spending at the City's discretion. The remainder of fund balance is assigned or restricted for debt service (\$.3 million) and capital projects from System Development Charges (\$.9 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 \$1.6 million. This represents a \$.7 million increase from FY 2013/14 primarily due to a loan to the City's Urban Renewal Agency which was paid off and refinanced with an outside lending agency.

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, 2015 is \$506,628, a decrease of \$67,446 from prior year primarily due to capital expenditures for infrastructure improvements.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The *Urban Renewal Project Fund* accounts for the resources and payments for project construction related to the Sisters Urban Renewal Plan. The Project Fund completed the Fir Street Park project and continued construction of Village Green Parking and the Cascade Avenue Improvement projects. The fund also issued \$99,263 in grants for façade improvements.

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)	\$549,744	(53%)
All Sewer (including SDC)	\$487,136	(47%)

The total proprietary fund unrestricted net assets increased by \$239,603 from the prior year primarily due to an increase in charges for services due to development activity during the year.

BUDGETARY HIGHLIGHTS

The budgetary statements show the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2015.

General Fund. The General Fund's final budgeted change in fund balance increased by \$711,600 from the original budget primarily due to the payoff of a loan to the Urban Renewal Agency. Variances between final budget and actual revenue and expenditures were due to collections of property tax and transient room taxes over budget and an increase in planning and building inspection fees.

Other Funds. The Street Fund had a positive variance in the change in fund balance primarily due to higher than budgeted gas tax revenues and Hood Avenue and street overlay capital projects that will be completed in FY 15/16. The Water Fund had a positive variance to budget primarily due to an increase in intergovernmental revenue and the budgeted Barclay Drive Waterline project which will be completed in FY 15/16. The Sewer Fund also had a positive variance due to higher than budgeted sewer receipts and remaining contingency reserves.

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, 2015 amounts to \$28.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure (e.g. streets, water and sewer systems). Of all capital assets, 27% is associated with governmental activities and 73% with business-type activities. See Table 3 below.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

In total, the City's capital assets increased by \$.38 million from the prior year. Governmental activities account for \$.43 million of the increase and business-type activities account for \$.05 million decrease. Capital asset projects during the fiscal year included the following:

- Cascade Avenue Improvements
- Completion of Fir Street Park
- Village Green Parking
- Completion of Locust/Hwy20 Multi Use Path
- Railway and Hood Avenue Improvements

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2015	2014	2015	2014	2015	2014	+ (-)
Land	\$ 507,220	\$ 639,290	\$ 4,274,205	\$ 4,274,205	\$ 4,781,425	\$ 4,913,495	\$ (132,070)
Art and sculptures	330,872	270,000	14,000	-	344,872	270,000	74,872
Construction in progress	395,495	629,995	190,554	276,212	586,049	906,207	(320,158)
Buildings	2,629,358	2,242,959	557,502	561,075	3,186,860	2,804,034	382,826
Improvements, others than buildings	3,858,282	3,516,063	15,522,531	15,462,010	19,380,813	18,978,073	402,740
Equipment	109,673	95,875	46,526	85,508	156,199	181,383	(25,184)
Total	<u>\$ 7,830,900</u>	<u>\$ 7,394,182</u>	<u>\$ 20,605,318</u>	<u>\$ 20,659,010</u>	<u>\$ 28,436,218</u>	<u>\$ 28,053,192</u>	<u>\$ 383,026</u>

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

Long-term debt. At the end of the current fiscal year, the City had total outstanding debt of \$8.2 million. Of this amount, \$3.6 million are notes payable backed by the full faith and credit of the City. 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 \$4.6 million of the debt outstanding. This debt is secured by the City's sewer and sewer system development revenues.

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2015	2014	2015	2014	2015	2014	+ (-)
Revenue bonds	0.0	0.0	4.6	4.7	4.6	4.7	(0.1)
Notes Payable	1.9	0.7	1.7	1.8	3.6	2.5	1.1
Total	<u>\$ 1.9</u>	<u>\$ 0.7</u>	<u>\$ 6.3</u>	<u>\$ 6.5</u>	<u>\$ 8.2</u>	<u>\$ 7.2</u>	<u>\$ 1.0</u>

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

All scheduled debt payments were met during the fiscal year. The City purchased a note payable of \$1.3 million for urban renewal projects in November 2014.

Under Oregon Revised Statutes, general obligation debt is limited to 3% of the real market value of all taxable property within the City's boundaries. The City's outstanding general obligation debt of \$3.6 million is below this limit, calculated to be \$9.5 million.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparing the budget for FY 2015/16 the City considered various economic factors and used the following assumptions:

Property taxes. The City has forecasted a 5% increase in assessed value for properties within the city limits, with a collection rate of 95%.

The City's current **population** is 2,190. It is assumed that during the upcoming fiscal year the City's population will continue to increase by approximately 3%. This assumption affects the estimates for state shared revenues, such as gasoline tax, which are distributed on a per capita basis. It is also used in determining the requirement for city services and any associated fees (i.e. estimating water delivery requirements and fees).

The **personnel services** budget includes a 3.0% merit adjustment for all employees which is tied to performance. Cost of living adjustments were budgeted at 1.7%.

It was assumed that **medical benefit** premiums will increase approximately 7.8%. The City budgets 90% of the health care premium cost for employees. Employees contribute 10% of the premium cost.

The City's employer contribution rate to the **Public Employee Retirement System (PERS)** is 11.25% and 6.95% 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 insurance will increase by 5%
- Automobile insurance will increase by 13.4%
- Liability insurance will increase by 7.6%
- Unemployment insurance will not change
- Workers compensation insurance rates will increase 3%

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Budgeted operating contingency is \$.7 million which represents 2 months of operating expenses. Reserves for capital replacement and improvements are \$1.5 million, unappropriated reserves are \$.4 million and reserves for future expenditures, which includes expenditures for capital projects and new development, are \$4.0 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 Director at City of Sisters, P.O. Box 39, Sisters, Oregon 97759, or visit the City's website at www.ci.sisters.or.us.

BASIC FINANCIAL STATEMENTS

CITY OF SISTERS, OREGON
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,572,419	\$ 1,220,420	\$ 3,792,839
Receivables:			
Accounts, net	91,692	121,961	213,653
Intergovernmental	69,355	20,761	90,116
Property taxes	33,252	-	33,252
Assessments	169,020	5,988	175,008
Inventories	-	31,520	31,520
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,738,136	2,170,325	3,908,461
Net pension asset	139,847	55,937	195,784
Capital assets:			
Land	507,220	4,274,205	4,781,425
Art and sculptures	330,872	14,000	344,872
Construction in progress	395,495	190,554	586,049
Depreciable assets, net of depreciation	<u>6,597,313</u>	<u>16,126,559</u>	<u>22,723,872</u>
 Total assets	 <u>12,644,621</u>	 <u>24,232,230</u>	 <u>36,876,851</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>44,366</u>	<u>17,746</u>	<u>62,112</u>
LIABILITIES			
Accounts payable and accrued expenses	214,478	51,056	265,534
Deposits	85,968	76,721	162,689
Accrued interest payable	1,690	174,642	176,332
Retainage payable	3,071	628	3,699
Unearned revenue	249,727	6,988	256,715
Long-term obligations:			
Due within one year	134,110	223,160	357,270
Due in more than one year	<u>1,805,637</u>	<u>6,093,267</u>	<u>7,898,904</u>
 Total liabilities	 <u>2,494,681</u>	 <u>6,626,462</u>	 <u>9,121,143</u>
DEFERRED INFLOWS OF RESOURCES	<u>279,359</u>	<u>111,740</u>	<u>391,099</u>
NET POSITION			
Net investment in capital assets	5,926,170	14,304,569	20,230,739
Restricted for:			
Debt service	264,987	313,327	578,314
System development	1,414,207	1,856,998	3,271,205
Other	58,492	-	58,492
Unrestricted	<u>2,251,091</u>	<u>1,036,880</u>	<u>3,287,971</u>
 Total net position	 <u>\$ 9,914,947</u>	 <u>\$ 17,511,774</u>	 <u>\$ 27,426,721</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

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	\$ 1,287,783	\$ 551,166	\$ 5,053	\$ -	\$ (731,564)	\$ -	\$ (731,564)
Public safety	523,010	-	26,215	-	(496,795)	-	(496,795)
Culture and recreation	252,144	167,551	22,110	127,294	64,811	-	64,811
Community development	102,926	-	-	65,583	(37,343)	-	(37,343)
Highways and streets	605,520	11,170	287,847	333,129	26,626	-	26,626
Interest on long-term obligation	43,475	-	-	-	(43,475)	-	(43,475)
Total governmental activities	2,814,858	729,887	341,225	526,006	(1,217,740)	-	(1,217,740)
Business-type activities:							
Water	557,033	592,209	-	511,975	-	547,151	547,151
Sewer	865,513	847,552	-	455,112	-	437,151	437,151
Total business-type activities	1,422,546	1,439,761	-	967,087	-	984,302	984,302
Total primary government	\$ 4,237,404	\$ 2,169,648	\$ 341,225	\$ 1,493,093	(1,217,740)	984,302	(233,438)
General revenues:							
Property taxes levied for:							
General purposes					815,841	-	815,841
Debt service					121,427	-	121,427
Franchise and public services taxes					772,109	-	772,109
Interest and investment earnings					22,053	13,367	35,420
Miscellaneous					20,755	-	20,755
Gain (loss) on sale of property					(139,309)	-	(139,309)
Transfers					20,869	(20,869)	-
Total general revenues, special items, and transfers					1,633,745	(7,502)	1,626,243
Change in net position					416,005	976,800	1,392,805
Net position, beginning, as restated (See note IV. C.)					9,498,942	16,534,974	26,033,916
Net position, ending					\$ 9,914,947	\$ 17,511,774	\$ 27,426,721

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

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FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

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

Street Fund

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

Urban Renewal Project Fund

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

CITY OF SISTERS, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 2,021,010	\$ 562,432	\$ 500,012	\$ 1,227,101	\$ 4,310,555
Receivables:					
Property taxes	28,191	-	-	5,061	33,252
Accounts, net	51,783	39,909	-	-	91,692
Intergovernmental	19,036	11,769	11,455	27,095	69,355
Assessments, net	-	54,408	-	114,612	169,020
Total assets	<u>\$ 2,120,020</u>	<u>\$ 668,518</u>	<u>\$ 511,467</u>	<u>\$ 1,373,869</u>	<u>\$ 4,673,874</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 135,941	\$ 15,102	\$ 63,435	\$ -	\$ 214,478
Retainage payable	-	-	3,071	-	3,071
Deposits	4,863	81,105	-	-	85,968
Unearned revenue	84,956	40,821	-	123,950	249,727
Total liabilities	<u>225,760</u>	<u>137,028</u>	<u>66,506</u>	<u>123,950</u>	<u>553,244</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	39,272	24,862	11,455	4,231	79,820
Total deferred inflows of resources	<u>39,272</u>	<u>24,862</u>	<u>11,455</u>	<u>4,231</u>	<u>79,820</u>
FUND BALANCES					
Restricted	58,492	-	433,506	1,245,688	1,737,686
Assigned	150,615	506,628	-	-	657,243
Unassigned	1,645,881	-	-	-	1,645,881
Total fund balances	<u>1,854,988</u>	<u>506,628</u>	<u>433,506</u>	<u>1,245,688</u>	<u>4,040,810</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,120,020</u>	<u>\$ 668,518</u>	<u>\$ 511,467</u>	<u>\$ 1,373,869</u>	<u>\$ 4,673,874</u>

