

CITY OF SISTERS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



Prepared by:
The City of Sisters
Finance Department
Joseph O'Neill
Finance Officer

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CITY OF SISTERS, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION

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January 27, 2017

Honorable Mayor Chuck Ryan,
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, 2016 is hereby submitted.

This report presents the financial position of the City as of June 30, 2016 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 2,472. 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

The popularity of Central Oregon has continued to bode well for Sisters, we saw slight increases in the population, number of new business licenses issued, and transient room tax revenue.

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 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,



Joseph O’Neill
Finance Officer



CITY OF SISTERS, OREGON

FISCAL YEAR ENDING JUNE 30, 2016

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
Andrea Blum	Council Member	December, 2016
Amy Burgstahler	Council Member	December, 2016

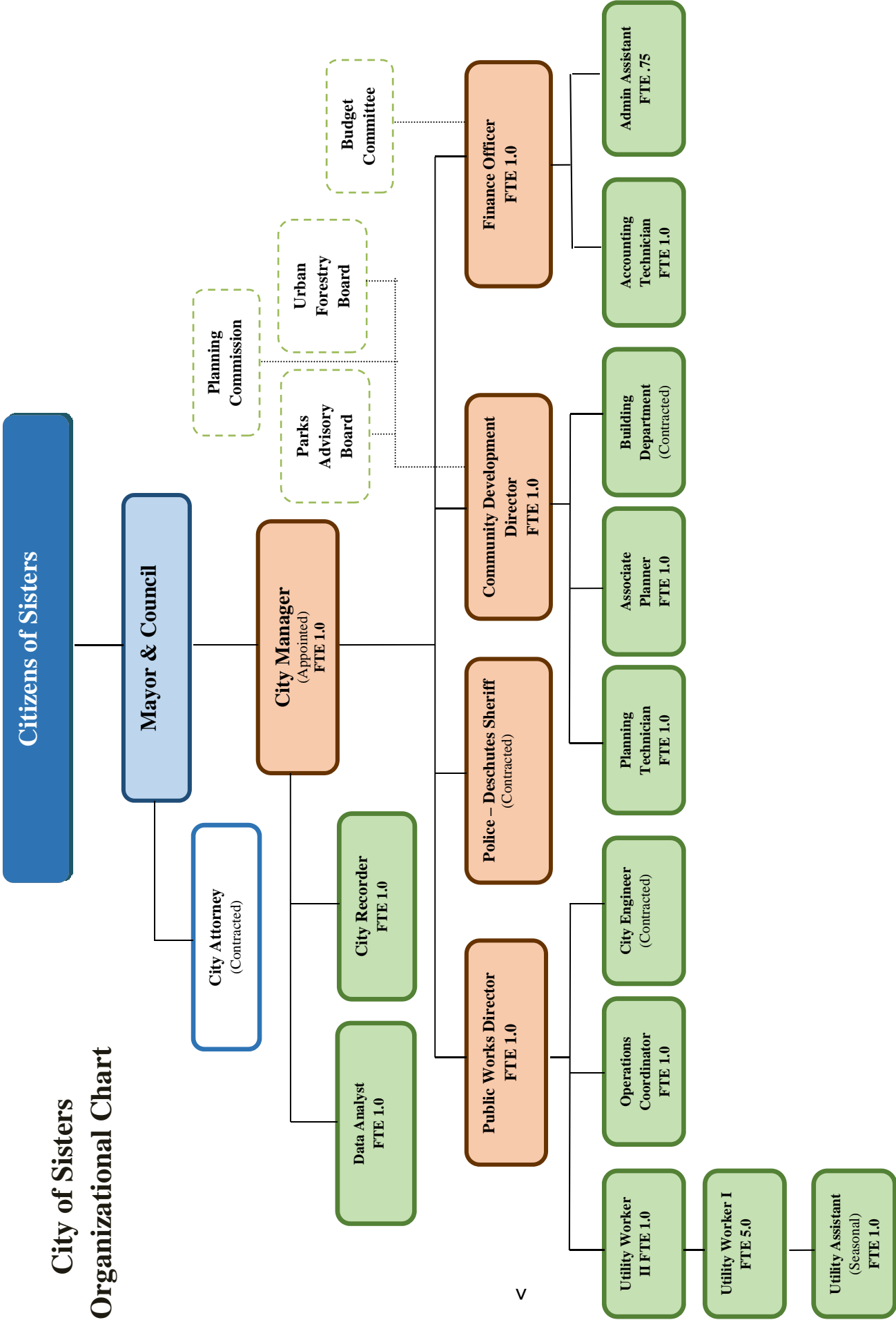
CITY STAFF

<u>Name</u>	<u>Position</u>
Rick Allen	Interim City Manager
Joseph O'Neill	Finance Officer
Paul Bertagna.....	Public Works Director
Patrick Davenport	Community Development Director
Erik Huffman	City Engineer
Kathy Nelson	City Recorder
Bryant, Lovlien & Jarvis PC	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

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Pendleton, OR 97801
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Toll Free: 1-800-332-6862
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sisters, Oregon, as of and for the year ended June 30, 2016, 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, 2016, 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.

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 January 27, 2017, 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 January 27, 2017, 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

January 27, 2017

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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, 2016

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, 2016. 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 \$37.2 million at the end of the fiscal year, an increase of \$.3 million from last fiscal year.
- The City's liabilities totaled \$9.1 million at the end of the fiscal year.
- The net position balance (assets over liabilities) of \$28.1 million increased by \$.7 million over last year. The balance is composed of investments in capital assets such as buildings, infrastructure, and roads (\$21.4 million), restricted amounts for future capital projects and debt service (\$3.6 million) and an unrestricted balance (\$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 \$5.8 million this fiscal year, an increase of \$.2 million from last year, primarily due to an increase in franchise and public services taxes.
- Expenses for the City totaled \$5.1 million, an increase of \$.9 million over last year primarily due to an increase in Barclay Drive infrastructure improvements.

Fund Level

- The City's governmental funds have a combined fund balance of \$3.2 million, a decrease of \$.8 million from last year primarily due capital projects focused on Hood Street and Village Green Park.
- Total property taxes of \$1.0 million increased 9% over last fiscal year. Fuel and lodging taxes increased 11% to \$.62 million.
- The City's proprietary funds have a combined net position of \$17.9 million at the end of the fiscal year, an increase of \$.4 million from last year.

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:

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 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:

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2016

- 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, 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, 2016

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		
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 3.82	\$ 4.81	\$ 4.05	\$ 3.63	\$ 7.87	\$ 8.44	\$ -0.57
Capital assets	8.91	7.83	20.44	20.61	29.35	28.44	0.91
Total assets	<u>12.73</u>	<u>12.64</u>	<u>24.49</u>	<u>24.23</u>	<u>37.22</u>	<u>36.88</u>	<u>0.34</u>
Deferred Outflows	0.06	0.04	0.02	0.02	0.08	0.06	0.02
Current liabilities	0.44	0.55	0.19	0.31	0.64	0.86	-0.23
Noncurrent liabilities	2.04	1.94	6.39	6.32	8.42	8.26	1.01
Total liabilities	<u>2.48</u>	<u>2.49</u>	<u>6.58</u>	<u>6.63</u>	<u>9.06</u>	<u>9.12</u>	<u>0.78</u>
Deferred Inflows	0.10	0.28	0.04	0.11	0.14	0.39	-0.25
Net position:							
Invested in capital assets, net of related debt	7.24	5.93	14.20	14.30	21.44	20.23	1.21
Restricted	1.47	1.74	2.13	2.17	3.60	3.91	-0.31
Unrestricted	1.50	2.25	1.56	1.04	3.06	3.29	-0.23
Total net position	<u>\$ 10.21</u>	<u>\$ 9.91</u>	<u>\$ 17.89</u>	<u>\$ 17.51</u>	<u>\$ 28.10</u>	<u>\$ 27.43</u>	<u>\$ 0.68</u>

Net position serves as a useful indicator of a government's financial position. For the City of Sisters, assets exceeded liabilities by \$28.10 million at the close of fiscal year 2015/16. The largest portion of the City's net position (76%) 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 \$.91 million primarily due to contributed assets from development and street infrastructure expenditures offset by annual depreciation expense.

Restricted net position totals \$3.6 million and represents cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net position (\$3.0 million) 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, 2016

Statement of Activities:

Net position of the City increased by \$.7 million in the current fiscal year. Governmental activities' net position increased by \$291,469 and business-type activities increased by \$381,498.

Table 2
City of Sisters' Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Change
	2016	2015	2016	2015	2016	2015	+ (-)
Revenues:							
Program revenues:							
Charges for services	\$ 668,958	\$ 729,887	\$ 1,470,575	\$ 1,439,761	\$ 2,139,533	\$ 2,169,648	\$ (30,115)
Operating grants and contributions	368,127	341,225	-	-	368,127	341,225	26,902
Capital grants and contributions	498,624	526,006	701,268	967,087	1,199,892	1,493,093	(293,201)
General revenues:							
Taxes	1,029,612	937,268	-	-	1,029,612	937,268	92,344
Other	1,003,537	675,608	19,751	13,367	1,023,288	688,975	334,313
Total revenues	\$ 3,568,858	\$ 3,209,994	\$ 2,191,594	\$ 2,420,215	\$ 5,760,452	\$ 5,630,209	\$ 130,243
Expenses:							
General government	\$ 1,642,434	\$ 1,287,783	\$ -	\$ -	\$ 1,642,434	\$ 1,287,783	\$ 354,651
Public safety	543,930	523,010	-	-	543,930	523,010	20,920
Highways and streets	731,193	605,520	-	-	731,193	605,520	125,673
Culture and recreation	329,539	252,144	-	-	329,539	252,144	77,395
Community development	31,539	102,926	-	-	31,539	102,926	(71,387)
Interest on long-term debt	48,696	43,475	-	-	48,696	43,475	5,221
Water	-	-	686,909	557,033	686,909	557,033	129,876
Sewer	-	-	1,073,245	865,513	1,073,245	865,513	207,732
Total expenses	\$ 3,327,331	\$ 2,814,858	\$ 1,760,154	\$ 1,422,546	\$ 5,087,485	\$ 4,237,404	\$ 850,081
Increase in net position before transfers	\$ 241,527	\$ 395,136	\$ 431,440	\$ 997,669	\$ 672,967	\$ 1,392,805	\$ (719,838)
Transfers	49,942	20,869	(49,942)	(20,869)	-	-	-
Change in net position	291,469	416,005	381,498	976,800	672,967	1,392,805	(719,838)
Net position, July 1	9,914,947	9,498,942	17,511,775	16,534,974	27,426,722	26,033,916	1,392,806
Net position, June 30	\$ 10,206,416	\$ 9,914,947	\$ 17,893,273	\$ 17,511,774	\$ 28,099,689	\$ 27,426,721	\$ 672,968

Governmental Funds

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$3.2 million. Approximately \$1.2 million or 39% of the balance is unassigned for spending at the City's discretion. The remainder of fund balance is assigned or restricted for debt service (\$.2 million) and capital projects from System Development Charges (\$1.2 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 \$1.2 million. This represents a \$.4 million decrease from FY 2014/15 primarily due to fund transfers for capital improvements.

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 assigned fund balance at June 30, 2016 is \$295,961, a decrease of \$210,667 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, 2016

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 Clemens Park Restroom.