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

CITY OF SISTERS, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Fund balances - total governmental funds	\$ 4,040,810
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	7,830,900
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	79,820
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(35,017)
Net pension assets and the related deferred outflows and deferred inflows are not due and payable in the current period, and, therefore, are not reported in the funds.	(95,146)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(1,690)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	<u>(1,904,730)</u>
Net Position of governmental activities	<u>\$ 9,914,947</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 821,193	\$ -	\$ -	\$ 123,668	\$ 944,861
Other taxes	406,944	161,191	-	-	568,135
Franchise fees	-	308,032	-	-	308,032
Licenses and fees	664,732	6,622	-	17,614	688,968
Charges for services	23,533	-	-	-	23,533
Intergovernmental	115,153	168,832	188,960	50,000	522,945
Fines and forfeitures	3,838	-	-	-	3,838
System development charges	-	-	-	101,376	101,376
Rental income	9,000	-	-	-	9,000
Interest on investments	13,130	2,136	1,247	5,541	22,054
Miscellaneous	20,755	4,548	-	-	25,303
TOTAL REVENUES	<u>2,078,278</u>	<u>651,361</u>	<u>190,207</u>	<u>298,199</u>	<u>3,218,045</u>
EXPENDITURES					
Current:					
General government	1,304,765	-	-	-	1,304,765
Public safety	523,010	-	-	-	523,010
Culture and recreation	276,400	-	-	-	276,400
Community dev.	-	-	6,288	-	6,288
Highways and streets	-	492,042	-	-	492,042
Capital outlay	34,510	219,640	346,320	52,502	652,972
Debt service	-	-	-	100,500	100,500
TOTAL EXPENDITURES	<u>2,138,685</u>	<u>711,682</u>	<u>352,608</u>	<u>153,002</u>	<u>3,355,977</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(60,407)</u>	<u>(60,321)</u>	<u>(162,401)</u>	<u>145,197</u>	<u>(137,932)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	421,038	832,280	1,253,318
Transfers in	-	-	30,000	50,900	80,900
Transfers out	(22,905)	(7,126)	-	(30,000)	(60,031)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,905)</u>	<u>(7,126)</u>	<u>451,038</u>	<u>853,180</u>	<u>1,274,187</u>
NET CHANGE IN FUND BALANCE	(83,312)	(67,447)	288,637	998,377	1,136,255
FUND BALANCE, Beginning	<u>1,938,300</u>	<u>574,075</u>	<u>144,869</u>	<u>247,311</u>	<u>2,904,555</u>
FUND BALANCE, Ending	<u>\$ 1,854,988</u>	<u>\$ 506,628</u>	<u>\$ 433,506</u>	<u>\$ 1,245,688</u>	<u>\$ 4,040,810</u>

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

CITY OF SISTERS, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Net change in fund balance - governmental funds \$ 1,136,255

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 (133,503)

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.

58,714

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

(1,253,318)

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 (1,486)

 Change in accrued interest payable (1,690)

 Change in pension asset and related deferred outflows and inflows 174,316

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 \$ 562,880

 Donated capital assets 264,763

 Basis of assets disposed (139,309)

 Depreciation expense (251,617)

436,717

Change in net position - governmental activities \$ 416,005

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 801,000	\$ 801,000	\$ 821,193	\$ 20,193
Other taxes	360,000	360,000	406,944	46,944
Licenses and fees	468,512	468,512	664,732	196,220
Charges for services	23,800	23,800	23,533	(267)
Intergovernmental	109,212	109,212	115,153	5,941
Fines and forfeitures	2,500	2,500	3,838	1,338
Rental income	9,000	9,000	9,000	-
Interest on investments	11,500	11,500	13,130	1,630
Miscellaneous	13,322	13,322	20,755	7,433
TOTAL REVENUES	<u>1,798,846</u>	<u>1,798,846</u>	<u>2,078,278</u>	<u>279,432</u>
EXPENDITURES				
Current:				
General government	1,177,203	1,294,713	1,304,765	(10,052)
Public safety	523,010	523,010	523,010	-
Culture and recreation	234,139	290,539	276,400	14,139
Capital outlay	15,500	45,400	34,510	10,890
Contingency	300,000	114,590	-	114,590
TOTAL EXPENDITURES	<u>2,249,852</u>	<u>2,268,252</u>	<u>2,138,685</u>	<u>129,567</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(451,006)</u>	<u>(469,406)</u>	<u>(60,407)</u>	<u>408,999</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	81,600	841,600	878,818	37,218
Interfund loan payment	(315,000)	(345,000)	(30,000)	315,000
Transfers out	(29,250)	(29,250)	(22,905)	6,345
TOTAL OTHER FINANCING SOURCES (USES)	<u>(262,650)</u>	<u>467,350</u>	<u>825,913</u>	<u>358,563</u>
NET CHANGE IN FUND BALANCE	(713,656)	(2,056)	765,506	767,562
Budgetary basis adjustment	-	-	(848,818)	(848,818)
FUND BALANCE, Beginning	<u>1,080,408</u>	<u>1,098,808</u>	<u>1,938,300</u>	<u>839,492</u>
FUND BALANCE, Ending	<u>\$ 366,752</u>	<u>\$ 1,096,752</u>	<u>\$ 1,854,988</u>	<u>\$ 758,236</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Other taxes	\$ 130,000	\$ 130,000	\$ 161,191	\$ 31,191
Franchise fees	296,850	296,850	308,032	11,182
Licenses and fees	5,000	5,000	6,622	1,622
Intergovernmental	115,150	160,150	168,832	8,682
Interest on investments	1,000	1,000	2,136	1,136
Miscellaneous	1,666	1,666	4,548	2,882
TOTAL REVENUES	<u>549,666</u>	<u>594,666</u>	<u>651,361</u>	<u>56,695</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	202,264	205,364	202,574	2,790
Materials and services	197,570	305,270	289,468	15,802
Capital outlay	262,000	319,000	219,640	99,360
Contingency	70,000	4,200	-	4,200
TOTAL EXPENDITURES	<u>731,834</u>	<u>833,834</u>	<u>711,682</u>	<u>122,152</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(182,168)</u>	<u>(239,168)</u>	<u>(60,321)</u>	<u>178,847</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,100)	(9,100)	(7,126)	1,974
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,100)</u>	<u>(9,100)</u>	<u>(7,126)</u>	<u>1,974</u>
NET CHANGE IN FUND BALANCE	(191,268)	(248,268)	(67,447)	180,821
FUND BALANCE, Beginning	<u>566,617</u>	<u>623,617</u>	<u>574,075</u>	<u>(49,542)</u>
FUND BALANCE, Ending	<u>\$ 375,349</u>	<u>\$ 375,349</u>	<u>\$ 506,628</u>	<u>\$ 131,279</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL PROJECT FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 188,960	\$ 188,960
Interest on investments	200	200	1,247	1,047
TOTAL REVENUES	<u>200</u>	<u>200</u>	<u>190,207</u>	<u>190,007</u>
EXPENDITURES				
Current:				
Community development:				
Materials and services	4,647	4,647	6,288	(1,641)
Capital outlay	390,000	920,000	346,320	573,680
Contingency	4,281	4,281	-	4,281
TOTAL EXPENDITURES	<u>398,928</u>	<u>928,928</u>	<u>352,608</u>	<u>576,320</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(398,728)</u>	<u>(928,728)</u>	<u>(162,401)</u>	<u>766,327</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	250,000	421,038	171,038
Interfund loan proceeds	315,000	345,000	30,000	(315,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>315,000</u>	<u>595,000</u>	<u>451,038</u>	<u>(143,962)</u>
NET CHANGE IN FUND BALANCE	(83,728)	(333,728)	288,637	622,365
FUND BALANCE, Beginning	<u>83,728</u>	<u>333,728</u>	<u>144,869</u>	<u>(188,859)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,506</u>	<u>\$ 433,506</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

The City of Sisters uses 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, 2015

	<u>Business - type Activities - Enterprise Funds</u>		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 586,144	\$ 634,276	\$ 1,220,420
Receivables:			
Accounts, net	54,386	67,575	121,961
Intergovernmental	20,761	-	20,761
Assessments	-	5,988	5,988
Inventories	<u>31,520</u>	<u>-</u>	<u>31,520</u>
Total current assets	<u>692,811</u>	<u>707,839</u>	<u>1,400,650</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,251,546	918,779	2,170,325
Net pension asset	32,381	23,556	55,937
Capital assets:			
Land	10,022	4,264,183	4,274,205
Art and sculptures	-	14,000	14,000
Construction in progress	61,203	129,351	190,554
Depreciable assets, net of depreciation	<u>5,971,607</u>	<u>10,154,952</u>	<u>16,126,559</u>
Total noncurrent assets	<u>7,326,759</u>	<u>15,504,821</u>	<u>22,831,580</u>
Total assets	<u>8,019,570</u>	<u>16,212,660</u>	<u>24,232,230</u>
DEFERRED OUTFLOW OF RESOURCES	<u>10,273</u>	<u>7,473</u>	<u>17,746</u>
LIABILITIES			
Current liabilities:			
Accounts payable	34,268	16,788	51,056
Accrued interest payable	-	174,642	174,642
Retainage payable	628	-	628
Deposits	76,721	-	76,721
Unearned revenue	-	6,988	6,988
Compensated absences payable	7,064	4,694	11,758
Current portion of long-term debt	<u>-</u>	<u>211,402</u>	<u>211,402</u>
Total current liabilities	<u>118,681</u>	<u>414,514</u>	<u>533,195</u>
Long-term debt, net of current portion:			
Compensated absences payable	2,355	1,565	3,920
Notes and contracts payable	-	1,620,831	1,620,831
Bonds payable	<u>-</u>	<u>4,468,516</u>	<u>4,468,516</u>
Total long-term debt, net of current portion	<u>2,355</u>	<u>6,090,912</u>	<u>6,093,267</u>
Total liabilities	<u>121,036</u>	<u>6,505,426</u>	<u>6,626,462</u>
DEFERRED INFLOW OF RESOURCES	<u>64,685</u>	<u>47,055</u>	<u>111,740</u>
NET POSITION			
Net investment in capital assets	6,042,832	8,261,737	14,304,569
Restricted for system development	1,251,546	605,452	1,856,998
Restricted for debt service	-	313,327	313,327
Unrestricted	<u>549,744</u>	<u>487,136</u>	<u>1,036,880</u>
Total net position	<u>\$ 7,844,122</u>	<u>\$ 9,667,652</u>	<u>\$ 17,511,774</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
OPERATING REVENUES			
Charges for services	\$ 581,389	\$ 810,622	\$ 1,392,011
Licenses and fees	10,195	11,061	21,256
Rental income	-	24,000	24,000
Miscellaneous	625	1,869	2,494
TOTAL OPERATING REVENUES	<u>592,209</u>	<u>847,552</u>	<u>1,439,761</u>
OPERATING EXPENSES			
Personal services	176,700	123,724	300,424
Materials and services	194,395	208,291	402,686
Depreciation	184,426	286,942	471,368
TOTAL OPERATING EXPENSES	<u>555,521</u>	<u>618,957</u>	<u>1,174,478</u>
OPERATING INCOME (LOSS)	<u>36,688</u>	<u>228,595</u>	<u>265,283</u>
NON-OPERATING INCOME (EXPENSES)			
Gain (loss) on disposal of capital assets	(1,512)	-	(1,512)
Interest on investments	7,470	5,897	13,367
Interest expense	-	(246,556)	(246,556)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>5,958</u>	<u>(240,659)</u>	<u>(234,701)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	42,646	(12,064)	30,582
CAPITAL CONTRIBUTIONS			
Intergovernmental	21,618	-	21,618
System development charges	243,625	310,979	554,604
Capital asset contributions	246,732	144,133	390,865
TRANSFERS			
Transfers out	(8,653)	(12,216)	(20,869)
CHANGE IN NET POSITION	545,968	430,832	976,800
NET POSITION, Beginning, as restated (See note I.E.)	<u>7,298,154</u>	<u>9,236,820</u>	<u>16,534,974</u>
NET POSITION, Ending	<u>\$ 7,844,122</u>	<u>\$ 9,667,652</u>	<u>\$ 17,511,774</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 598,635	\$ 842,909	\$ 1,441,544
Payments to suppliers	(212,174)	(199,024)	(411,198)
Payments to employees	(133,769)	(96,089)	(229,858)
Payments for interfund services used	(46,557)	(65,322)	(111,879)
Net cash provided from (used by) operating activities	<u>206,135</u>	<u>482,474</u>	<u>688,609</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(8,653)	(12,216)	(20,869)
Net cash provided from (used by) non-capital financing activities	<u>(8,653)</u>	<u>(12,216)</u>	<u>(20,869)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	857	-	857
System development charges	243,625	310,979	554,604
Acquisition of capital assets	(20,132)	(7,562)	(27,694)
Principal paid on long-term obligations	-	(195,594)	(195,594)
Interest paid on long-term obligations	-	(247,424)	(247,424)
Net cash provided from (used by) capital and related financing activities	<u>224,350</u>	<u>(139,601)</u>	<u>84,749</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	7,470	5,897	13,367
Net cash provided (used) by investing activities	<u>7,470</u>	<u>5,897</u>	<u>13,367</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	429,302	336,554	765,856
CASH AND CASH EQUIVALENTS, Beginning	<u>1,408,388</u>	<u>1,216,501</u>	<u>2,624,889</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,837,690</u>	<u>\$ 1,553,055</u>	<u>\$ 3,390,745</u>
COMPRISED AS FOLLOWS			
Cash and cash equivalents	\$ 586,144	\$ 634,276	\$ 1,220,420
Restricted cash and cash equivalents	1,251,546	918,779	2,170,325
	<u>\$ 1,837,690</u>	<u>\$ 1,553,055</u>	<u>\$ 3,390,745</u>

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

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	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)	\$ 36,688	\$ 228,595	\$ 265,283
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	184,426	286,942	471,368
(Increase) decrease in assets and deferred outflows:			
Receivables	(919)	2,795	1,876
Inventories	(3,616)	-	(3,616)
Net pension asset	(105,283)	(76,587)	(181,870)
Deferred outflows	235	171	406
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses	20,086	1,824	21,910
Deposits	7,695	-	7,695
Unearned revenues	(350)	(7,438)	(7,788)
Compensated absences payable	2,488	(883)	1,605
Deferred inflows	64,685	47,055	111,740
Net cash provided from (used by) operating activities	<u>\$ 206,135</u>	<u>\$ 482,474</u>	<u>\$ 688,609</u>
Noncash Investing, Capital, and Financing Activities			
Capital asset contributions	<u>\$ 246,732</u>	<u>\$ 144,133</u>	<u>\$ 390,865</u>
Total noncash investing, capital, and financing activities	<u>\$ 246,732</u>	<u>\$ 144,133</u>	<u>\$ 390,865</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SISTERS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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.

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.

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.

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

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. 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.

9. 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.

10. 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 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. The City implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note IV - Pension Plan and Note IV - Change in Accounting Principle.

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, Urban Renewal Project 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 funds budget interfund loan borrowings and repayments, as required by Oregon Local Budget Law, which is not consistent with GAAP. All annual appropriations lapse at fiscal year end.

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

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Management develops budget recommendations through early spring with the Budget Committee meeting and approving the budget document in late spring.

Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds, which could not be reasonably estimated at the time the budget was adopted.

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

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

During the year ended June 30, 2015, 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:	
Maintenance	<u>\$ 593</u>
Support Services	<u>\$ 5,263</u>
Planning	<u>\$ 18,914</u>
Urban Renewal Project Fund:	
Materials and Services	<u>\$ 1,641</u>
Sewer Fund:	
Personal services	<u>\$ 104</u>
Capital outlay	<u>\$ 2,563</u>

C. General Fund Budgetary Basis to GAAP Reconciliation

Net change in General fund balance	\$ 765,506
Budgets required by Oregon Budget Law:	
Interfund loan proceeds	(878,818)
Interfund loan payments	<u>30,000</u>
Net change in General fund balance	<u>\$ (83,312)</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, 2015. 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.

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

The City's deposits are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2015, the carrying amount for the City's US Bank deposits was \$1,361,867 and the bank balance was \$1,362,252. All deposits are held in the name of the City. Of the bank balance \$250,000 was covered by federal depository insurance and the remaining \$1,112,252 was collateralized under ORS 295.

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

Investments. The City of Sisters has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS

294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

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

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

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

Investments held by the City at June 30, 2015 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 6,338,683
Less amounts classified as cash equivalents			<u>(6,338,683)</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	\$	750
Carrying amounts of deposits		1,361,867
Local Government Investment Pool		6,338,683
		<hr/>
Total cash and cash equivalents	\$	7,701,300
		<hr/> <hr/>
Funds:		
<u>Governmental Activities</u>		
General	\$	2,021,010
Street		562,432
Urban Renewal Project		500,012
Other Governmental Funds		1,227,101
		<hr/>
Total Governmental Activities		4,310,555
		<hr/>
<u>Business-Type Activities</u>		
Water (\$1,251,546 restricted)		1,837,690
Sewer (\$918,779 restricted)		1,553,055
		<hr/>
Total Business-Type Activities		3,390,745
		<hr/>
Total cash and cash equivalents	\$	7,701,300
		<hr/> <hr/>

Governmental activities cash and cash equivalents are restricted for debt service for \$264,987, for street and system development of \$1,414,207 (including \$34,456 deposited into the ODOT construction account for Cascade avenue improvements), and \$58,942 for other purposes. Business type activities are restricted for system development of \$1,856,998 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	\$ 28,191	\$ -	\$ -	\$ 5,061	\$ 33,252
Accounts	51,819	39,909	-	-	91,728
Intergovernmental	19,036	11,769	11,455	27,095	69,355
Assessments	-	54,408	-	144,434	198,842
Allowance For Doubtful Account	(36)	-	-	(29,822)	(29,858)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 99,010	\$ 106,086	\$ 11,455	\$ 146,768	\$ 363,319
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Receivables as of June 30, 2015 for the business-type activities individual major funds are as follows:

	Water	Sewer	Total Business-Type Activities
Accounts	\$ 54,864	\$ 68,790	\$ 123,654
Intergovernmental	20,761	-	20,761
Assessments	-	5,988	5,988
Allowance for doubtful accounts	(478)	(1,215)	(1,693)
	<u>\$ 75,147</u>	<u>\$ 73,563</u>	<u>\$ 148,710</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 2015-2016, the City levied property taxes in the net amount of \$837,770 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, 2016 was \$325,634,730. 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 \$124,563.

Following is a summary of property tax transactions for the year ended June 30, 2015:

	Balances					Balances	
	July 1, 2014	2014-15 Levy	Adjustments	Interest (Discounts)	Collections	June 30, 2015	
2014-15	\$ -	\$ 962,333	\$ (3,590)	\$ (23,836)	\$ (919,535)	\$ 15,372	
2013-14	19,193	-	(337)	751	(13,219)	6,388	
2012-13	8,651	-	(29)	761	(5,880)	3,503	
2011-12	4,684	-	(29)	800	(4,199)	1,256	
2010-11	1,659	-	(16)	365	(1,627)	381	
2009-10	481	-	(25)	88	(292)	252	
2008-09	261	-	(7)	33	(91)	196	
2007-08	62	-	(2)	2	(7)	55	
2006-07	33	-	-	1	(1)	33	
2005-06	26	-	-	1	(2)	25	
Prior years	93	-	-	4	(8)	89	
	<u>\$ 35,143</u>	<u>\$ 962,333</u>	<u>\$ (4,035)</u>	<u>\$ (21,030)</u>	<u>\$ (944,861)</u>	27,550	
				Cash with County		<u>5,702</u>	
				Total Receivable		<u>\$ 33,252</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 \$29,822 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, 2015, was as follows:

	Beginning Balance	Additions	Deletion/ Transfer	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 639,290	\$ -	\$ (132,070)	\$ 507,220
Art and sculptures	270,000	54,000	6,872	330,872
Construction in progress	629,995	335,144	(569,644)	395,495
Total capital assets, not being depreciated	<u>1,539,285</u>	<u>389,144</u>	<u>(694,842)</u>	<u>1,233,587</u>
Capital assets, being depreciated:				
Buildings and improvements	4,155,746	18,750	(263,893)	3,910,603
Tools and equipment	729,586	16,996	(1,581)	745,001
Office equipment	384,889	15,760	(127,153)	273,496
Street Improvements	4,243,853	386,993	105,913	4,736,759
Total capital assets, being depreciated	<u>9,514,074</u>	<u>438,499</u>	<u>(286,714)</u>	<u>9,665,859</u>
Accumulated depreciation for:				
Buildings	(1,912,788)	(84,443)	715,986	(1,281,245)
Tools and equipment	(657,755)	(15,092)	1,581	(671,266)
Office equipment	(360,844)	(1,394)	124,680	(237,558)
Street Improvements	(727,790)	(150,687)	-	(878,477)
Total accumulated depreciation	<u>(3,659,177)</u>	<u>(251,616)</u>	<u>842,247</u>	<u>(3,068,546)</u>
Total capital assets, being depreciated, net	<u>5,854,897</u>	<u>186,883</u>	<u>555,533</u>	<u>6,597,313</u>
Governmental activities capital assets, net	<u>\$ 7,394,182</u>	<u>\$ 576,027</u>	<u>\$ (139,309)</u>	<u>\$ 7,830,900</u>