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)	\$633,866	(41%)
All Sewer (including SDC)	\$925,767	(59%)

The total proprietary fund unrestricted net assets increased by \$522,753 from the prior year primarily due to the Barclay Drive Infrastructure Project.

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, 2016.

General Fund. When compared to FY 2014/2015, the General Fund's change in fund balance decreased by \$417,800. This is mainly due to supplemental budgets for FY 2015/16 addressing capital improvements to the campground, personnel services, Hood Avenue improvements and other park related improvements. Other variances of revenues and expenses between final budget and actual revenues and expenses is related to collections of park fees, transient room tax and property taxes over budget and in increase in personnel services and legal fees.

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, 2016 amounts to \$29.3 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, 28% is associated with governmental activities and 72% with business-type activities. See Table 3 below.

In total, the City's capital assets increased by \$.91 million from the prior year. Governmental activities account for \$1.1 million of the increase and business-type activities account for \$.2 million decrease. Capital asset projects during the fiscal year included the following:

- Village Green Restroom
- Clemens Park Restroom
- Barclay Drive Infrastructure extension
- Hood Avenue Improvements

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

	Governmental Activities		Business-type Activities		Total		Total Change + (-)
	2016	2015	2016	2015	2016	2015	
Land	\$ 507,220	\$ 507,220	\$ 4,274,205	\$ 4,274,205	\$ 4,781,425	\$ 4,781,425	\$ -
Art and sculptures	330,872	330,872	14,000	14,000	344,872	344,872	-
Construction in progress	455,647	395,495	174,187	190,554	629,834	586,049	43,785
Buildings	2,780,315	2,629,358	540,704	557,502	3,321,019	3,186,860	134,159
Improvements, others than buildings	4,733,452	3,858,282	15,405,606	15,522,531	20,139,058	19,380,813	758,245
Equipment	99,661	109,673	29,017	46,526	128,678	156,199	(27,521)
Total	<u>\$ 8,907,167</u>	<u>\$ 7,830,900</u>	<u>\$ 20,437,719</u>	<u>\$ 20,605,318</u>	<u>\$ 29,344,886</u>	<u>\$ 28,436,218</u>	<u>\$ 908,668</u>

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

Long-term debt.

The DEQ loan was paid off on January 12, 2016.

On January 28, 2016 the City issued full faith and credit refunding bonds in the amount of \$6,180,000. Proceeds from the issuance were used to payoff the City's loans payable for the City Hall Facility, sewer system, Lazy Z property, and USDA revenue bonds. Interest is 2.95% with a maturity date of December 1, 2038.

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 + (-)
	2016	2015	2016	2015	2016	2015	
Revenue bonds	0.5	0.0	5.6	4.6	6.1	4.6	1.5
Notes Payable	1.1	1.9	0.0	1.7	1.1	3.6	(2.5)
Total	<u>\$ 1.6</u>	<u>\$ 1.9</u>	<u>\$ 5.6</u>	<u>\$ 6.3</u>	<u>\$ 7.2</u>	<u>\$ 8.2</u>	<u>\$ (1.1)</u>

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 2016/17 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%.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The City's current **population** is 2,472. It is assumed that during the upcoming fiscal year the City's population will continue to increase by approximately 5%. 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 5.4%. 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 8.9%
- Liability insurance will increase by 5.6%
- Unemployment insurance will not change
- Workers compensation insurance rates will increase 7.2%

Budgeted operating contingency is \$.7 million which represents 2 months of operating expenses. Reserves for capital replacement and improvements are \$1.2 million, and reserves for future expenditures, which includes expenditures for capital projects and new development, are \$2.9 million.

REQUESTS FOR INFORMATION

This City's financial statements are designed to provide readers with a general overview of the City's finances. The Sisters Urban Renewal Agency has issued a separate report. For questions or additional information, please contact the City's Finance Officer 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,820,011	\$ 1,749,506	\$ 3,569,517
Receivables:			
Accounts, net	118,038	126,989	245,027
Intergovernmental	191,160	-	191,160
Property taxes	31,626	-	31,626
Assessments	165,466	5,988	171,454
Inventories	-	36,258	36,258
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,491,578	2,132,914	3,624,492
Capital assets:			
Land	507,220	4,274,205	4,781,425
Art and sculptures	330,872	14,000	344,872
Construction in progress	455,646	174,487	630,133
Depreciable assets, net of depreciation	<u>7,613,429</u>	<u>15,975,327</u>	<u>23,588,756</u>
Total assets	<u>12,725,046</u>	<u>24,489,674</u>	<u>37,214,720</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>60,623</u>	<u>25,135</u>	<u>85,758</u>
LIABILITIES			
Accounts payable and accrued expenses	159,766	17,459	177,225
Deposits	40,194	81,741	121,935
Accrued interest payable	7,231	87,627	94,858
Unearned revenue	236,808	6,988	243,796
Long-term obligations:			
Due within one year	129,447	138,130	267,577
Due in more than one year	<u>1,906,424</u>	<u>6,248,386</u>	<u>8,154,810</u>
Total liabilities	<u>2,479,870</u>	<u>6,580,331</u>	<u>9,060,201</u>
DEFERRED INFLOWS OF RESOURCES	<u>99,383</u>	<u>41,205</u>	<u>140,588</u>
NET POSITION			
Net investment in capital assets	7,238,668	14,200,726	21,439,394
Restricted for:			
Debt service	215,674	-	215,674
System development	1,216,962	2,132,914	3,349,876
Other	37,169	-	37,169
Unrestricted	<u>1,497,943</u>	<u>1,559,633</u>	<u>3,057,576</u>
Total net position	<u>\$ 10,206,416</u>	<u>\$ 17,893,273</u>	<u>\$ 28,099,689</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, 2016

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	\$ 1,642,434	\$ 430,234	\$ 9,393	\$ -	\$(1,202,807)	\$ -	\$ (1,202,807)
Public safety	543,930	-	28,832	-	(515,098)	-	(515,098)
Culture and recreation	329,539	209,715	20,000	30,037	(69,787)	-	(69,787)
Community development	31,539	-	-	99,920	68,381	-	68,381
Highways and streets	731,193	29,009	309,902	368,667	(23,615)	-	(23,615)
Interest on long-term obligation	48,696	-	-	-	(48,696)	-	(48,696)
Total governmental activities	3,327,331	668,958	368,127	498,624	(1,791,622)	-	(1,791,622)
Business-type activities:							
Water	686,909	614,333	-	313,339	-	240,763	240,763
Sewer	1,073,245	856,242	-	387,929	-	170,926	170,926
Total business-type activities	1,760,154	1,470,575	-	701,268	-	411,689	411,689
Total primary government	\$ 5,087,485	\$ 2,139,533	\$ 368,127	\$ 1,199,892	(1,791,622)	411,689	(1,379,933)
General revenues:							
Property taxes levied for:							
General purposes					877,744	-	877,744
Debt service					151,868	-	151,868
Franchise and public services taxes					973,128	-	973,128
Interest and investment earnings					22,177	19,751	41,928
Miscellaneous					8,232	-	8,232
Transfers					49,942	(49,942)	-
Total general revenues, special items, and transfers					2,083,091	(30,191)	2,052,900
Change in net position					291,469	381,498	672,967
Net position, beginning					9,914,947	17,511,775	27,426,722
Net position, ending					\$10,206,416	\$ 17,893,273	\$ 28,099,689

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, 2016**

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 1,573,949	\$ 283,458	\$ 194,632	\$ 1,259,550	\$ 3,311,589
Receivables:					
Property taxes	27,026	-	-	4,600	31,626
Accounts, net	61,790	56,248	-	-	118,038
Intergovernmental	40,455	150,705	-	-	191,160
Assessments, net	-	69,859	-	95,607	165,466
Total assets	<u>\$ 1,703,220</u>	<u>\$ 560,270</u>	<u>\$ 194,632</u>	<u>\$ 1,359,757</u>	<u>\$ 3,817,879</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 137,857	\$ 10,367	\$ 7,393	\$ 4,149	\$ 159,766
Deposits	3,953	36,241	-	-	40,194
Unearned revenue	91,939	38,334	-	106,535	236,808
Total liabilities	<u>233,749</u>	<u>84,942</u>	<u>7,393</u>	<u>110,684</u>	<u>436,768</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	36,294	179,367	-	3,676	219,337
Total deferred inflows of resources	<u>36,294</u>	<u>179,367</u>	<u>-</u>	<u>3,676</u>	<u>219,337</u>
FUND BALANCES					
Restricted	37,169	-	187,239	1,245,397	1,469,805
Assigned	176,949	295,961	-	-	472,910
Unassigned	1,219,059	-	-	-	1,219,059
Total fund balances	<u>1,433,177</u>	<u>295,961</u>	<u>187,239</u>	<u>1,245,397</u>	<u>3,161,774</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,703,220</u>	<u>\$ 560,270</u>	<u>\$ 194,632</u>	<u>\$ 1,359,757</u>	<u>\$ 3,817,879</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, 2016

Fund balances - total governmental funds	\$ 3,161,774
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	8,907,167
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	219,337
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(30,392)
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.	(375,740)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(7,231)
Long-term liabilities, including bonds and notes payable and the related premium, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	<u>(1,668,499)</u>
Net Position of governmental activities	<u>\$10,206,416</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 878,897	\$ -	\$ -	\$ 152,423	\$ 1,031,320
Other taxes	448,523	179,249	-	-	627,772
Franchise fees	-	324,542	-	-	324,542
Licenses and fees	573,008	3,190	-	34,821	611,019
Charges for services	24,875	-	-	-	24,875
Intergovernmental	121,542	232,266	111,375	-	465,183
Fines and forfeitures	2,746	-	-	-	2,746
System development charges	-	-	-	87,974	87,974
Rental income	4,500	-	-	-	4,500
Interest on investments	10,949	2,459	1,374	7,396	22,178
Miscellaneous	6,982	25,818	-	-	32,800
TOTAL REVENUES	<u>2,072,022</u>	<u>767,524</u>	<u>112,749</u>	<u>282,614</u>	<u>3,234,909</u>
EXPENDITURES					
Current:					
General government	1,366,873	-	-	13,055	1,379,928
Public safety	543,930	-	-	-	543,930
Culture and recreation	278,802	-	-	-	278,802
Community dev.	-	-	4,352	-	4,352
Highways and streets	-	474,973	-	-	474,973
Capital outlay	39,866	729,524	354,664	79,715	1,203,769
Debt service	-	-	-	325,445	325,445
TOTAL EXPENDITURES	<u>2,229,471</u>	<u>1,204,497</u>	<u>359,016</u>	<u>418,215</u>	<u>4,211,199</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(157,449)</u>	<u>(436,973)</u>	<u>(246,267)</u>	<u>(135,601)</u>	<u>(976,290)</u>
OTHER FINANCING SOURCES (USES)					
Sale of property	425	825	-	-	1,250
Issuance of debt	-	32,525	-	-	32,525
Issuance of refunding debt	-	-	-	535,000	535,000
Transfers in	-	210,000	-	121,777	331,777
Bond premium	-	-	-	62,664	62,664
Payment to refund debt	-	-	-	(584,130)	(584,130)
Transfers out	(264,790)	(17,045)	-	-	(281,835)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(264,365)</u>	<u>226,305</u>	<u>-</u>	<u>135,311</u>	<u>97,251</u>
NET CHANGE IN FUND BALANCE	(421,814)	(210,668)	(246,267)	(290)	(879,039)
FUND BALANCE, Beginning	<u>1,854,991</u>	<u>506,629</u>	<u>433,506</u>	<u>1,245,687</u>	<u>4,040,813</u>
FUND BALANCE, Ending	<u>\$ 1,433,177</u>	<u>\$ 295,961</u>	<u>\$ 187,239</u>	<u>\$ 1,245,397</u>	<u>\$ 3,161,774</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, 2016

Net change in fund balance - governmental funds \$ (879,039)

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 139,521

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.