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

Governmental activities

General government	\$ 92,884
Culture and recreation	5,029
Highways and streets	<u>153,703</u>
Total depreciation expense - governmental activities	<u><u>\$ 251,616</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,274,205	\$ -	\$ -	\$ 4,274,205
Artwork	-	-	14,000	14,000
Construction in progress	<u>276,212</u>	<u>28,323</u>	<u>(113,981)</u>	<u>190,554</u>
Total capital assets, not being depreciated	<u>4,550,417</u>	<u>28,323</u>	<u>(99,981)</u>	<u>4,478,759</u>
Capital assets, being depreciated:				
Buildings and improvements	625,272	-	13,227	638,499
Tools and equipment	536,592	-	(901)	535,691
Office equipment	67,419	-	(45,604)	21,815
Infrastructure	<u>20,477,662</u>	<u>390,865</u>	<u>84,240</u>	<u>20,952,767</u>
Total capital assets, being depreciated	<u>21,706,945</u>	<u>390,865</u>	<u>50,962</u>	<u>22,148,772</u>
Less accumulated depreciation for:				
Buildings and improvements	(64,197)	(16,799)	-	(80,996)
Tools and equipment	(451,083)	(38,982)	901	(489,164)
Office equipment	(67,419)	-	45,603	(21,816)
Infrastructure	<u>(5,015,653)</u>	<u>(415,587)</u>	<u>1,003</u>	<u>(5,430,237)</u>
Total accumulated depreciation	<u>(5,598,352)</u>	<u>(471,368)</u>	<u>47,507</u>	<u>(6,022,213)</u>
Total capital assets, being depreciated, net	<u>16,408,593</u>	<u>(80,503)</u>	<u>98,469</u>	<u>16,126,559</u>
Business-type activities capital assets, net	<u><u>\$ 20,959,010</u></u>	<u><u>\$ (52,180)</u></u>	<u><u>\$ (1,512)</u></u>	<u><u>\$ 20,605,318</u></u>

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

Business-type activities

Water	\$ 184,426
Sewer	<u>286,942</u>
Total depreciation expense - business-type activities	<u><u>\$ 471,368</u></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. On the full accrual basis in the government-wide and proprietary statements of net position, the City reports deferred inflows and outflows related to pensions. On the modified accrual basis of accounting 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	\$ 23,319	\$ -	\$ -	\$ 4,231	\$ 27,550
Fuel Taxes	-	10,092	-	-	10,092
Assessments	-	14,770	-	-	14,770
Intergovernmental	<u>15,953</u>	<u>-</u>	<u>11,455</u>	<u>-</u>	<u>27,408</u>
	<u><u>\$ 39,272</u></u>	<u><u>\$ 24,862</u></u>	<u><u>\$ 11,455</u></u>	<u><u>\$ 4,231</u></u>	<u><u>\$ 79,820</u></u>

E. Long-term obligations

1. Loans Payable – Governmental Activities

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.

The City borrowed \$1,253,318 from the Bank of Cascades in November, 2014 to repay prior interfund loans from the City and to provide additional funding for Urban Renewal Agency projects. Security for the loan is the full faith and credit of the City, and the obligation is payable in monthly payments of \$8,788.87 for seven years with a balloon payment of \$751,763 due February 25, 2022, including interest at 3.22%.

Future maturities of the loans are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 107,847	\$ 53,349
2017	111,094	50,102
2018	114,293	46,903
2019	117,587	43,610
2020	120,868	40,328
2021-2022	1,333,041	54,191
	<u>\$ 1,904,730</u>	<u>\$ 288,483</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, 2015 until a total reserve of \$310,280 is established. The total unpaid principal on these two bonds as of June 30, 2015 was \$4,572,964. Future maturities of the bonds are as follows:

June 30	Principal	Interest
2016	\$ 104,448	\$ 205,783
2017	109,147	201,084
2018	114,059	196,172
2019	119,193	191,038
2020	124,556	185,675
2021-2025	712,072	839,083
2026-2030	887,371	663,784
2031-2035	1,105,824	445,331
2036-2040	1,174,164	174,092
2041	122,130	5,496
	<u>\$ 4,572,964</u>	<u>\$ 3,107,538</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, 2015 was \$17,181.

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.

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.

Future maturities of the loans payable are as follows:

Year Ending June 30	Principal	Interest
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	1,048,073	1,934
	<u>\$ 1,727,785</u>	<u>\$ 189,432</u>

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Loans Payable	\$ 710,126	\$ 1,253,318	\$ 58,714	\$ 1,904,730	\$ 107,847
Compensated Absences	33,530	35,017	33,530	35,017	26,263
Governmental activity Long-term obligations	<u>\$ 743,656</u>	<u>\$ 1,288,335</u>	<u>\$ 92,244</u>	<u>\$ 1,939,747</u>	<u>\$ 134,110</u>
Business - type activities					
Revenue Bonds Payable	\$ 4,672,913	\$ -	\$ 99,949	\$ 4,572,964	\$ 104,448
Loans Payable	1,823,429	-	95,644	1,727,785	106,954
Compensated Absences	14,072	15,678	14,072	15,678	11,758
Business-type activity Long-term obligations	<u>\$ 6,510,414</u>	<u>\$ 15,678</u>	<u>\$ 209,665</u>	<u>\$ 6,316,427</u>	<u>\$ 223,160</u>

F. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2015 were as follows:

	General Fund	Street Fund	URA Project Fund	Non-major Governmental Funds	Total Governmental Funds
Fund Balance					
Restricted for:					
CATS Grant	\$ 13,422	\$ -	\$ -	\$ -	\$ 13,422
Debt Service	-	-	-	264,987	264,987
Capital Projects	-	-	433,506	980,701	1,414,207
Building Inspection	45,070	-	-	-	45,070
Assigned to:					
Capital Reserve	150,615	-	-	-	150,615
Highways and Streets	-	506,628	-	-	506,628
Unassigned:					
	1,645,881	-	-	-	1,645,881
Total Fund Balance	\$ 1,854,988	\$ 506,628	\$ 433,506	\$ 1,245,688	\$ 4,040,810

G. Advances to/from Other Funds

The General Fund loaned the Urban Renewal Agency a total of \$848,818 in the 2013-14 fiscal year for various improvement projects and an additional \$30,000 in the 2014-15 fiscal year. The loans are scheduled to be paid off over a 10-year period with interest at .54%. The Urban Renewal Agency borrowed the funds from Bank of Cascades and paid off the City interfund loan in the 2014-15 fiscal year.

H. 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 \$20,869.

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

	Transfers In	Transfers Out
Governmental activities:		
General	\$ -	\$ 22,905
Street	-	7,126
Urban Renewal Project	30,000	-
Other Governmental Funds	50,900	30,000
Business-type activities:		
Water	-	8,653
Sewer	-	12,216
	<u>\$ 80,900</u>	<u>\$ 80,900</u>

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

IV. Other Information

A. Risk Management

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

B. Defined Benefit Pension Plan – Public Employees Retirement System

Plan Description

Employees of the City of Sisters are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost sharing, multiple employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003, OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

1. Tier one/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$113,378, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 10.96 percent for Tier One/Tier Two General Service Member, 7.36 percent for OPSRP Pension Program General Service Members, and 6% for the OPSRP Individual Account Program.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City of Sisters reported an asset of \$195,784 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.0864 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's recognized pension expense (income) of (\$182,620). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 377,784
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	13,315
Contributions subsequent to the measurement date	<u>62,112</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 62,112</u>	<u>\$ 391,099</u>

\$62,112 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (97,341)
2017	(97,341)
2018	(97,341)
2019	(97,341)
2020	<u>(1,735)</u>
Total	<u>\$ (391,099)</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market Value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries; PF-2000 Sex-distinct, generational per Scall AA, with collar adjustments and set-backs as described in the valuation. Active Members; Mortality rates are a percentage of healthy retiree rates, that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study, which reviewed experience for the four-year period ending on December 31, 2012.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 414,600	\$(195,784)	\$ (712,026)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS. Certain aspects of how the court decision will be implemented administratively were not yet finalized by PERS, but it is estimated that the City will have a net pension liability of \$200,000 to \$250,000 as a result of the decision, instead of the asset reported above.

C. Change in Accounting Principle

Based on implementation of GASB Statement No. 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as originally reported)	\$ 9,768,405	\$ 16,642,756	\$ 26,411,161
Cumulative effect of change in accounting principle	<u>(269,463)</u>	<u>(107,782)</u>	<u>(377,245)</u>
Net position - beginning (as restated)	<u>\$ 9,498,942</u>	<u>\$ 16,534,974</u>	<u>\$ 26,033,916</u>

D. Construction in Progress

The City is committed under various construction contracts at June 30, 2015. Major projects in progress at June 30, 2015 are as follows:

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. The Barclay waterline project is 25% complete. Costs incurred to date are 20,761 with estimated costs of \$84,500.

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.

The Barclay Signal/Roundabout Design and construction 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 Hood Avenue improvements project is 53% complete. Costs incurred to date are \$26,414 with estimated costs of \$50,000.

The Village Green parking design is approximately 96% complete. Costs incurred to date are \$3,450 with total estimated costs of \$3,600. The Village Green Parking Construction project is approximately 58% complete. Costs incurred to date are \$70,094 with estimated costs of \$120,000. The E Cascades Improvements project is approximately 92.3% complete. Costs incurred to date are \$267,645 with estimated costs of \$289,917.

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 SCADA upgrades, reservoir development, upsizing Creekside water loop, Overnight Park Improvements, Washington to Main project, Locust signal/roundabout feasibility, and Lazy-Z refuse system improvement Phase I.

E. Commitments and Contingencies

The City currently has awarded \$143,843 in Façade Grants, of which \$99,264 was paid in the current year. The City then awarded an additional \$43,255 leaving an unpaid balance of \$87,834 at June 30, 2015.

F. Subsequent Events

The City prepared a supplemental budget for \$10,000 for expenditures related to review and assessment of community asset projects.

The City prepared a supplemental budget for various capital projects that were expected to be completed in the previous year but will be completed in FY 15/16. These included the Barclay Drive Waterline Project, Creekside Campground Traffic Study and Edge of the Pines Hydrant Improvements.

A transfer of \$210,000 was made to the Street Fund from the General Fund for the expanded scope of the Hood Avenue Improvement Project.