864,412

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

 Issuance of debt (567,525)
 Bond premium (62,664)

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.

 Amortization of bond premium 2,008
 Change in compensated absences 4,625
 Change in accrued interest payable (5,541)
 Change in pension asset and related deferred outflows and inflows (280,595)

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	\$	1,176,582	
Donated capital assets		193,180	
Depreciation expense		<u>(293,495)</u>	
			<u>1,076,267</u>

Change in net position - governmental activities **\$ 291,469**

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Property taxes	\$ 860,000	\$ 860,000	\$ 878,897	\$ 18,897
Other taxes	450,000	450,000	448,523	(1,477)
Licenses and fees	605,700	605,700	573,008	(32,692)
Charges for services	23,600	23,600	24,875	1,275
Intergovernmental	120,276	120,276	121,542	1,266
Fines and forfeitures	3,000	3,000	2,746	(254)
Rental income	9,000	9,000	4,500	(4,500)
Interest on investments	7,500	7,500	10,949	3,449
Miscellaneous	3,000	3,000	6,982	3,982
TOTAL REVENUES	<u>2,082,076</u>	<u>2,082,076</u>	<u>2,072,022</u>	<u>(10,054)</u>
EXPENDITURES				
Current:				
General government	1,414,725	1,434,725	1,366,873	67,852
Public safety	543,930	543,930	543,930	-
Culture and recreation	294,298	316,298	278,802	37,496
Capital outlay	6,800	74,800	39,866	34,934
Contingency	358,825	218,825	-	218,825
TOTAL EXPENDITURES	<u>2,618,578</u>	<u>2,588,578</u>	<u>2,229,471</u>	<u>359,107</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(536,502)</u>	<u>(506,502)</u>	<u>(157,449)</u>	<u>349,053</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	425	425
Transfers out	(25,100)	(331,100)	(264,790)	66,310
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,100)</u>	<u>(331,100)</u>	<u>(264,365)</u>	<u>66,735</u>
NET CHANGE IN FUND BALANCE	(561,602)	(837,602)	(421,814)	415,788
FUND BALANCE, Beginning	<u>1,828,042</u>	<u>1,828,042</u>	<u>1,854,991</u>	<u>26,949</u>
FUND BALANCE, Ending	<u>\$ 1,266,440</u>	<u>\$ 990,440</u>	<u>\$ 1,433,177</u>	<u>\$ 442,737</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Other taxes	\$ 180,000	\$ 180,000	\$ 179,249	\$ (751)
Franchise fees	318,450	318,450	324,542	6,092
Licenses and fees	7,000	7,000	3,190	(3,810)
Intergovernmental	420,132	420,132	232,266	(187,866)
Interest on investments	1,500	1,500	2,459	959
Miscellaneous	940	940	25,818	24,878
TOTAL REVENUES	<u>928,022</u>	<u>928,022</u>	<u>767,524</u>	<u>(160,498)</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	249,732	254,232	261,282	(7,050)
Materials and services	207,950	215,650	213,691	1,959
Capital outlay	548,152	824,152	729,524	94,628
Contingency	76,280	54,780	-	54,780
TOTAL EXPENDITURES	<u>1,082,114</u>	<u>1,348,814</u>	<u>1,204,497</u>	<u>144,317</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(154,092)</u>	<u>(420,792)</u>	<u>(436,973)</u>	<u>(16,181)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	825	825
Issuance of debt	-	-	32,525	32,525
Transfers in	-	276,000	210,000	(66,000)
Transfers out	(7,810)	(17,110)	(17,045)	65
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,810)</u>	<u>258,890</u>	<u>226,305</u>	<u>(32,585)</u>
NET CHANGE IN FUND BALANCE	(161,902)	(161,902)	(210,668)	(48,766)
FUND BALANCE, Beginning	<u>418,923</u>	<u>418,923</u>	<u>506,629</u>	<u>87,706</u>
FUND BALANCE, Ending	<u>\$ 257,021</u>	<u>\$ 257,021</u>	<u>\$ 295,961</u>	<u>\$ 38,940</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
URBAN RENEWAL PROJECT FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 111,375	\$ 111,375	\$ 111,375	\$ -
Interest on investments	500	500	1,374	874
TOTAL REVENUES	<u>111,875</u>	<u>111,875</u>	<u>112,749</u>	<u>874</u>
EXPENDITURES				
Current:				
Community development:				
Materials and services	4,200	4,200	4,352	(152)
Capital outlay	350,250	380,250	354,664	25,586
Contingency	141,151	111,151	-	111,151
TOTAL EXPENDITURES	<u>495,601</u>	<u>495,601</u>	<u>359,016</u>	<u>136,585</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(383,726)</u>	<u>(383,726)</u>	<u>(246,267)</u>	<u>137,459</u>
NET CHANGE IN FUND BALANCE	(383,726)	(383,726)	(246,267)	137,459
FUND BALANCE, Beginning	<u>383,726</u>	<u>383,726</u>	<u>433,506</u>	<u>49,780</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,239</u>	<u>\$ 187,239</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, 2016

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 724,556	\$ 1,024,950	\$ 1,749,506
Receivables:			
Accounts, net	56,375	70,614	126,989
Assessments	-	5,988	5,988
Inventories	36,258	-	36,258
Total current assets	<u>817,189</u>	<u>1,101,552</u>	<u>1,918,741</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,432,377	700,537	2,132,914
Capital assets:			
Land	10,022	4,264,183	4,274,205
Art and sculptures	-	14,000	14,000
Construction in progress	45,136	129,351	174,487
Depreciable assets, net of depreciation	5,953,864	10,021,463	15,975,327
Total noncurrent assets	<u>7,441,399</u>	<u>15,129,534</u>	<u>22,570,933</u>
Total assets	<u>8,258,588</u>	<u>16,231,086</u>	<u>24,489,674</u>
DEFERRED OUTFLOW OF RESOURCES	<u>14,035</u>	<u>11,100</u>	<u>25,135</u>
LIABILITIES			
Current liabilities:			
Accounts payable	9,417	8,042	17,459
Accrued interest payable	-	87,627	87,627
Deposits	81,741	-	81,741
Unearned revenue	-	6,988	6,988
Compensated absences payable	3,885	3,245	7,130
Current portion of long-term debt	-	131,000	131,000
Total current liabilities	<u>95,043</u>	<u>236,902</u>	<u>331,945</u>
Long-term obligations, net of current portion:			
Compensated absences payable	1,295	1,083	2,378
Net pension liability	78,012	61,703	139,715
Bonds payable	-	5,514,000	5,514,000
Bond premium	-	592,293	592,293
Total long-term debt, net of current portion	<u>79,307</u>	<u>6,169,079</u>	<u>6,248,386</u>
Total liabilities	<u>174,350</u>	<u>6,405,981</u>	<u>6,580,331</u>
DEFERRED INFLOW OF RESOURCES	<u>23,008</u>	<u>18,197</u>	<u>41,205</u>
NET POSITION			
Net investment in capital assets	6,009,022	8,191,704	14,200,726
Restricted for system development	1,432,377	700,537	2,132,914
Unrestricted	633,866	925,767	1,559,633
Total net position	<u>\$ 8,075,265</u>	<u>\$ 9,818,008</u>	<u>\$ 17,893,273</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, 2016

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
OPERATING REVENUES			
Charges for services	\$ 610,778	\$ 839,724	\$ 1,450,502
Licenses and fees	2,800	2,800	5,600
Rental income	-	13,000	13,000
Miscellaneous	755	718	1,473
TOTAL OPERATING REVENUES	<u>614,333</u>	<u>856,242</u>	<u>1,470,575</u>
OPERATING EXPENSES			
Personal services	281,631	230,029	511,660
Materials and services	224,354	342,817	567,171
Depreciation	181,299	288,052	469,351
TOTAL OPERATING EXPENSES	<u>687,284</u>	<u>860,898</u>	<u>1,548,182</u>
OPERATING INCOME (LOSS)	<u>(72,951)</u>	<u>(4,656)</u>	<u>(77,607)</u>
NON-OPERATING INCOME (EXPENSES)			
Gain (loss) on disposal of capital assets	375	375	750
Interest on investments	11,084	8,667	19,751
Interest expense	-	(212,722)	(212,722)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>11,459</u>	<u>(203,680)</u>	<u>(192,221)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(61,492)	(208,336)	(269,828)
CAPITAL CONTRIBUTIONS			
Intergovernmental	64,893	119,098	183,991
System development charges	183,341	233,321	416,662
Capital asset contributions	65,105	35,510	100,615
TRANSFERS			
Transfers out	(20,705)	(29,237)	(49,942)
CHANGE IN NET POSITION	231,142	150,356	381,498
NET POSITION, Beginning	<u>7,844,123</u>	<u>9,667,652</u>	<u>17,511,775</u>
NET POSITION, Ending	<u>\$ 8,075,265</u>	<u>\$ 9,818,008</u>	<u>\$ 17,893,273</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, 2016

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 620,962	\$ 859,557	\$ 1,480,519
Payments to suppliers	(285,424)	(364,252)	(649,676)
Payments to employees	(144,128)	(105,592)	(249,720)
Payments for interfund services used	(48,905)	(67,259)	(116,164)
Net cash provided from (used by) operating activities	<u>142,505</u>	<u>322,454</u>	<u>464,959</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(20,705)	(29,237)	(49,942)
Net cash provided from (used by) non-capital financing activities	<u>(20,705)</u>	<u>(29,237)</u>	<u>(49,942)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	85,655	119,098	204,753
System development charges	183,341	233,321	416,662
Proceeds from issuance of debt	-	5,645,000	5,645,000
Proceeds from sale of capital assets	375	375	750
Acquisition of capital assets	(83,012)	(119,053)	(202,065)
Payment to refund debt	-	604,386	604,386
Principal paid on long-term obligations	-	(6,300,749)	(6,300,749)
Interest paid on long-term obligations	-	(311,830)	(311,830)
Net cash provided from (used by) capital and related financing activities	<u>186,359</u>	<u>(129,452)</u>	<u>56,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	11,084	8,667	19,751
Net cash provided (used) by investing activities	<u>11,084</u>	<u>8,667</u>	<u>19,751</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319,243	172,432	491,675
CASH AND CASH EQUIVALENTS, Beginning	<u>1,837,690</u>	<u>1,553,055</u>	<u>3,390,745</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,156,933</u>	<u>\$ 1,725,487</u>	<u>\$ 3,882,420</u>
COMPRISED AS FOLLOWS			
Cash and cash equivalents	\$ 724,556	\$ 1,024,950	\$ 1,749,506
Restricted cash and cash equivalents	<u>1,432,377</u>	<u>700,537</u>	<u>2,132,914</u>
	<u>\$ 2,156,933</u>	<u>\$ 1,725,487</u>	<u>\$ 3,882,420</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, 2016

	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)	\$ (72,951)	\$ (4,656)	\$ (77,607)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	181,299	288,052	469,351
(Increase) decrease in assets and deferred outflows:			
Receivables	(1,989)	(3,039)	(5,028)
Inventories	(4,738)	-	(4,738)
Net pension asset	32,381	23,556	55,937
Deferred outflows	(3,762)	(3,627)	(7,389)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses	(24,851)	(8,746)	(33,597)
Deposits	5,020	-	5,020
Compensated absences payable	(4,239)	(1,931)	(6,170)
Net pension liability	78,012	61,703	139,715
Deferred inflows	(41,677)	(28,858)	(70,535)
Net cash provided from (used by) operating activities	<u>\$ 142,505</u>	<u>\$ 322,454</u>	<u>\$ 464,959</u>
Noncash Investing, Capital, and Financing Activities			
Capital asset contributions	<u>\$ 65,105</u>	<u>\$ 35,510</u>	<u>\$ 100,615</u>
Total noncash investing, capital, and financing activities	<u>\$ 65,105</u>	<u>\$ 35,510</u>	<u>\$ 100,615</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, 2016

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. Pending Accounting Pronouncements

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The scope of the statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements

about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The City does not report an OPEB liability as it is considered community rated by the actuary. Actuarial standards have changed and the City expects to report an OPEB liability for an implicit rate study in the year ending June 30, 2017 based upon revised actuarial standards and to early implement GASB 75, which is effective for fiscal years beginning after June 15, 2017 and the effect on the City's financial statements has not yet been determined.

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 will be effective for the City, fiscal year ending June 30, 2017.

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 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. 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, 2016, 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:

Administration \$ 37,356

Street Fund:

Personal services \$ 7,050

City Hall Debt Service Fund:

Debt service \$ 42,686

Urbank Revenue Debt Service Fund:

Debt service \$ 2,145

Urban Renewal Project Fund:

Materials and Services \$ 152

Water Fund:

Personal services \$ 8,890

Materials and Services \$ 7,534

Sewer Fund:

Personal services \$ 11,209

Sewer SDC Fund:

Debt service \$ 61,962

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, 2016. 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, 2016, the carrying amount for the City's US Bank deposits was \$913,489 and the bank balance was \$933,941. 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 \$683,941 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, 2016 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 6,279,770
Less amounts classified as cash equivalents			<u>(6,279,770)</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		913,489
Local Government Investment Pool		<u>6,279,770</u>
Total cash and cash equivalents	<u>\$</u>	<u>7,194,009</u>
Funds:		
<u>Governmental Activities</u>		
General	\$	1,573,949
Street		283,458
Urban Renewal Project		194,632
Other Governmental Funds		<u>1,259,550</u>
Total Governmental Activities		<u>3,311,589</u>
<u>Business-Type Activities</u>		
Water (\$1,432,377 restricted)		2,156,933
Sewer (\$700,537 restricted)		<u>1,725,487</u>
Total Business-Type Activities		<u>3,882,420</u>
Total cash and cash equivalents	<u>\$</u>	<u>7,194,009</u>

Governmental activities cash and cash equivalents are restricted for debt service for \$215,674, for street and system development of \$1,216,962 (including \$20,770 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 \$2,132,914.

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	\$ 27,026	\$ -	\$ -	\$ 4,600	\$ 31,626
Accounts	61,826	56,248	-	-	118,074
Intergovernmental	40,455	150,705	-	-	191,160
Assessments	-	69,859	-	116,262	186,121
Allowance For Doubtful Account	(36)	-	-	(20,655)	(20,691)
	<u>\$ 129,271</u>	<u>\$ 276,812</u>	<u>\$ -</u>	<u>\$ 100,207</u>	<u>\$ 506,290</u>

Receivables as of June 30, 2016 for the business-type activities individual major funds are as follows:

	Water	Sewer	Total Business-Type Activities
Accounts	\$ 56,853	\$ 71,829	\$ 128,682
Assessments	-	5,988	5,988
Allowance for doubtful accounts	(478)	(1,215)	(1,693)
	<u>\$ 56,375</u>	<u>\$ 76,602</u>	<u>\$ 132,977</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 \$907,064 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 \$353,959,850. 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 \$157,139.

Following is a summary of property tax transactions for the year ended June 30, 2016:

	Balances July 1, 2015	2015-16 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2016
2015-16	\$ -	\$ 1,064,203	\$ (9,567)	\$ (26,390)	\$ (1,012,770)	\$ 15,476
2014-15	15,373	-	(93)	543	(10,037)	5,786
2013-14	6,388	-	(88)	512	(3,975)	2,837
2012-13	3,504	-	(99)	569	(3,027)	947
2011-12	1,255	-	(90)	255	(1,167)	253
2010-11	381	-	(102)	51	(165)	165
2009-10	253	-	(97)	34	(98)	92
2008-09	195	-	(89)	20	(57)	69
2007-08	56	-	(7)	3	(7)	45
2006-07	30	-	(5)	2	(3)	24
Prior years	114	-	-	13	(31)	96
	<u>\$ 27,549</u>	<u>\$ 1,064,203</u>	<u>\$ (10,237)</u>	<u>\$ (24,388)</u>	<u>\$ (1,031,337)</u>	<u>25,790</u>
				Cash with County		<u>5,836</u>
				Total Receivable		<u>\$ 31,626</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 \$20,655 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, 2016, was as follows:

	Beginning Balance	Additions	Deletion/ Transfer	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 507,220	\$ -	\$ -	\$ 507,220
Art and sculptures	330,872	-	-	330,872
Construction in progress	395,495	1,075,569	(1,015,417)	455,647
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	1,233,587	1,075,569	(1,015,417)	1,293,739
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated:				
Buildings and improvements	3,910,603	-	245,052	4,155,655
Tools and equipment	745,001	12,992	-	757,993
Office equipment	273,496	-	-	273,496
Street Improvements	4,736,759	281,201	770,365	5,788,325
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated	9,665,859	294,193	1,015,417	10,975,469
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation for:				
Buildings	(1,281,245)	(94,095)	-	(1,375,340)
Tools and equipment	(671,266)	(13,320)	-	(684,586)
Office equipment	(237,558)	(9,684)	-	(247,242)
Street Improvements	(878,477)	(176,396)	-	(1,054,873)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(3,068,546)	(293,495)	-	(3,362,041)
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated, net	6,597,313	698	1,015,417	7,613,428
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	<u>\$ 7,830,900</u>	<u>\$ 1,076,267</u>	<u>\$ -</u>	<u>\$ 8,907,167</u>

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

Governmental activities

General government	\$ 108,910
Culture and recreation	5,029
Highways and streets	<hr/> 179,556
Total depreciation expense - governmental activities	<hr/> <u>\$ 293,495</u>

Capital asset activity for the business-type activities for the year ended June 30, 2016 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	190,554	201,438	(217,505)	174,487
	<u>4,478,759</u>	<u>201,438</u>	<u>(217,505)</u>	<u>4,462,692</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and improvements	638,499	-	-	638,499
Tools and equipment	535,691	-	-	535,691
Office equipment	21,815	-	-	21,815
Infrastructure	20,952,767	100,615	217,505	21,270,887
	<u>22,148,772</u>	<u>100,615</u>	<u>217,505</u>	<u>22,466,892</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(80,996)	(16,799)	-	(97,795)
Tools and equipment	(489,164)	(17,509)	-	(506,673)
Office equipment	(21,816)	-	-	(21,816)
Infrastructure	(5,430,237)	(435,044)	-	(5,865,281)
	<u>(6,022,213)</u>	<u>(469,352)</u>	<u>-</u>	<u>(6,491,565)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>16,126,559</u>	<u>(368,737)</u>	<u>217,505</u>	<u>15,975,327</u>
Business-type activities capital assets, net	<u>\$ 20,605,318</u>	<u>\$(167,299)</u>	<u>\$ -</u>	<u>\$ 20,438,019</u>

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

Water	\$ 181,299
Sewer	<u>288,052</u>
Total depreciation expense - business-type activities	<u>\$ 469,351</u>

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the City

recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenues from property taxes, fuel taxes, and intergovernmental revenues are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

The governmental funds report unavailable revenues from the following sources:

	General	Street	Urban Renewal Project	Totals
Property taxes	\$ 21,927	\$ -	\$ 3,676	\$ 25,603
Fuel Taxes	-	8,090	-	8,090
Intergovernmental	14,367	171,277	-	185,644
	<u>\$ 36,294</u>	<u>\$ 179,367</u>	<u>\$ 3,676</u>	<u>\$ 219,337</u>

E. Long-term obligations

1. Bonds Payable – Governmental Activities

The City issued \$6,180,000 in Full Faith and Credit Refunding Bonds on January 28, 2016 to allow the City to achieve debt service savings on multiple refunded loans and to extend the terms of the other refunded loans. The City refunded the Bank of the Cascades City Hall loan in the Governmental Funds. The refunding resulted in a reduction of debt service of \$715,312 over 25 years and an economic gain of \$672,121. The City Hall Debt Service Fund reduction was \$16,501 and economic gain was \$19,263. The bonds require semi-annual payments of interest at rates ranging from 2% to 4%, depending on maturity, and a principal payment December 1 of each year. The bonds are secured by the full faith and credit of the City. Future maturities of the loans are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 29,000	\$ 24,169
2018	34,000	17,310
2019	36,000	16,610
2020	39,000	15,665
2021	38,000	14,510
2022-2026	210,000	51,030
2027-2031	149,000	9,060
	<u>\$ 535,000</u>	<u>\$ 148,354</u>

2. Loans Payable – Governmental Activities

The City borrowed \$1,253,318 from the Bank of Cascades in November, 2015 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%. The Urban Renewal Agency paid an additional principal payment of \$121,492 to reduce the outstanding balance of the loan bringing the balloon payment due in February 2022 to \$601,007. Future maturities of the loans are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 73,034	\$ 32,432
2018	75,421	30,045
2019	77,886	27,581
2020	80,363	25,103
2021	83,057	22,410
2022	650,557	13,526
	<u>\$ 1,040,318</u>	<u>\$ 151,097</u>

The City borrowed \$32,525 from the Oregon Infrastructure Finance Authority on April 24, 2016 to provide additional funds for the Street fund. The obligation is payable in annual payments of \$4,996.57 for seven years including interest of 1.85%. Future maturities of the loans are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 4,619	\$ 377
2018	4,480	516
2019	4,563	433
2020	4,648	349
2021	4,734	263
2022-2023	9,481	262
	<u>\$ 32,525</u>	<u>\$ 2,200</u>

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

The City issued \$6,180,000 in Full Faith and Credit Refunding Bonds on January 28, 2016 to allow the City to achieve debt service savings on multiple refunded loans and to extend the terms of the other refunded loans. The City refunded the USDA 92-04 loan, USDA 92-06 loan, Bank of the Cascades Sewer loan, and Bank of the Cascades Lazy Z loan in the Sewer funds. The refunding resulted in a reduction of debt service of \$715,312 over 25 years and an economic gain of \$672,121. The Sewer funds portion of the reduction was \$698,811 and economic gain was \$652,858. The bonds require semi-annual payments of interest at rates ranging from 2% to 4%, depending on maturity and a principal payment December 1 of each year. The bonds are secured by the full faith and credit of the city. In addition, the City covenants that it shall, for each fiscal year, while the bonds are outstanding and beginning in fiscal year 2017: set rates and charges for its Sewer System at a level the City projects will generate Sewer System revenues that are at least sufficient to provide the costs of operating and maintaining the Sewer System, to pay the portion of the debt service that is allocable to the refunding of the Sewer System loans, and to pay any other amounts that are required to be paid from Sewer System revenues in that fiscal year. Final payment for the USDA portion of the refunding is due December 1, 2040 and the final payment for the remaining loan portion is December 1, 2028.