Additional principal payments were made on two of the City's loans with Bank of the Cascades. \$95,671 was paid from the Sewer SDC fund for the Lazy Z property purchase loan and \$65,977 was paid from the City Hall Debt Service Fund for the loan for City Hall.

The City agreed to share 50% of the cost to repair the sports court at the Elementary School with Sisters School District. The City's share is budgeted to be \$11,000.

Awarded a construction services contract to Robinson and Owen Heavy Construction Inc., in the amount of \$373,664.42 for the Camp Polk Road and Barclay Drive sewer and street improvements.

The governing board authorized the execution of a financial contract and promissory note to obtain financial assistance for a development project including a grant from the Oregon Infrastructure Finance Authority (IFA) in the amount of \$302,850, and a loan from the IFA on the condition that the principal amount of the loan from the IFA to the recipient is not in excess of \$65,942 and the interest rate is 1.85% per annum.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SISTERS, OREGON

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION
LIABILITY (ASSET)
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.00863735%	0.00863735%
City's proportionate share of the net pension liability (asset)	\$ (195,784)	\$ 440,777
City's covered-employee payroll	\$ 782,716	\$ 759,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-25.01%	58.06%

CITY OF SISTERS, OREGON

**SCHEDULE OF CITY'S CONTRIBUTIONS TO THE
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 113,378	\$ 112,592
Contributions in relation to the contractually required contributions	<u>(113,378)</u>	<u>(112,592)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 782,716	\$ 759,194
Contributions as a percentage of covered-employee payroll	14.49%	14.83%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

See auditor's report.

CITY OF SISTERS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Changes of assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at http://www.oregon.gov/pers.EMP/docs/er_general_information/opers_GASB_68_disclosure_information_revised.pdf Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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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.

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
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Capital Projects			Debt Service		Totals
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	
ASSETS						
Cash and cash equivalents	\$ 686,282	\$ 172,320	\$ 104,342	\$ 13,120	\$ 251,037	\$ 1,227,101
Receivables:						
Property taxes	-	-	-	-	5,061	5,061
Accounts	-	-	27,095	-	-	27,095
Assessments, net	-	-	114,612	-	-	114,612
 Total assets	<u>\$ 686,282</u>	<u>\$ 172,320</u>	<u>\$ 246,049</u>	<u>\$ 13,120</u>	<u>\$ 256,098</u>	<u>\$ 1,373,869</u>
LIABILITIES						
Unearned revenue	-	-	123,950	-	-	123,950
 Total liabilities	-	-	123,950	-	-	123,950
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	4,231	4,231
FUND BALANCES						
Restricted	686,282	172,320	122,099	13,120	251,867	1,245,688
 Total fund balances	<u>686,282</u>	<u>172,320</u>	<u>122,099</u>	<u>13,120</u>	<u>251,867</u>	<u>1,245,688</u>
 Total liabilities fund balances, and deferred inflows of resources	<u>\$ 686,282</u>	<u>\$ 172,320</u>	<u>\$ 246,049</u>	<u>\$ 13,120</u>	<u>\$ 256,098</u>	<u>\$ 1,373,869</u>

See auditor's report.

CITY OF SISTERS, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Capital Projects			Debt Service		Totals
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 123,668	\$ 123,668
Licenses and fees	-	-	17,614	-	-	17,614
Intergovernmental	-	-	50,000	-	-	50,000
System development charges	78,082	23,294	-	-	-	101,376
Interest on investments	2,880	724	543	18	1,376	5,541
TOTAL REVENUES	<u>80,962</u>	<u>24,018</u>	<u>68,157</u>	<u>18</u>	<u>125,044</u>	<u>298,199</u>
EXPENDITURES						
Capital outlay	-	-	52,502	-	-	52,502
Debt service	-	-	-	50,803	49,697	100,500
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>52,502</u>	<u>50,803</u>	<u>49,697</u>	<u>153,002</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>80,962</u>	<u>24,018</u>	<u>15,655</u>	<u>(50,785)</u>	<u>75,347</u>	<u>145,197</u>
OTHER FINANCING SOURCES						
Issuance of debt	-	-	-	-	832,280	832,280
Transfers in	-	-	-	50,900	-	50,900
Transfers out	-	-	-	-	(30,000)	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,900</u>	<u>802,280</u>	<u>853,180</u>
NET CHANGE IN FUND BALANC	80,962	24,018	15,655	115	877,627	998,377
FUND BALANCE, Beginning	<u>605,320</u>	<u>148,302</u>	<u>106,444</u>	<u>13,005</u>	<u>(625,760)</u>	<u>247,311</u>
FUND BALANCE, Ending	<u>\$ 686,282</u>	<u>\$ 172,320</u>	<u>\$ 122,099</u>	<u>\$ 13,120</u>	<u>\$ 251,867</u>	<u>\$ 1,245,688</u>

See auditor's report.

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BUDGETARY COMPARISON SCHEDULES

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

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Administration	\$ 480,193	\$ 528,593	\$ 502,985	\$ 25,608
Maintenance	99,103	120,113	120,706	(593)
Parks	234,139	290,539	276,400	14,139
Police	523,010	523,010	523,010	-
Planning	423,195	487,195	506,109	(18,914)
Support services	190,212	204,212	209,475	(5,263)
Interfund loan payment	315,000	345,000	30,000	315,000
Transfers out	29,250	29,250	22,905	6,345
Contingency	300,000	114,590	-	114,590
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 2,594,102</u>	<u>\$ 2,642,502</u>	<u>\$ 2,191,590</u>	<u>\$ 450,912</u>

See auditor's report.

**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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 30,000	\$ 30,000	\$ 78,082	\$ 48,082
Interest on investments	<u>2,800</u>	<u>2,800</u>	<u>2,880</u>	<u>80</u>
TOTAL REVENUES	<u>32,800</u>	<u>32,800</u>	<u>80,962</u>	<u>48,162</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>32,800</u>	<u>32,800</u>	<u>80,962</u>	<u>48,162</u>
NET CHANGE IN FUND BALANCE	32,800	32,800	80,962	48,162
FUND BALANCE, Beginning	<u>586,001</u>	<u>586,001</u>	<u>605,320</u>	<u>19,319</u>
FUND BALANCE, Ending	<u><u>\$ 618,801</u></u>	<u><u>\$ 618,801</u></u>	<u><u>\$ 686,282</u></u>	<u><u>\$ 67,481</u></u>

See auditor's report.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 18,400	\$ 18,400	\$ 23,294	\$ 4,894
Interest on investments	<u>600</u>	<u>600</u>	<u>724</u>	<u>124</u>
TOTAL REVENUES	<u>19,000</u>	<u>19,000</u>	<u>24,018</u>	<u>5,018</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>19,000</u>	<u>19,000</u>	<u>24,018</u>	<u>5,018</u>
NET CHANGE IN FUND BALANCE	19,000	19,000	24,018	5,018
FUND BALANCE, Beginning	<u>142,524</u>	<u>142,524</u>	<u>148,302</u>	<u>5,778</u>
FUND BALANCE, Ending	<u><u>\$ 161,524</u></u>	<u><u>\$ 161,524</u></u>	<u><u>\$ 172,320</u></u>	<u><u>\$ 10,796</u></u>

See auditor's report.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 14,000	\$ 14,000	\$ 17,614	\$ 3,614
Intergovernmental	-	50,000	50,000	-
Interest on investments	500	500	543	43
TOTAL REVENUES	<u>14,500</u>	<u>64,500</u>	<u>68,157</u>	<u>3,657</u>
EXPENDITURES				
Capital outlay	<u>44,000</u>	<u>55,000</u>	<u>52,502</u>	<u>2,498</u>
TOTAL EXPENDITURES	<u>44,000</u>	<u>55,000</u>	<u>52,502</u>	<u>2,498</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(29,500)</u>	<u>9,500</u>	<u>15,655</u>	<u>6,155</u>
NET CHANGE IN FUND BALANCE	(29,500)	9,500	15,655	6,155
FUND BALANCE, Beginning	<u>106,286</u>	<u>106,286</u>	<u>106,444</u>	<u>158</u>
FUND BALANCE, Ending	<u><u>\$ 76,786</u></u>	<u><u>\$ 115,786</u></u>	<u><u>\$ 122,099</u></u>	<u><u>\$ 6,313</u></u>

See auditor's report.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Interest on investments	\$ 50	\$ 50	\$ 18	\$ (32)
TOTAL REVENUES	<u>50</u>	<u>50</u>	<u>18</u>	<u>(32)</u>
EXPENDITURES				
Debt service	<u>64,694</u>	<u>64,694</u>	<u>50,803</u>	<u>13,891</u>
TOTAL EXPENDITURES	<u>64,694</u>	<u>64,694</u>	<u>50,803</u>	<u>13,891</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(64,644)</u>	<u>(64,644)</u>	<u>(50,785)</u>	<u>13,859</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>65,000</u>	<u>65,000</u>	<u>50,900</u>	<u>(14,100)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>65,000</u>	<u>65,000</u>	<u>50,900</u>	<u>(14,100)</u>
NET CHANGE IN FUND BALANCE	356	356	115	(241)
FUND BALANCE, Beginning	<u>23,118</u>	<u>23,118</u>	<u>13,005</u>	<u>(10,113)</u>
FUND BALANCE, Ending	<u>\$ 23,474</u>	<u>\$ 23,474</u>	<u>\$ 13,120</u>	<u>\$ (10,354)</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 186,000	\$ 186,000	\$ 123,668	\$ (62,332)
Interest on investments	2,500	2,500	1,376	(1,124)
TOTAL REVENUES	<u>188,500</u>	<u>188,500</u>	<u>125,044</u>	<u>(63,456)</u>
EXPENDITURES				
Debt service	4,500	69,500	49,697	19,803
TOTAL EXPENDITURES	<u>4,500</u>	<u>69,500</u>	<u>49,697</u>	<u>19,803</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>184,000</u>	<u>119,000</u>	<u>75,347</u>	<u>(43,653)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	832,277	832,280	3
Interfund loan repayment	(81,600)	(879,600)	(878,818)	782
TOTAL OTHER FINANCING SOURCES (USES)	<u>(81,600)</u>	<u>(47,323)</u>	<u>(46,538)</u>	<u>785</u>
NET CHANGE IN FUND BALANCE	102,400	71,677	28,809	(42,868)
Budgetary basis adjustment	-	-	848,818	848,818
FUND BALANCE (DEFICIT), Beginning	<u>187,602</u>	<u>187,602</u>	<u>(625,760)</u>	<u>(813,362)</u>
FUND BALANCE, Ending	<u>\$ 290,002</u>	<u>\$ 259,279</u>	<u>\$ 251,867</u>	<u>\$ (7,412)</u>

See auditor's report.

**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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 5,000	\$ 5,000	\$ 10,195	\$ 5,195
Charges for services	538,800	568,800	581,389	12,589
Intergovernmental	666	666	21,618	20,952
Interest on investments	1,000	1,000	2,484	1,484
Miscellaneous	-	-	625	625
TOTAL REVENUES	<u>545,466</u>	<u>575,466</u>	<u>616,311</u>	<u>40,845</u>
EXPENDITURES				
Current:				
Personal services	206,498	216,798	214,575	2,223
Materials and services	191,645	194,845	194,395	450
Capital outlay	25,760	110,260	20,761	89,499
Contingency	70,000	2,000	-	2,000
TOTAL EXPENDITURES	<u>493,903</u>	<u>523,903</u>	<u>429,731</u>	<u>94,172</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>51,563</u>	<u>51,563</u>	<u>186,580</u>	<u>135,017</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(11,050)	(11,050)	(8,653)	2,397
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,050)</u>	<u>(11,050)</u>	<u>(8,653)</u>	<u>2,397</u>
NET CHANGE IN FUND BALANCE	40,513	40,513	177,927	137,414
FUND BALANCE, Beginning	<u>398,996</u>	<u>398,996</u>	<u>403,267</u>	<u>4,271</u>
FUND BALANCE, Ending	<u>\$ 439,509</u>	<u>\$ 439,509</u>	<u>\$ 581,194</u>	<u>\$ 141,685</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER SDC FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 200,000	\$ 200,000	\$ 243,625	\$ 43,625
Interest on investments	<u>4,300</u>	<u>4,300</u>	<u>4,986</u>	<u>686</u>
TOTAL REVENUES	<u>204,300</u>	<u>204,300</u>	<u>248,611</u>	<u>44,311</u>
EXPENDITURES				
Capital outlay	<u>55,240</u>	<u>55,240</u>	<u>-</u>	<u>55,240</u>
TOTAL EXPENDITURES	<u>55,240</u>	<u>55,240</u>	<u>-</u>	<u>55,240</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>149,060</u>	<u>149,060</u>	<u>248,611</u>	<u>99,551</u>
NET CHANGE IN FUND BALANCE	149,060	149,060	248,611	99,551
FUND BALANCE, Beginning	<u>981,598</u>	<u>981,598</u>	<u>1,002,935</u>	<u>21,337</u>
FUND BALANCE, Ending	<u>\$ 1,130,658</u>	<u>\$ 1,130,658</u>	<u>\$ 1,251,546</u>	<u>\$ 120,888</u>

See auditor's report.

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2015**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Water	\$ 581,194
Water SDC	<u>1,251,546</u>
	1,832,740

Adjustments:

Capital assets, net of depreciation	6,042,832
Deferred outflows	10,273
Net pension asset	32,381
Deferred inflows	(64,685)
Compensated absences	<u>(9,419)</u>

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

\$ 7,844,122

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 5,000	\$ 5,000	\$ 11,061	\$ 6,061
Charges for services	778,000	778,000	810,622	32,622
Rental income	24,000	24,000	24,000	-
Interest on investments	4,200	4,200	3,893	(307)
Miscellaneous	666	666	1,869	1,203
TOTAL REVENUES	<u>811,866</u>	<u>811,866</u>	<u>851,445</u>	<u>39,579</u>
EXPENDITURES				
Current:				
Personal services	152,266	153,866	153,970	(104)
Materials and services	203,445	213,345	208,291	5,054
Capital outlay	5,000	5,000	7,563	(2,563)
Debt service	375,144	375,144	368,940	6,204
Contingency	70,000	58,500	-	58,500
TOTAL EXPENDITURES	<u>805,855</u>	<u>805,855</u>	<u>738,764</u>	<u>67,091</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>6,011</u>	<u>6,011</u>	<u>112,681</u>	<u>106,670</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,600)	(15,600)	(12,216)	3,384
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,600)</u>	<u>(15,600)</u>	<u>(12,216)</u>	<u>3,384</u>
NET CHANGE IN FUND BALANCE	(9,589)	(9,589)	100,465	110,054
FUND BALANCE, Beginning	<u>593,025</u>	<u>593,025</u>	<u>896,919</u>	<u>303,894</u>
FUND BALANCE, Ending	<u>\$ 583,436</u>	<u>\$ 583,436</u>	<u>\$ 997,384</u>	<u>\$ 413,948</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER SDC FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 200,000	\$ 200,000	\$ 310,979	\$ 110,979
Interest on investments	2,000	2,000	2,004	4
TOTAL REVENUES	<u>202,000</u>	<u>202,000</u>	<u>312,983</u>	<u>110,983</u>
EXPENDITURES				
Debt service	<u>83,392</u>	<u>83,392</u>	<u>74,078</u>	<u>9,314</u>
TOTAL EXPENDITURES	<u>83,392</u>	<u>83,392</u>	<u>74,078</u>	<u>9,314</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>118,608</u>	<u>118,608</u>	<u>238,905</u>	<u>120,297</u>
NET CHANGE IN FUND BALANCE	118,608	118,608	238,905	120,297
FUND BALANCE, Beginning	<u>285,453</u>	<u>285,453</u>	<u>366,547</u>	<u>81,094</u>
FUND BALANCE, Ending	<u>\$ 404,061</u>	<u>\$ 404,061</u>	<u>\$ 605,452</u>	<u>\$ 201,391</u>

See auditor's report.

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2015**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Sewer	\$ 997,384
Sewer SDC	<u>605,452</u>
	1,602,836

Adjustments:

Capital assets, net of depreciation	14,562,486
Deferred outflows	7,473
Net pension asset	23,556
Deferred inflows	(47,055)
Compensated absences	(6,253)
Accrued interest payable	(174,642)
Long-term debt	<u>(6,300,749)</u>

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

\$ 9,667,652

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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, 2015

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2015	Interest Matured and Paid
				Outstanding July 1, 2014	Issued	Matured and Paid		
<u>Governmental Funds</u>								
City Hall Refinance	2.22%	6/27/2014	\$ 710,126	\$ 710,126	\$ -	\$ 36,736	\$ 673,390	\$ 14,067
Urban Renewal Agency	3.22%	11/24/2014	\$ 1,253,318	-	1,253,318	21,978	1,231,340	23,434
				<u>710,126</u>	<u>1,253,318</u>	<u>58,714</u>	<u>1,904,730</u>	<u>37,501</u>
<u>Enterprise Funds</u>								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,000,054	-	39,476	1,960,578	90,002
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,672,859	-	60,473	2,612,386	120,279
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	19,505	-	2,324	17,181	691
Lazy Z Property	2.22%	6/27/2014	\$ 1,029,735	1,029,735	-	53,270	976,465	20,808
Wastewater System	2.22%	6/27/2014	\$ 774,189	774,189	-	40,050	734,139	15,644
				<u>6,496,342</u>	<u>-</u>	<u>195,593</u>	<u>6,300,749</u>	<u>247,424</u>
Total				<u>\$ 7,206,468</u>	<u>\$ 1,253,318</u>	<u>\$ 254,307</u>	<u>\$ 8,205,479</u>	<u>\$ 284,925</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2015

Year Ending June 30	Notes Payable		Notes Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 41,158	\$ 14,572	\$ 66,689	\$ 38,777	\$ 107,847	\$ 53,349
2017	42,120	13,610	68,974	36,492	111,094	50,102
2018	43,065	12,665	71,228	34,238	114,293	46,903
2019	44,031	11,699	73,556	31,911	117,587	43,610
2020	44,989	10,741	75,879	29,587	120,868	40,328
2021	46,027	9,703	78,439	27,027	124,466	36,730
2022	412,000	751	796,575	16,710	1,208,575	17,461
	<u>\$ 673,390</u>	<u>\$ 73,741</u>	<u>\$ 1,231,340</u>	<u>\$ 214,742</u>	<u>\$ 1,904,730</u>	<u>\$ 288,483</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE
June 30, 2015

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	122,130	5,496	-	-	122,130	5,496
	<u>\$ 1,960,578</u>	<u>\$ 1,404,023</u>	<u>\$ 2,612,386</u>	<u>\$ 1,703,515</u>	<u>\$ 4,572,964</u>	<u>\$ 3,107,538</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2015

Year Ending June 30	DEQ Loan Payable		Lazy Z Property		Wastewater System Refi		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	597,433	1,090	449,169	819	1,048,073	1,934
	<u>\$ 17,181</u>	<u>\$ 2,111</u>	<u>\$ 976,465</u>	<u>\$ 106,930</u>	<u>\$ 734,139</u>	<u>\$ 80,391</u>	<u>\$ 1,727,785</u>	<u>\$ 189,432</u>

See auditor's report.

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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>2015</u>	<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>
Governmental Activities:										
Net investment in capital assets	\$ 5,926	\$ 6,684	\$ 5,664	\$ 5,253	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185	\$ 1,646	\$ 1,256
Restricted	1,738	1,032	1,509	1,111	1,071	926	922	841	-	-
Unrestricted	2,251	2,052	2,338	2,390	2,509	2,863	3,442	3,814	2,986	3,960
Total governmental activities net position	<u>\$ 9,915</u>	<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>
Business-Type Activities:										
Net investment in capital assets	\$ 14,305	\$ 13,453	\$ 14,137	\$ 14,107	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025	\$ 10,534	\$ 9,822
Restricted	2,170	1,683	1,346	1,433	1,479	1,684	2,107	2,069	1,029	4,309
Unrestricted	1,037	1,507	630	499	574	826	1,307	1,333	1,660	1,665
Total business-type activities net position	<u>\$ 17,512</u>	<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>
Primary Government:										
Net investment in capital assets	\$ 20,231	\$ 20,137	\$ 19,801	\$ 19,360	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211	\$ 12,180	\$ 11,078
Restricted	3,908	2,715	2,855	2,544	2,550	2,610	3,029	2,911	1,029	4,309
Unrestricted	3,288	3,559	2,968	2,889	3,083	3,689	4,749	5,147	4,646	5,625
Total primary government net position	<u>\$ 27,427</u>	<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>