Future maturities of the loans payable are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 131,000	\$ 278,051
2018	206,000	203,540
2019	209,000	199,390
2020	216,000	194,060
2021	222,000	187,490
2022-2026	1,230,000	811,820
2027-2031	1,211,000	552,140
2032-2036	995,000	347,500
2037-2041	1,225,000	128,500
	<u>\$ 5,645,000</u>	<u>\$ 2,902,491</u>

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ -	\$ 535,000	\$ -	\$ 535,000	\$ 29,000
Bond premium	-	62,664	2,008	60,656	-
Loans payable	1,904,730	32,525	864,412	1,072,843	77,653
Net pension liability	-	336,980	-	336,980	-
Compensated absences	35,017	30,392	35,017	30,392	22,794
Governmental activity Long-term obligations	<u>\$ 1,939,747</u>	<u>\$ 997,561</u>	<u>\$ 901,437</u>	<u>\$ 2,035,871</u>	<u>\$ 129,447</u>
Business - type activities					
Bonds payable	\$ 4,572,964	\$ 5,645,000	\$ 4,572,964	\$ 5,645,000	\$ 131,000
Bond premium	-	604,452	12,159	592,293	-
Loans payable	1,727,785	-	1,727,785	-	-
Net pension liability	-	139,715	-	139,715	-
Compensated absences	15,678	9,508	15,678	9,508	7,130
Business-type activity Long-term obligations	<u>\$ 6,316,427</u>	<u>\$ 6,398,675</u>	<u>\$ 6,328,586</u>	<u>\$ 6,386,516</u>	<u>\$ 138,130</u>

F. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2016 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
Roundhouse Foundation	-	-	-	-	-
Debt Service	-	-	-	215,674	215,674
Capital Projects	-	-	187,239	1,029,723	1,216,962
Building Inspection	23,747	-	-	-	23,747
Assigned to:					
Capital Reserve	176,949	-	-	-	176,949
Highways and Streets	-	295,961	-	-	295,961
Unassigned:					
	1,219,059	-	-	-	1,219,059
Total Fund Balance	<u>\$ 1,433,177</u>	<u>\$ 295,961</u>	<u>\$ 187,239</u>	<u>\$ 1,245,397</u>	<u>\$ 3,161,774</u>

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 \$49,942.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ -	\$ 264,790
Street	210,000	17,045
Other Governmental Funds	121,777	-
Business-type activities:		
Water	-	20,705
Sewer	-	29,237
	<u>\$ 331,777</u>	<u>\$ 331,777</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. Pension Plan

General Information about the Pension Plan

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 2016 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, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$111,829, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 11.25 percent for Tier One/Tier Two General Service Member, 6.95 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, 2016, the City of Sisters reported a liability of \$476,695 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability 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, 2015, the City's proportion was 0.0830 percent, which was a decrease from its proportion of .0864 percent measured as of June 30, 2014.

For the year ended June 30, 2016, the City's recognized pension expense of \$510,152. At June 30, 2016, 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	\$ -	\$ 99,926
Differences between expected and actual experience.	25,706	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	40,663
Contributions subsequent to the measurement date	60,052	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 85,758</u>	<u>\$ 140,589</u>

\$60,052 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:	
2017	\$ (51,605)
2018	(51,605)
2019	(51,605)
2020	40,342
2021	<u>(410)</u>
Total	<u>\$ (114,883)</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, and effective July 1, 2015, through June 30, 2017, 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, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Health retirees and beneficiaries; RP-2000 Sex-distinct, generational per Scale 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 (65% for males, 90% for females) 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 2014 Experience Study, which reviewed experience for the four-year period ending on December 31, 2014.

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/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	1.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation
Core Fixed Income	7.20%
Short-Term Bonds	8.00%
Intermediate-Term Bonds	3.00%
High Yield Bonds	1.80%
Large Cap US Equities	11.65%
Mid Cap US Equities	3.88%
Small Cap US Equities	2.27%
Developed Foreign Equities	14.21%
Emerging Foreign Equities	5.49%
Private Equities	20.00%
Opportunity Funds/Absolute Return	5.00%
Real Estate (Property)	13.75%
Real Estate (REITS)	2.50%
Commodities	1.25%
Total	100.00%

Assumed Inflation - Mean

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are not future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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)	\$1,150,486	\$ 476,695	\$ (91,134)

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 During the Measurement Period

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 with 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 benefit before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

C. Construction in Progress

The City is committed under various construction contracts at June 30, 2016. Major projects in progress at June 30, 2016 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 \$4,694 with estimated costs of \$18,860.

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 E Cascades Improvements project is approximately 98% complete. Costs incurred to date are \$280,602 with estimated costs of \$289,917. The Chamber project is 98% complete. Costs incurred to date are \$27,554 with estimated costs of \$30,000.

The Server upgrade project is 44% complete. Costs incurred to date are \$5,999 with estimated costs of \$13,600.

The Clemens Park restroom project is 64% complete. The costs incurred to date are \$79,715 with estimated costs of \$125,000.

The Overnight Park Improvement project is approximately 50% complete. Costs incurred to date are \$34,076 with estimated costs of \$68,000.

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.

D. Commitments and Contingencies

The City currently has awarded \$162,107 in Façade Grants, of which \$27,288 was paid in the current year. The City then awarded an additional \$18,264, leaving an unpaid balance of \$31,666 at June 30, 2016.

E. Subsequent Events

The City will match \$150,000 for the overnight restrooms from the Park and Park SDC funds.

The City awarded Kittleson & Associates an amount not to exceed \$120,000 for 2016-17 transportation system update.

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>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.00830268	0.00863735%	0.00863735%
City's proportionate share of the net pension liability (asset)	\$ 476,695	\$ (195,784)	\$ 440,777
City's covered-employee payroll	\$ 801,011	\$ 782,716	\$ 759,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.51%	-25.01%	58.06%
Plan fiduciary net position as a percentage of the total pension liability	91.90%	103.60%	91.90%

CITY OF SISTERS, OREGON

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 111,829	\$ 113,378	\$ 112,592
Contributions in relation to the contractually required	<u>(111,829)</u>	<u>(113,378)</u>	<u>(112,592)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 801,011	\$ 782,716	\$ 759,194
Contributions as a percentage of covered-employee payroll	13.96%	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, 2016

Changes in Benefit Terms

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 with 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 benefit before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes of assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study of the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercer_reports.aspx

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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.

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, 2016**

	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	\$ 748,256	\$ 127,815	\$ 168,729	\$ 37,067	\$ 177,683	\$ 1,259,550
Receivables:						
Property taxes	-	-	-	-	4,600	4,600
Assessments, net	-	-	95,607	-	-	95,607
 Total assets	<u>\$ 748,256</u>	<u>\$ 127,815</u>	<u>\$ 264,336</u>	<u>\$ 37,067</u>	<u>\$ 182,283</u>	<u>\$ 1,359,757</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ 4,149	\$ -	\$ -	\$ -	\$ 4,149
Unearned revenue	-	-	106,535	-	-	106,535
 Total liabilities	<u>-</u>	<u>4,149</u>	<u>106,535</u>	<u>-</u>	<u>-</u>	<u>110,684</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	3,676	3,676
FUND BALANCES						
Restricted	<u>748,256</u>	<u>123,666</u>	<u>157,801</u>	<u>37,067</u>	<u>178,607</u>	<u>1,245,397</u>
 Total fund balances	<u>748,256</u>	<u>123,666</u>	<u>157,801</u>	<u>37,067</u>	<u>178,607</u>	<u>1,245,397</u>
 Total liabilities fund balances, and deferred inflows of resources	<u>\$ 748,256</u>	<u>\$ 127,815</u>	<u>\$ 264,336</u>	<u>\$ 37,067</u>	<u>\$ 182,283</u>	<u>\$ 1,359,757</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, 2016

	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	\$ -	\$ -	\$ -	\$ -	\$ 152,423	\$ 152,423
Licenses and fees	-	-	34,821	-	-	34,821
System development charges	57,937	30,037	-	-	-	87,974
Interest on investments	<u>4,037</u>	<u>1,025</u>	<u>881</u>	<u>177</u>	<u>1,276</u>	<u>7,396</u>
TOTAL REVENUES	<u>61,974</u>	<u>31,062</u>	<u>35,702</u>	<u>177</u>	<u>153,699</u>	<u>282,614</u>
EXPENDITURES						
Current:						
General government	-	-	-	13,055	-	13,055
Capital outlay	-	79,715	-	-	-	79,715
Debt service	-	-	-	98,486	226,959	325,445
TOTAL EXPENDITURES	<u>-</u>	<u>79,715</u>	<u>-</u>	<u>111,541</u>	<u>226,959</u>	<u>418,215</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>61,974</u>	<u>(48,653)</u>	<u>35,702</u>	<u>(111,364)</u>	<u>(73,260)</u>	<u>(135,601)</u>
OTHER FINANCING SOURCES						
Issuance of refunding debt	-	-	-	535,000	-	535,000
Transfers in	-	-	-	121,777	-	121,777
Bond premium	-	-	-	62,664	-	62,664
Payment to refund debt	-	-	-	(584,130)	-	(584,130)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,311</u>	<u>-</u>	<u>135,311</u>
NET CHANGE IN FUND BALANCE	61,974	(48,653)	35,702	23,947	(73,260)	(290)
FUND BALANCE, Beginning	<u>686,282</u>	<u>172,319</u>	<u>122,099</u>	<u>13,120</u>	<u>251,867</u>	<u>1,245,687</u>
FUND BALANCE, Ending	<u>\$ 748,256</u>	<u>\$ 123,666</u>	<u>\$ 157,801</u>	<u>\$ 37,067</u>	<u>\$ 178,607</u>	<u>\$ 1,245,397</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Administration	\$ 497,399	\$ 516,399	\$ 553,755	\$ (37,356)
Maintenance	102,730	103,730	100,131	3,599
Parks	294,298	384,298	313,205	71,093
Police	543,930	543,930	543,930	-
Planning	439,764	439,764	432,599	7,165
Support services	381,632	381,632	285,851	95,781
Transfers out	25,100	331,100	264,790	66,310
Contingency	358,825	218,825	-	218,825
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 2,643,678</u>	<u>\$ 2,919,678</u>	<u>\$ 2,494,261</u>	<u>\$ 425,417</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