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Program Revenues										
Governmental activities:										
Charges for services, fees and fines										
General government	\$ 551	\$ 441	\$ 249	\$ 210	\$ 181	\$ 194	\$ 259	\$ 443	\$ 559	\$ 546
Public safety	-	-	-	-	-	-	-	-	273	10
Culture and recreation	168	142	125	115	127	103	59	60	163	32
Community Development	-	-	-	-	-	-	-	-	-	-
Highways and streets	11	30	103	82	65	79	46	41	131	21
Operating grants and contributions	341	325	294	293	402	168	76	133	70	64
Capital grants and contributions	526	323	713	401	76	730	385	696	-	47
Total governmental activities program revenues	1,597	1,261	1,484	1,101	851	1,274	825	1,373	1,196	720
Business-type activities:										
Charges for services:										
Water	592	555	543	513	487	474	426	441	488	406
Refuse	-	-	-	-	-	0	104	410	420	388
Sewer	848	793	825	774	750	717	798	754	978	888
Operating grants	-	-	-	-	4	4	10	-	-	-
Capital grants	967	668	316	164	160	97	179	759	652	892
Total business-type activities program revenues	2,407	2,016	1,684	1,451	1,401	1,292	1,517	2,364	2,538	2,574
Total primary government program revenues	4,004	3,277	3,168	2,552	2,252	2,566	2,342	3,737	3,734	3,294
Expenses										
Governmental activities:										
General government	1,288	1,204	1,162	1,007	1,094	1,099	1,127	1,155	820	1,393
Public safety	523	487	468	450	433	416	400	393	400	374
City Hall Remodel	-	-	-	-	-	-	-	-	1,164	128
Culture and recreation	252	246	195	186	210	199	175	161	125	105
Community development	103	84	4	4	3	5	5	24	-	-
Highways and streets	606	631	519	403	420	377	399	423	93	148
Interest on long term obligations	43	58	62	70	80	90	104	92	72	12
Depreciation	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	2,815	2,710	2,410	2,120	2,240	2,186	2,210	2,248	2,674	2,160
Business-type activities:										
Water	557	570	540	593	623	574	578	540	533	434
Refuse	-	-	-	-	-	-	65	437	281	329
Sewer	865	908	1,030	1,090	1,076	1,098	1,085	1,032	4,625	889
Total business-type activities expenses	1,422	1,478	1,570	1,683	1,699	1,672	1,728	2,009	5,439	1,652
Total primary government expenses	4,237	4,188	3,980	3,803	3,939	3,858	3,938	4,257	8,113	3,812
Net Expense										
Governmental activities	(1,217)	(1,449)	(926)	(1,019)	(1,389)	(912)	(1,385)	(875)	(1,478)	(1,440)
Business-type activities	984	538	114	(232)	(298)	(380)	(211)	355	(2,901)	922
Total primary government net expense	\$ (233)	\$ (911)	\$ (812)	\$ (1,251)	\$ (1,687)	\$ (1,292)	\$ (1,596)	\$ (520)	\$ (4,379)	\$ (518)

*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.

***2015 governmental and business activities included a prior period adjustment of \$(269,463) and \$(107,782) for change in accounting principle due to GASB 68.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues and Other Changes in Net Position										
General revenues:										
Property taxes levied for:										
General purposes	\$ 816	\$ 781	\$ 768	\$ 762	\$ 771	\$ 764	\$ 736	\$ 681	\$ 692	\$ 602
Debt service	121	183	187	132	172	134	133	108	176	-
Franchise and public service taxes	772	688	646	608	614	573	583	566	29	734
Interest and investment earnings	22	20	23	25	28	41	112	192	-	183
Miscellaneous	21	14	7	10	14	5	3	8	49	-
Contributed Revenue	-	-	-	-	-	-	-	-	-	539
Gain (loss) on disposal of asset	(139)	-	-	-	-	-	-	-	-	467
Transfers	21	20	52	57	(558)	810	90	4	(51)	81
Total governmental activities	<u>1,634</u>	<u>1,706</u>	<u>1,683</u>	<u>1,594</u>	<u>1,041</u>	<u>2,327</u>	<u>1,657</u>	<u>1,559</u>	<u>895</u>	<u>2,606</u>
Business-type activities:										
Contributed Revenue	-	-	-	-	-	-	-	-	-	1,030
Interest and investment earnings	13	12	11	13	13	24	81	205	278	225
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(21)	(20)	(52)	(57)	558	(810)	(90)	(4)	51	(81)
Total business-type activities	<u>(8)</u>	<u>(8)</u>	<u>(41)</u>	<u>(44)</u>	<u>571</u>	<u>(786)</u>	<u>(9)</u>	<u>201</u>	<u>329</u>	<u>1,174</u>
Total primary government	<u>1,626</u>	<u>1,698</u>	<u>1,642</u>	<u>1,550</u>	<u>1,612</u>	<u>1,541</u>	<u>1,648</u>	<u>1,760</u>	<u>1,224</u>	<u>3,780</u>
Change in Net Position										
Governmental activities	416	257	757	575	(348)	1,415	272	684	(583)	1,167
Business-type activities	977	530	74	(276)	273	(1,166)	(220)	556	(2,572)	2,097
Total primary government change in net position	<u>1,393</u>	<u>787</u>	<u>831</u>	<u>299</u>	<u>(75)</u>	<u>249</u>	<u>52</u>	<u>1,240</u>	<u>(3,155)</u>	<u>3,264</u>
Net Position Beginning										
Governmental activities	9,499	9,511	8,754	8,179	8,527	7,112	6,841	6,157	5,215	4,049
Business-type activities	16,535	16,113	16,039	16,315	16,042	17,207	17,427	16,870	15,796	13,699
Total primary government net position-beginning	<u>26,034</u>	<u>25,624</u>	<u>24,793</u>	<u>24,494</u>	<u>24,569</u>	<u>24,319</u>	<u>24,268</u>	<u>23,027</u>	<u>21,011</u>	<u>17,748</u>
Net Position Ending										
Governmental activities	9,915	9,768	9,511	8,754	8,179	8,527	7,113	6,841	4,632	5,216
Business-type activities	17,512	16,643	16,113	16,039	16,315	16,042	17,207	17,427	13,224	15,796
Total Primary Government Net Position	<u>\$ 27,427</u>	<u>\$ 26,411</u>	<u>\$ 25,624</u>	<u>\$ 24,793</u>	<u>\$ 24,494</u>	<u>\$ 24,569</u>	<u>\$ 24,320</u>	<u>\$ 24,268</u>	<u>\$ 17,856</u>	<u>\$ 21,012</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.

***2015 governmental and business activities included a prior period adjustment of \$(269,463) and \$(107,782) for change in accounting principle due to GASB 68.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Combined General Fund										
Advance to Other Funds	\$ -	\$ 848,818	\$ 36,000	\$ 55,000	\$ 75,000	\$ 150,000	\$ 200,000	\$ 350,000	\$ -	\$ -
Restricted	58,492	14,694	19,848	14,848	30,444	-	-	-	-	-
Assigned for Police,Capital & Streets	657,243	708,323	1,381,126	1,388,811	1,401,719					
Unassigned	1,645,881	940,539	894,895	891,220	664,780	624,755	1,375,521	1,556,021	1,246,149	894,317
Total general fund	2,361,616	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
All Other Governmental Funds										
Restricted: Debt Service	264,987	13,005	454,762	368,942	394,366	311,646	368,628	318,913	-	-
Sys Dev, Paths, Streets	1,414,207	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
Total all other governmental funds	1,679,194	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
Total governmental funds	\$ 4,040,810	\$ 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

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 Years ¹
(modified accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Property taxes	\$ 944,861	\$ 972,429	\$ 971,237	\$ 903,370	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384	\$ 606,245
Other taxes	568,135	503,369	478,725	444,425	427,723	306,332	280,279	267,551	-	-
Intergovernmental	522,945	298,151	658,070	635,413	274,320	398,297	119,346	215,523	123,094	325,737
Franchise Fees	308,032	268,228	259,467	260,103	267,291	249,422	254,122	243,443	-	-
Licenses and Fines	688,968	567,295	426,179	353,217	331,457	339,994	317,995	496,848	1,125,644	1,106,255
Fines and forfeitures	3,838	3,577	3,157	1,766	1,338	1,828	2,729	4,728	-	10,592
System development charges	101,376	95,657	42,022	55,914	21,722	13,609	123,427	445,324	-	-
Charges for services	23,533	23,066	25,619	24,700	18,600	18,600	22,475	27,900	-	-
Rental income	9,000	9,000	9,000	9,000	12,161	15,000	15,000	14,300	-	-
Interest on Investments	22,054	19,836	22,450	24,693	27,947	41,231	112,536	192,082	175,708	183,335
Miscellaneous Revenues	25,303	23,856	20,014	28,881	19,555	8,225	9,244	57,019	25,116	11,537
Total revenues	<u>3,218,045</u>	<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>
Expenditures										
Current:										
General Government	1,304,765	1,116,749	1,066,934	900,854	953,851	940,768	952,762	984,572	867,682	1,356,497
Public safety	523,010	486,678	467,960	449,961	432,655	416,015	400,014	393,255	374,529	356,694
Culture and recreation	276,400	239,416	189,724	180,366	207,409	194,673	170,978	156,967	117,164	100,072
Community development	6,288	22,398	4,308	3,687	3,269	5,254	4,863	24,338	-	-
Highways and streets	492,042	499,545	384,973	288,713	310,693	293,712	358,486	323,388	86,650	140,656
Capital outlay	652,972	812,123	257,564	721,494	577,860	1,016,692	388,121	447,065	1,468,171	644,210
Debt service										
Principal	58,714	134,905	163,444	156,466	149,787	143,397	137,055	75,306	71,857	11,095
Interest	41,786	62,611	62,969	70,506	80,785	90,975	104,942	89,394	66,667	10,453
Total expenditures	<u>3,355,977</u>	<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>
Revenues over (under) expenditures	<u>(137,932)</u>	<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>
Other Financing Sources (Uses)										
Issuance of debt	1,253,318	710,126	-	-	-	-	-	700,000	-	1,398,100
Sale of fixed assets	-	-	-	-	3,905	-	-	-	-	466,859
Operating transfers in	80,900	2,634,319	156,780	213,600	209,000	1,395,064	740,610	737,000	288,000	243,634
Operating transfers out	(60,031)	(2,614,025)	(99,780)	(156,600)	(154,000)	(1,149,162)	(650,610)	(710,000)	(339,000)	(162,634)
Total other financing sources (uses)	<u>1,274,187</u>	<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>
Special Item										
Payment for early extinguishment of debt	-	(1,056,690)								
Net change in fund balances	<u>\$ 1,136,255</u>	<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>
Debt service as a percentage of noncapital expenditures	<u>3.9%</u>	<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>

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)

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
General government	\$ 621,802	\$ 613,203	\$ 254,252	\$ 215,851	\$ 268,158	\$ 199,438	\$ 512,754	\$ 445,436	\$ 558,873	\$ 609,247
Public safety	26,215	26,208	21,808	26,606	61,895	21,937	-	54,128	272,820	10,592
Culture and recreation	316,955	199,428	145,968	119,136	173,098	134,355	71,093	76,037	162,877	54,803
Highways and streets	632,146	422,079	1,062,293	739,693	348,244	918,012	241,048	796,856	201,258	45,587
Total governmental activities	1,597,118	1,260,918	1,484,321	1,101,286	851,395	1,273,742	824,895	1,372,457	1,195,828	720,229
Business-type activities										
Water	1,104,184	888,023	730,442	585,906	565,795	510,978	517,862	838,823	751,160	834,065
Refuse	-	-	-	-	-	26	104,281	409,935	419,849	387,956
Sewer	1,302,664	1,127,910	953,535	865,237	835,719	781,428	894,319	1,115,776	1,366,522	1,352,003
Total business-type activities	2,406,848	2,015,933	1,683,977	1,451,143	1,401,514	1,292,432	1,516,462	2,364,534	2,537,531	2,574,024
Total Primary government	\$ 4,003,966	\$ 3,276,851	\$ 3,168,298	\$ 2,552,429	\$ 2,252,909	\$ 2,566,174	\$ 2,341,357	\$ 3,736,991	\$ 3,733,359	\$ 3,294,253