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 50,000	\$ 50,000	\$ 57,937	\$ 7,937
Interest on investments	<u>2,800</u>	<u>2,800</u>	<u>4,037</u>	<u>1,237</u>
TOTAL REVENUES	<u>52,800</u>	<u>52,800</u>	<u>61,974</u>	<u>9,174</u>
EXPENDITURES				
Current:				
Highways and streets:				
Materials and services	50,000	50,000	-	50,000
Capital outlay	<u>266,980</u>	<u>266,980</u>	<u>-</u>	<u>266,980</u>
TOTAL EXPENDITURES	<u>316,980</u>	<u>316,980</u>	<u>-</u>	<u>316,980</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(264,180)</u>	<u>(264,180)</u>	<u>61,974</u>	<u>326,154</u>
NET CHANGE IN FUND BALANCE	(264,180)	(264,180)	61,974	326,154
FUND BALANCE, Beginning	<u>656,830</u>	<u>656,830</u>	<u>686,282</u>	<u>29,452</u>
FUND BALANCE, Ending	<u>\$ 392,650</u>	<u>\$ 392,650</u>	<u>\$ 748,256</u>	<u>\$ 355,606</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Intergovernmental	\$ 72,000	\$ 72,000	\$ -	\$ (72,000)
System development charges	20,000	20,000	30,037	10,037
Interest on investments	<u>650</u>	<u>650</u>	<u>1,025</u>	<u>375</u>
TOTAL REVENUES	<u>92,650</u>	<u>92,650</u>	<u>31,062</u>	<u>(61,588)</u>
EXPENDITURES				
Capital outlay	<u>90,000</u>	<u>115,000</u>	<u>79,715</u>	<u>35,285</u>
TOTAL EXPENDITURES	<u>90,000</u>	<u>115,000</u>	<u>79,715</u>	<u>35,285</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,650</u>	<u>(22,350)</u>	<u>(48,653)</u>	<u>(26,303)</u>
NET CHANGE IN FUND BALANCE	2,650	(22,350)	(48,653)	(26,303)
FUND BALANCE, Beginning	<u>169,620</u>	<u>169,620</u>	<u>172,319</u>	<u>2,699</u>
FUND BALANCE, Ending	<u>\$ 172,270</u>	<u>\$ 147,270</u>	<u>\$ 123,666</u>	<u>\$ (23,604)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 14,500	\$ 14,500	\$ 34,821	\$ 20,321
Interest on investments	<u>600</u>	<u>600</u>	<u>881</u>	<u>281</u>
TOTAL REVENUES	<u>15,100</u>	<u>15,100</u>	<u>35,702</u>	<u>20,602</u>
NET CHANGE IN FUND BALANCE	15,100	15,100	35,702	20,602
FUND BALANCE, Beginning	<u>119,528</u>	<u>119,528</u>	<u>122,099</u>	<u>2,571</u>
FUND BALANCE, Ending	<u><u>\$ 134,628</u></u>	<u><u>\$ 134,628</u></u>	<u><u>\$ 157,801</u></u>	<u><u>\$ 23,173</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Interest on investments	\$ 40	\$ 40	\$ 177	\$ 137
TOTAL REVENUES	<u>40</u>	<u>40</u>	<u>177</u>	<u>137</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	-	15,000	13,055	1,945
Debt service	<u>55,800</u>	<u>55,800</u>	<u>98,486</u>	<u>(42,686)</u>
TOTAL EXPENDITURES	<u>55,800</u>	<u>70,800</u>	<u>111,541</u>	<u>(40,741)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(55,760)</u>	<u>(70,760)</u>	<u>(111,364)</u>	<u>(40,604)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	598,000	535,000	(63,000)
Transfers in	55,800	122,400	121,777	(623)
Bond premium	-	-	62,664	62,664
Payment to refund debt	<u>-</u>	<u>(649,600)</u>	<u>(584,130)</u>	<u>65,470</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,800</u>	<u>70,800</u>	<u>135,311</u>	<u>64,511</u>
NET CHANGE IN FUND BALANCE	40	40	23,947	23,907
FUND BALANCE, Beginning	<u>13,125</u>	<u>13,125</u>	<u>13,120</u>	<u>(5)</u>
FUND BALANCE, Ending	<u>\$ 13,165</u>	<u>\$ 13,165</u>	<u>\$ 37,067</u>	<u>\$ 23,902</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
URBAN RENEWAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 125,000	\$ 125,000	\$ 152,423	\$ 27,423
Interest on investments	2,000	2,000	1,276	(724)
TOTAL REVENUES	<u>127,000</u>	<u>127,000</u>	<u>153,699</u>	<u>26,699</u>
EXPENDITURES				
Debt service	<u>224,814</u>	<u>224,814</u>	<u>226,959</u>	<u>(2,145)</u>
TOTAL EXPENDITURES	<u>224,814</u>	<u>224,814</u>	<u>226,959</u>	<u>(2,145)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(97,814)</u>	<u>(97,814)</u>	<u>(73,260)</u>	<u>24,554</u>
NET CHANGE IN FUND BALANCE	(97,814)	(97,814)	(73,260)	24,554
FUND BALANCE, Beginning	<u>255,187</u>	<u>255,187</u>	<u>251,867</u>	<u>(3,320)</u>
FUND BALANCE, Ending	<u>\$ 157,373</u>	<u>\$ 157,373</u>	<u>\$ 178,607</u>	<u>\$ 21,234</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 9,000	\$ 9,000	\$ 2,800	\$ (6,200)
Charges for services	599,900	599,900	610,778	10,878
Intergovernmental	84,500	84,500	64,893	(19,607)
Interest on investments	1,500	1,500	3,807	2,307
Miscellaneous	-	-	755	755
TOTAL REVENUES	<u>694,900</u>	<u>694,900</u>	<u>683,033</u>	<u>(11,867)</u>
EXPENDITURES				
Current:				
Personal services	210,022	212,022	220,912	(8,890)
Materials and services	211,820	216,820	224,354	(7,534)
Capital outlay	18,860	97,360	72,597	24,763
Contingency	70,307	49,507	-	49,507
TOTAL EXPENDITURES	<u>511,009</u>	<u>575,709</u>	<u>517,863</u>	<u>57,846</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>183,891</u>	<u>119,191</u>	<u>165,170</u>	<u>45,979</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	375	375
Transfers out	(9,490)	(20,790)	(20,705)	85
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,490)</u>	<u>(20,790)</u>	<u>(20,330)</u>	<u>460</u>
NET CHANGE IN FUND BALANCE	174,401	98,401	144,840	46,439
FUND BALANCE, Beginning	<u>493,396</u>	<u>569,396</u>	<u>581,272</u>	<u>11,876</u>
FUND BALANCE, Ending	<u>\$ 667,797</u>	<u>\$ 667,797</u>	<u>\$ 726,112</u>	<u>\$ 58,315</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 155,000	\$ 155,000	\$ 183,341	\$ 28,341
Interest on investments	<u>4,500</u>	<u>4,500</u>	<u>7,277</u>	<u>2,777</u>
TOTAL REVENUES	<u>159,500</u>	<u>159,500</u>	<u>190,618</u>	<u>31,118</u>
EXPENDITURES				
Capital outlay	<u>47,140</u>	<u>47,140</u>	<u>9,787</u>	<u>37,353</u>
TOTAL EXPENDITURES	<u>47,140</u>	<u>47,140</u>	<u>9,787</u>	<u>37,353</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>112,360</u>	<u>112,360</u>	<u>180,831</u>	<u>68,471</u>
NET CHANGE IN FUND BALANCE	112,360	112,360	180,831	68,471
FUND BALANCE, Beginning	<u>1,154,431</u>	<u>1,154,431</u>	<u>1,251,546</u>	<u>97,115</u>
FUND BALANCE, Ending	<u>\$ 1,266,791</u>	<u>\$ 1,266,791</u>	<u>\$ 1,432,377</u>	<u>\$ 165,586</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, 2016**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Water	\$ 726,112
Water SDC	<u>1,432,377</u>
	2,158,489

Adjustments:

Capital assets, net of depreciation	6,009,022
Deferred outflows	14,035
Deferred inflows	(23,008)
Net pension liability	(78,012)
Compensated absences	<u>(5,261)</u>

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

\$ 8,075,265

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 9,000	\$ 9,000	\$ 2,800	\$ (6,200)
Charges for services	834,600	834,600	839,724	5,124
Intergovernmental	134,226	134,226	119,098	(15,128)
Rental income	12,000	12,000	13,000	1,000
Interest on investments	4,000	4,000	4,785	785
Miscellaneous	-	-	718	718
TOTAL REVENUES	<u>993,826</u>	<u>993,826</u>	<u>980,125</u>	<u>(13,701)</u>
EXPENDITURES				
Current:				
Personal services	166,977	167,977	179,186	(11,209)
Materials and services	227,980	358,980	323,166	35,814
Capital outlay	134,226	134,226	119,053	15,173
Debt service	374,070	374,070	363,475	10,595
Contingency	65,826	43,826	-	43,826
TOTAL EXPENDITURES	<u>969,079</u>	<u>1,079,079</u>	<u>984,880</u>	<u>94,199</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>24,747</u>	<u>(85,253)</u>	<u>(4,755)</u>	<u>80,498</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	375	375
Issuance of refunding debt	-	5,319,000	4,869,000	(450,000)
Bond premium	-	-	513,574	513,574
Payment to refund debt	-	(5,193,000)	(5,259,827)	(66,827)
Transfers out	(13,400)	(29,400)	(29,237)	163
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,400)</u>	<u>96,600</u>	<u>93,885</u>	<u>(2,715)</u>
NET CHANGE IN FUND BALANCE	11,347	11,347	89,130	77,783
FUND BALANCE, Beginning	<u>690,806</u>	<u>690,806</u>	<u>997,388</u>	<u>(306,582)</u>
FUND BALANCE, Ending	<u>\$ 702,153</u>	<u>\$ 702,153</u>	<u>\$ 1,086,518</u>	<u>\$ 384,365</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 180,000	\$ 180,000	\$ 233,321	\$ 53,321
Interest on investments	2,000	2,000	3,882	1,882
TOTAL REVENUES	<u>182,000</u>	<u>182,000</u>	<u>237,203</u>	<u>55,203</u>
EXPENDITURES				
Current:				
Materials and services	-	21,000	19,651	1,349
Debt service	80,850	80,850	142,812	(61,962)
TOTAL EXPENDITURES	<u>80,850</u>	<u>101,850</u>	<u>162,463</u>	<u>(60,613)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>101,150</u>	<u>80,150</u>	<u>74,740</u>	<u>(5,410)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	867,000	776,000	(91,000)
Bond premium	-	-	91,377	91,377
Payment to refund debt	-	(942,200)	(847,032)	95,168
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(75,200)</u>	<u>20,345</u>	<u>95,545</u>
NET CHANGE IN FUND BALANCE	101,150	4,950	95,085	90,135
FUND BALANCE, Beginning	<u>473,885</u>	<u>473,885</u>	<u>605,452</u>	<u>131,567</u>
FUND BALANCE, Ending	<u><u>\$ 575,035</u></u>	<u><u>\$ 478,835</u></u>	<u><u>\$ 700,537</u></u>	<u><u>\$ 221,702</u></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, 2016**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Sewer	\$ 1,086,518
Sewer SDC	<u>700,537</u>
	1,787,055

Adjustments:

Capital assets, net of depreciation	14,428,997
Deferred outflows	11,100
Deferred inflows	(18,197)
Net pension liability	(61,703)
Compensated absences	(4,324)
Accrued interest payable	(87,627)
Long-term debt	(5,645,000)
Bond premium	<u>(592,293)</u>

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

\$ 9,818,008

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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, 2016

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2016	Interest Matured and Paid
				Outstanding July 1, 2015	Issued	Matured and Paid		
<u>Governmental Funds</u>								
City Hall Refinance	2.22%	6/27/2014	\$ 710,126	\$ 673,390	\$ -	\$ 673,390	\$ -	\$ 8,786
Urban Renewal Agency	3.22%	11/24/2014	\$ 1,253,318	1,231,340	-	191,023	1,040,318	34,162
US Bank- National	2.00%	1/28/2016	-	-	535,000	-	535,000	-
Infrastructure Finance Authority	1.85%	4/26/2016	\$ 32,525	-	32,525	-	32,525	-
				<u>1,904,730</u>	<u>567,525</u>	<u>864,413</u>	<u>1,607,843</u>	<u>42,948</u>
<u>Enterprise Funds</u>								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	1,960,578	-	1,960,578	-	123,484
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,612,386	-	2,612,386	-	164,386
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	17,181	-	17,181	-	691
Lazy Z Property	2.22%	6/27/2014	\$ 1,029,735	976,465	-	976,465	-	12,740
Wastewater System	2.22%	6/27/2014	\$ 774,189	734,139	-	734,139	-	10,529
US Bank Refunding Bonds	2.00%	1/28/2016	\$ 776,000	-	776,000	-	776,000	-
US Bank Refunding Bonds	2.00%	1/28/2016	\$ 4,869,000	-	4,869,000	-	4,869,000	-
				<u>6,300,749</u>	<u>5,645,000</u>	<u>6,300,749</u>	<u>5,645,000</u>	<u>311,830</u>
Total				<u>\$ 8,205,479</u>	<u>\$ 6,212,525</u>	<u>\$ 7,165,162</u>	<u>\$ 7,252,843</u>	<u>\$ 354,778</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
LOANS PAYABLE
June 30, 2016

Year Ending June 30	URA Loan Payable		IFA Loan Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 73,034	\$ 32,432	\$ 4,619	\$ 377	\$ 77,653	\$ 32,809
2018	75,421	30,045	4,480	516	79,901	30,561
2019	77,886	27,581	4,563	433	82,449	28,014
2020	80,363	25,103	4,648	349	85,011	25,452
2021	83,057	22,410	4,734	263	87,791	22,673
2022	650,557	13,526	4,821	175	655,378	13,701
2023	-	-	4,660	87	4,660	87
	<u>\$ 1,040,318</u>	<u>\$ 151,097</u>	<u>\$ 32,525</u>	<u>\$ 2,200</u>	<u>\$ 1,072,843</u>	<u>\$ 153,297</u>

See auditor's report.

**CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS -
BONDS PAYABLE
June 30, 2016**

Year Ending June 30	Bond Payable		Totals	
	Principal	Interest	Principal	Interest
2017	\$ 29,000	\$ 24,169	\$ 29,000	\$ 24,169
2018	34,000	17,310	34,000	17,310
2019	36,000	16,610	36,000	16,610
2020	39,000	15,665	39,000	15,665
2021	38,000	14,510	38,000	14,510
2022	42,000	13,310	42,000	13,310
2023	39,000	11,900	39,000	11,900
2024	40,000	10,320	40,000	10,320
2025	44,000	8,640	44,000	8,640
2026	45,000	6,860	45,000	6,860
2027	47,000	5,020	47,000	5,020
2028	52,000	3,040	52,000	3,040
2029	50,000	1,000	50,000	1,000
	<u>\$ 535,000</u>	<u>\$ 148,354</u>	<u>\$ 535,000</u>	<u>\$ 148,354</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS -
BONDS PAYABLE
June 30, 2016

Year Ending June 30	Sewer Bond Payable		Totals	
	Principal	Interest	Principal	Interest
2017	\$ 131,000	\$ 278,051	\$ 131,000	\$ 278,051
2018	206,000	203,540	206,000	203,540
2019	209,000	199,390	209,000	199,390
2020	216,000	194,060	216,000	194,060
2021	222,000	187,490	222,000	187,490
2022	228,000	180,740	228,000	180,740
2023	236,000	172,600	236,000	172,600
2024	245,000	162,980	245,000	162,980
2025	256,000	152,960	256,000	152,960
2026	265,000	142,540	265,000	142,540
2027	278,000	131,680	278,000	131,680
2028	288,000	120,360	288,000	120,360
2029	300,000	108,600	300,000	108,600
2030	170,000	99,200	170,000	99,200
2031	175,000	92,300	175,000	92,300
2032	185,000	85,100	185,000	85,100
2033	190,000	77,600	190,000	77,600
2034	200,000	69,800	200,000	69,800
2035	205,000	61,700	205,000	61,700
2036	215,000	53,300	215,000	53,300
2037	225,000	44,500	225,000	44,500
2038	235,000	35,500	235,000	35,500
2039	245,000	27,500	245,000	27,500
2040	255,000	15,700	255,000	15,700
2041	265,000	5,300	265,000	5,300
	<u>\$ 5,645,000</u>	<u>\$ 2,902,491</u>	<u>\$ 5,645,000</u>	<u>\$ 2,902,491</u>

See auditor's report.

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STATISTICAL SECTION

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

	<u>2016</u>	<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>
Governmental Activities:										
Net investment in capital assets	\$ 7,239	\$ 5,926	\$ 6,684	\$ 5,664	\$ 5,253	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185	\$ 1,646
Restricted	1,470	1,738	1,032	1,509	1,111	1,071	926	922	841	-
Unrestricted	1,498	2,251	2,052	2,338	2,390	2,509	2,863	3,442	3,814	2,986
Total governmental activities net position	<u>\$ 10,207</u>	<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>
Business-Type Activities:										
Net investment in capital assets	\$ 14,200	\$ 14,305	\$ 13,453	\$ 14,137	\$ 14,107	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025	\$ 10,534
Restricted	2,133	2,170	1,683	1,346	1,433	1,479	1,684	2,107	2,069	1,029
Unrestricted	1,560	1,037	1,507	630	499	574	826	1,307	1,333	1,660
Total business-type activities net position	<u>\$ 17,893</u>	<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>
Primary Government:										
Net investment in capital assets	\$ 21,439	\$ 20,231	\$ 20,137	\$ 19,801	\$ 19,360	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211	\$ 12,180
Restricted	3,603	3,908	2,715	2,855	2,544	2,550	2,610	3,029	2,911	1,029
Unrestricted	3,058	3,288	3,559	2,968	2,889	3,083	3,689	4,749	5,147	4,646
Total primary government net position	<u>\$ 28,100</u>	<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>

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program Revenues										
Governmental activities:										
Charges for services, fees and fines										
General government	\$ 430	\$ 551	\$ 441	\$ 249	\$ 210	\$ 181	\$ 194	\$ 259	\$ 443	\$ 559
Public safety	-	-	-	-	-	-	-	-	-	273
Culture and recreation	210	168	142	125	115	127	103	59	60	163
Community Development	-	-	-	-	-	-	-	-	-	-
Highways and streets	29	11	30	103	82	65	79	46	41	131
Operating grants and contributions	368	341	325	294	293	402	168	76	133	70
Capital grants and contributions	498	526	323	713	401	76	730	385	696	-
Total governmental activities program revenues	1,535	1,597	1,261	1,484	1,101	851	1,274	825	1,373	1,196
Business-type activities:										
Charges for services:										
Water	615	592	555	543	513	487	474	426	441	488
Refuse	-	-	-	-	-	-	0	104	410	420
Sewer	856	848	793	825	774	750	717	798	754	978
Operating grants	-	-	-	-	-	4	4	10	-	-
Capital grants	701	967	668	316	164	160	97	179	759	652
Total business-type activities program revenues	2,172	2,407	2,016	1,684	1,451	1,401	1,292	1,517	2,364	2,538
Total primary government program revenues	3,707	4,004	3,277	3,168	2,552	2,252	2,566	2,342	3,737	3,734
Expenses										
Governmental activities:										
General government	1,642	1,288	1,204	1,162	1,007	1,094	1,099	1,127	1,155	820
Public safety	544	523	487	468	450	433	416	400	393	400
City Hall Remodel	-	-	-	-	-	-	-	-	-	1,164
Culture and recreation	330	252	246	195	186	210	199	175	161	125
Community development	32	103	84	4	4	3	5	5	24	-
Highways and streets	731	606	631	519	403	420	377	399	423	93
Interest on long term obligations	48	43	58	62	70	80	90	104	92	72
Depreciation	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	3,327	2,815	2,710	2,410	2,120	2,240	2,186	2,210	2,248	2,674
Business-type activities:										
Water	687	557	570	540	593	623	574	578	540	533
Refuse	-	-	-	-	-	-	-	65	437	281
Sewer	1,073	865	908	1,030	1,090	1,076	1,098	1,085	1,032	4,625
Total business-type activities expenses	1,760	1,422	1,478	1,570	1,683	1,699	1,672	1,728	2,009	5,439
Total primary government expenses	5,087	4,237	4,188	3,980	3,803	3,939	3,858	3,938	4,257	8,113
Net Expense										
Governmental activities	(1,792)	(1,217)	(1,449)	(926)	(1,019)	(1,389)	(912)	(1,385)	(875)	(1,478)
Business-type activities	412	984	538	114	(232)	(298)	(380)	(211)	355	(2,901)
Total primary government net expense	\$ (1,380)	\$ (233)	\$ (911)	\$ (812)	\$ (1,251)	\$ (1,687)	\$ (1,292)	\$ (1,596)	\$ (520)	\$ (4,379)

*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 activities include a prior period adjustment of \$(269,463) and \$(107,782) for change in accounting principal due to GASB 68.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other Changes in Net Position										
General revenues:										
Property taxes levied for:										
General purposes	\$ 878	\$ 816	\$ 781	\$ 768	\$ 762	\$ 771	\$ 764	\$ 736	\$ 681	\$ 692
Debt service	152	121	183	187	132	172	134	133	108	176
Franchise and public service taxes	973	772	688	646	608	614	573	583	566	29
Interest and investment earnings	22	22	20	23	25	28	41	112	192	-
Miscellaneous	8	21	14	7	10	14	5	3	8	49
Contributed Revenue	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of asset	-	(139)	-	-	-	-	-	-	-	-
Transfers	50	21	20	52	57	(558)	810	90	4	(51)
Total governmental activities	<u>2,083</u>	<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>
Business-type activities:										
Contributed Revenue	-	-	-	-	-	-	-	-	-	-
Interest and investment earnings	20	13	12	11	13	13	24	81	205	278
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(50)	(21)	(20)	(52)	(57)	558	(810)	(90)	(4)	51
Total business-type activities	<u>(30)</u>	<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>
Total primary government	<u>2,053</u>	<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>
Change in Net Position										
Governmental activities	291	416	257	757	575	(348)	1,415	272	684	(583)
Business-type activities	381	977	530	74	(276)	273	(1,166)	(220)	556	(2,572)
Total primary government change in net position	<u>672</u>	<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>
Net Position Beginning										
Governmental activities	9,915	9,499	9,511	8,754	8,179	8,527	7,112	6,841	6,157	5,215
Business-type activities	17,512	16,535	16,113	16,039	16,315	16,042	17,207	17,427	16,870	15,796
Total primary government net position-beginning	<u>27,427</u>	<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>
Net Position Ending										
Governmental activities	10,207	9,915	9,768	9,511	8,754	8,179	8,527	7,113	6,841	4,632
Business-type activities	17,893	17,512	16,643	16,113	16,039	16,315	16,042	17,207	17,427	13,224
Total Primary Government Net Position	<u>\$ 28,100</u>	<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>