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>
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
2015	821,193	406,944

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)
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
2015	314,574,619	234,790	7,944,760	3,454,400	326,208,569	2.6417	389,737,373

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	
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
2015	2.57	0.39	2.96	3.22	5.84	0.72	0.21	2.80	15.75

*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
2006	626,751	597,065	95.26%	29,662	626,727	100.00%
2007	710,141	664,595	93.59%	45,515	710,110	100.00%
2008	807,122	753,572	93.37%	53,494	807,066	99.99%
2009	879,759	806,487	91.67%	73,076	879,563	99.98%
2010	920,414	851,565	92.52%	68,596	920,161	99.97%
2011	968,063	901,769	93.15%	65,913	967,682	99.96%
2012	918,015	862,038	93.90%	54,722	916,760	99.86%
2013	981,366	927,418	94.50%	50,444	977,862	99.64%
2014	989,983	943,355	95.29%	40,239	983,594	99.35%
2015	962,333	919,535	95.55%	-	919,535	95.55%

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

CITY OF SISTERS, OREGON
Principal Taxpayers
City of Sisters
June 30, 2015 and June 30, 2005

June 30, 2015				
Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	
SISTERS CORPORATION	\$ 7,111,900	1	2.18%	
BEST WESTERN PONDEROSA LODGE INC	4,061,210	2	1.24%	
DINSDALE, PETER B	3,383,110	3	1.04%	
WILLITTS LLC	3,221,860	4	0.99%	
SISTERS COMMERCIAL II LLC,	3,198,020	5	0.98%	
THREEWIND ASSOCIATES L L C	3,189,280	6	0.98%	
3 SISTERS PARTNERS LLC	3,009,310	7	0.92%	
FISH BARRELL LLC	1,772,980	8	0.54%	
JAQUA, STEPHEN	1,611,040	9	0.49%	
FIVE PINE LLC	1,500,000	10	0.46%	
	<u>\$ 32,058,710</u>			
 Total Assessed Valuation	 <u>\$ 326,208,569</u>			

June 30, 2005				
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	Notes Payable	Revenue Bonds	Notes Payable			
2006	\$ 1,388,905	\$ -	\$ 5,382,072	\$ 1,132,096	\$ 7,903,073	12.74%	1,745
2007	1,317,048	-	5,311,789	2,799,952	9,428,789	14.09%	1,825
2008	1,941,742	-	5,188,442	2,674,754	9,804,938	14.12%	1,875
2009	1,804,688	-	5,111,691	2,546,339	9,462,718	13.67%	1,925
2010	1,661,292	-	5,031,486	2,413,225	9,106,003	18.60%	1,925
2011	1,511,504	-	4,947,672	2,270,157	8,729,333	17.56%	2,038
2012	1,355,039	-	4,860,086	2,121,936	8,337,061	15.77%	2,055
2013	1,191,595	-	4,768,559	1,968,353	7,928,507	14.82%	2,115
2014	-	710,126	4,672,913	1,823,429	7,206,468	10.65%	2,115
2015	-	1,904,730	4,572,964	1,727,785	8,205,479	9.50%	2,190

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
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
2014	2,115	0	316,826	0.00%	-
2015	2,190	0	326,209	0.00%	-

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.

Fiscal Year	Real Market Value	Debt Limit Rate	Debt Limit	Less: General Obligation Debt	Legal Debt Margin	Total GO Debt as % of Debt Limit
2006	\$ 320,811,827	3%	\$ 9,624,355	\$ 1,388,905	\$ 8,235,450	14.43%
2007	416,131,125	3%	12,483,934	1,317,048	11,166,886	10.55%
2008	586,314,650	3%	17,589,440	1,941,742	15,647,698	11.04%
2009	641,825,525	3%	19,254,766	1,804,688	17,450,078	9.37%
2010	518,138,455	3%	15,544,154	1,661,292	13,882,862	10.69%
2011	451,070,086	3%	13,532,103	1,511,504	12,020,599	11.17%
2012	393,289,238	3%	11,798,677	1,355,039	10,443,638	11.48%
2013	386,590,358	3%	11,597,711	1,191,595	10,406,116	10.27%
2014	375,985,330	3%	11,279,560	-	11,279,560	0.00%
2015	389,737,373	3%	11,692,121	-	11,692,121	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
2006	1,745	62,024,280	35,544	1,436	4.70%
2007	1,825	66,895,375	36,655	1,332	4.80%
2008	1,875	69,429,375	37,029	1,303	7.40%
2009	1,925	69,234,550	35,966	1,306	16.10%
2010	1,935	48,945,825	25,295	1,296	14.00%
2011	2,038	49,723,124	24,398	1,218	12.30%
2012	2,080	52,877,760	25,422	1,155	11.20%
2013	2,115	53,498,925	25,295	1,148	9.60%
2014	2,115	67,696,920	32,008	1,141	7.80%
2015	2,190	86,408,640	39,456	1,105	6.20%

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 Economic Research, Federal Reserve Bank of St. Louis

⁴ Sisters School District #6

⁵ Unemployment Rate is at the Deschutes County level.

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

2015		
Employer	Employees	Rank
Sisters School District	114	1
Sisters Coffee Company	70	2
Ray's Food Place	65/85SI	3
Energyneering Systems	50	4
Three Creeks Brewing	45/67SI	5
FivePine Lodge & Conference Center	35	6
Metabolic Maintenance	31	7
Sisters Athletic Club	31	8
McDonald's Sisters	30/50SI	9
Bi-Mart Sisters	29	10
	<u>500/202SI</u>	

2006

Information for 2006 is not readily available.

SI = Seasonal Increases
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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
General government	2.52	2.53	2.44	2.62	2.49	2.30	1.50	1.70	1.40	1.40
Culture and recreation	1.66	1.50	1.48	1.51	1.04	1.30	1.00	0.90	0.80	1.30
Community development	0.90	0.85	0.85	0.85	1.03	2.00	2.00	1.50	1.40	1.30
Streets and highways	2.03	1.90	1.91	1.91	1.11	1.20	1.10	1.10	1.20	1.10
Total governmental activities	7.11	6.78	6.68	6.89	5.67	6.80	5.60	5.20	4.80	5.10
Business-type activities:										
Water	2.14	2.00	1.92	2.09	2.50	2.50	2.40	2.00	1.70	2.60
Sewer	1.50	1.97	1.90	2.02	2.83	3.20	2.30	1.80	1.40	1.40
Refuse	-	-	-	-	-	-	2.20	2.00	2.10	1.90
Total business-type activities	3.64	3.97	3.82	4.11	5.33	5.70	6.90	5.80	5.20	5.90
Total primary government budgeted FTE	10.75	10.75	10.50	11.00	11.00	12.50	12.50	11.00	10.00	11.00
City of Sisters										
Management and exempt	5.00	6.00	6.00	6.00	6.00	7.00	6.00	6.00	4.00	3.00
Temporary employees	1.50	0.50	0.50	0.50	0.50	0.50	0.50	0.33	0.33	0.33
Total Employees	17.25	17.25	17.00	17.50	17.50	20.00	19.00	17.33	14.33	14.33

Source: City of Sisters
budgets and payroll records

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

FUNCTION/PROGRAM	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities:										
Street										
Street miles	29.7	28.4	28.2	28.2	28.2	19	19	19	18	17.5
Street resurfing miles	0.22	1.5	1.5	2	2	1.5	1.5	0.5	0.5	0
Culture and recreation										
Parks	8	7	7	7	7	7	7	7	7	7
Special event permits issued	43	43	56	54	52	47	47	34	32	29
Business-type Activities:										
Water										
Water mains (miles)	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30	29
Average daily water consumption -CCF ¹	76,515	69,599	75,166	71,275	68,244	73,641	73,641	73,752	75,591	64,004
Sewer										
Sanitary sewers (miles)	28.9	23	23	23	23	23	23	23	23	22.5
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	195,000 gpd	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

¹1,000 cubic feet

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

FUNCTION/PROGRAM	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
General Government										
Buildings owned-all structures	23	21	21	21	22	21	20	20	19	18
Vehicles/Equip (i.e. trailers, mowers)	9	8	8	8	8	8	8	8	8	7
Vehicles (i.e. cars & pick ups)-excluding police	12	12	12	15	15	15	15	15	15	14
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	8	8	8	7	7	7	7	5	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	10	9	8	8	7	7	7	7	7	5
Streets and Highways										
Miles of streets maintained by City:										
Paved	26.9	26.9	26.5	26.5	26.5	18.5	18.5	18.5	17.5	17.0
Unpaved	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	3	3	3	3	3	3	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	3	2
Wastewater										
Treatment plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	4	4	4	4	4	3

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

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, 2015, and have issued our report thereon dated December 7, 2015. 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 2014-2015 budget in the following amount:

General Fund:	
Maintenance	\$ 593
Support Services	\$ 5,263
Planning	\$ 18,914
Urban Renewal Project Fund:	
Materials and Services	\$ 1,641
Sewer Fund:	
Personal services	\$ 104
Capital outlay	\$ 2,563

The City of Sisters Urban Renewal Agency repaid the City of Sisters for prior and current year interfund loans in full during the year. A supplemental budget was prepared to increase the budgeted amounts between funds, but the interfund loan revenue budgeted in the General Fund was \$38,000 less than the expenditure budgeted in the Urban Renewal District Debt Fund. Interfund activity budgets are balance by Oregon budget law so resources and requirements are not distorted. Actual amounts balanced between funds.

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 December 7, 2015.

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



December 7, 2015



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

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, 2015, 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 December 7, 2015.

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. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as 2015-01.

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

Dickey and Tremper, LLP
Certified Public Accountants

Pendleton, Oregon
December 7, 2015

**CITY OF SISTERS, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2015**

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 A significant deficiency in internal control was discovered by the audit of the basic financial statements of the City of Sisters. The deficiency described below as 2015-01 was not reported as a material weakness.
- 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

SIGNIFICANT DEFICIENCY

2015-01

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 several assets on the City's capital asset schedule that have been disposed of in prior years but were still listed on the schedules.

Cause: Capital asset schedules are prepared through a manual process, which increases the risk of human error. There currently is not a formal process in place for review of disposed assets.

Auditor's recommendation: We recommend that management review its year-end reporting of capital assets processes to incorporate additional oversight and review of staff work. We further recommend that the City establish and follow a policy for reviewing the capital assets listing for disposed assets.

Management's response: The review of capital asset schedules for disposed assets will be incorporated into the City's Policies and Procedures to ensure items will not be overlooked in the future.