*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 activities include a prior period adjustment of \$(269,463) and \$(107,782) for change in accounting principal due to GASB 68.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Advance to Other Funds	\$ -	\$ -	\$ 848,818	\$ 36,000	\$ 55,000	\$ 75,000	\$ 150,000	\$ 200,000	\$ 350,000	\$ -
Restricted	37,169	58,492	14,694	19,848	14,848	30,444	-	-	-	-
Assigned	176,949	150,615	708,323	1,381,126	1,388,811	1,401,719	-	-	-	-
Unassigned	1,219,059	1,645,881	940,539	894,895	891,220	664,780	624,755	1,375,521	1,556,021	1,246,149
Total general fund	<u>1,433,177</u>	<u>1,854,988</u>	<u>2,512,374</u>	<u>2,331,869</u>	<u>2,349,879</u>	<u>2,171,943</u>	<u>774,755</u>	<u>1,575,521</u>	<u>1,906,021</u>	<u>1,246,149</u>
All Other Governmental Funds										
Restricted: Debt Service	215,674	264,987	13,005	454,762	368,942	394,366	311,646	368,628	318,913	-
Sys Dev, Paths, Streets	1,216,962	1,414,207	1,004,934	1,034,154	726,905	852,990	614,378	553,496	522,480	-
Assigned:	295,901	506,628	-	-	-	-	-	-	-	-
Unreserved/Unassigned	-	-	(625,759)	-	-	-	2,034,392	1,802,921	1,885,641	1,747,383
Total all other governmental funds	<u>1,728,537</u>	<u>2,185,822</u>	<u>392,180</u>	<u>1,488,916</u>	<u>1,095,847</u>	<u>1,247,356</u>	<u>2,960,416</u>	<u>2,725,045</u>	<u>2,727,034</u>	<u>1,747,383</u>
Total governmental funds	<u>\$ 3,161,714</u>	<u>\$ 4,040,810</u>	<u>\$ 2,904,554</u>	<u>\$ 3,820,785</u>	<u>\$ 3,445,726</u>	<u>\$ 3,419,299</u>	<u>\$ 3,735,171</u>	<u>\$ 4,300,566</u>	<u>\$ 4,633,055</u>	<u>\$ 2,993,532</u>

¹ Information is present for years ended subsequent to the implementation of GASB 34. The City implemented GASB 54 in the 2011 fiscal year and the Reserve Fund was combined with the General Fund for external reporting. Information on the new fund balance categories is shown on a prospective basis.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Property taxes	\$ 1,031,320	\$ 944,861	\$ 972,429	\$ 971,237	\$ 903,370	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384
Other taxes	627,772	568,135	503,369	478,725	444,425	427,723	306,332	280,279	267,551	-
Intergovernmental	465,183	522,945	298,151	658,070	635,413	274,320	398,297	119,346	215,523	123,094
Franchise Fees	324,542	308,032	268,228	259,467	260,103	267,291	249,422	254,122	243,443	-
Licenses and Fines	611,019	688,968	567,295	426,179	353,217	331,457	339,994	317,995	496,848	1,125,644
Fines and forfeitures	2,746	3,838	3,577	3,157	1,766	1,338	1,828	2,729	4,728	-
System development charges	87,974	101,376	95,657	42,022	55,914	21,722	13,609	123,427	445,324	-
Charges for services	24,875	23,533	23,066	25,619	24,700	18,600	18,600	22,475	27,900	-
Rental income	4,500	9,000	9,000	9,000	9,000	12,161	15,000	15,000	14,300	-
Interest on Investments	22,178	22,054	19,836	22,450	24,693	27,947	41,231	112,536	192,082	175,708
Miscellaneous Revenues	32,800	25,303	23,856	20,014	28,881	19,555	8,225	9,244	57,019	25,116
Total revenues	<u>3,234,909</u>	<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>
Expenditures										
Current:										
General Government	1,379,928	1,304,765	1,116,749	1,066,934	900,854	953,851	940,768	952,762	984,572	867,682
Public safety	543,930	523,010	486,678	467,960	449,961	432,655	416,015	400,014	393,255	374,529
Culture and recreation	278,802	276,400	239,416	189,724	180,366	207,409	194,673	170,978	156,967	117,164
Community development	4,352	6,288	22,398	4,308	3,687	3,269	5,254	4,863	24,338	-
Highways and streets	474,973	492,042	499,545	384,973	288,713	310,693	293,712	358,486	323,388	86,650
Capital outlay	1,203,769	652,972	812,123	257,564	721,494	577,860	1,016,692	388,121	447,065	1,468,171
Debt service										
Principal	281,717	58,714	134,905	163,444	156,466	149,787	143,397	137,055	75,306	71,857
Interest	43,728	41,786	62,611	62,969	70,506	80,785	90,975	104,942	89,394	66,667
Total expenditures	<u>4,211,199</u>	<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>
Revenues over (under) expenditures	<u>(976,290)</u>	<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>
Other Financing Sources (Uses)										
Issuance of debt	567,525	1,253,318	710,126	-	-	-	-	-	700,000	-
Sale of fixed assets	1,250	-	-	-	-	3,905	-	-	-	-
Bond Premium	62,664	-	-	-	-	-	-	-	-	-
Payment to refund debt	(584,130)	-	-	-	-	-	-	-	-	-
Operating transfers in	331,777	80,900	2,634,319	156,780	213,600	209,000	1,395,064	740,610	737,000	288,000
Operating transfers out	(281,835)	(60,031)	(2,614,025)	(99,780)	(156,600)	(154,000)	(1,149,162)	(650,610)	(710,000)	(339,000)
Total other financing sources (uses)	<u>97,251</u>	<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>
Special Item										
Payment for early extinguishment of debt	-	-	(1,056,690)	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ (879,039)</u>	<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>
Debt service as a percentage of noncapital expenditures	<u>12.1%</u>	<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>

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
General government	\$ 539,547	\$ 621,802	\$ 613,203	\$ 254,252	\$ 215,851	\$ 268,158	\$ 199,438	\$ 512,754	\$ 445,436	\$ 558,873
Public safety	28,832	26,215	26,208	21,808	26,606	61,895	21,937	-	54,128	272,820
Culture and recreation	259,752	316,955	199,428	145,968	119,136	173,098	134,355	71,093	76,037	162,877
Highways and streets	707,578	632,146	422,079	1,062,293	739,693	348,244	918,012	241,048	796,856	201,258
Total governmental activities	1,535,709	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
Business-type activities										
Water	927,672	1,104,184	888,023	730,442	585,906	565,795	510,978	517,862	838,823	751,160
Refuse	-	-	-	-	-	-	26	104,281	409,935	419,849
Sewer	1,244,171	1,302,664	1,127,910	953,535	865,237	835,719	781,428	894,319	1,115,776	1,366,522
Total business-type activities	2,171,843	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
Total Primary government	\$ 3,707,552	\$ 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

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>
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
2016	878,897	448,523

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)
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
2016	342,164,332	287,830	7,816,100	4,380,500	354,648,762	2.6417	438,553,487

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	
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
2016	2.56	0.45	3.01	3.27	5.76	0.72	0.21	2.84	15.81

*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
2007	710,141	664,595	93.59%	45,518	710,113	100.00%
2008	807,122	753,572	93.37%	53,502	807,074	99.99%
2009	879,759	806,487	91.67%	73,133	879,620	99.98%
2010	920,414	851,565	92.52%	68,694	920,259	99.98%
2011	968,063	901,769	93.15%	66,078	967,847	99.98%
2012	918,015	862,038	93.90%	55,889	917,927	99.99%
2013	981,366	927,418	94.50%	53,471	980,889	99.95%
2014	989,983	943,355	95.29%	44,214	987,569	99.76%
2015	962,333	919,535	95.55%	10,037	929,572	96.60%
2016	1,064,203	1,012,770	95.17%	-	1,012,770	95.17%

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

CITY OF SISTERS, OREGON
Principal Taxpayers
City of Sisters
June 30, 2016 and June 30, 2006

June 30, 2016			
Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
BEND-THIRD LLC ETAL	\$ 8,927,760	1	2.52%
BEST WESTERN PONDEROSA LODGE INC	6,344,200	2	1.79%
PENN STREET LLC	4,979,180	3	1.40%
WILLITTS LLC	6,020,520	4	1.70%
SISTERS COMMERCIAL II LLC,	4,763,600	5	1.34%
DINSDALE, PETER B	4,256,000	6	1.20%
3 SISTERS PARTNERS LLC	2,519,710	7	0.71%
FISH BARRELL LLC	3,523,650	8	0.99%
THREEWIND ASSOCIATES L L C	1,864,800	9	0.53%
DANCING TREES TRUST	1,795,290	10	0.51%
	<u>\$ 44,994,710</u>		
 Total Assessed Valuation	 <u>\$ 354,648,762</u>		

June 30, 2006			
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
	Bonds Payable	Notes Payable	Revenue Bonds	Notes Payable			
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
2016	535,000	1,072,843	5,645,000	-	7,252,843	7.04%	2,472

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
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%	-
2016	2,472	0	354,649	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
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%
2016	438,553,487	3%	13,156,605	-	13,156,605	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
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%
2016	2,472	103,020,600	41,675	1,736	5.00%

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**

2016		
Employer	Employees	Rank
Sisters School District	120	1
Ray's Food Place	75	2
US Forest Service	65	3
Three Creeks Brewing	50	4
McDonald's Sisters	50	5
Energyneering Solutions	44	6
Sisters Coffee Company	40	7
Five Pine Lodge & Conf. Center	35	8
Metabolic Maintenance	34	9
Sisters Athletic Club	31	10
	544	

2006

Information for 2006 is not readily available.

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

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

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
General government	2.65	2.52	2.53	2.44	2.62	2.49	2.30	1.50	1.70	1.40
Culture and recreation	1.70	1.66	1.50	1.48	1.51	1.04	1.30	1.00	0.90	0.80
Community development	1.65	0.90	0.85	0.85	0.85	1.03	2.00	2.00	1.50	1.40
Streets and highways	2.85	2.03	1.90	1.91	1.91	1.11	1.20	1.10	1.10	1.20
Total governmental activities	8.85	7.11	6.78	6.68	6.89	5.67	6.80	5.60	5.20	4.80
Business-type activities:										
Water	2.20	2.14	2.00	1.92	2.09	2.50	2.50	2.40	2.00	1.70
Sewer	1.70	1.50	1.97	1.90	2.02	2.83	3.20	2.30	1.80	1.40
Refuse	-	-	-	-	-	-	-	2.20	2.00	2.10
Total business-type activities	3.90	3.64	3.97	3.82	4.11	5.33	5.70	6.90	5.80	5.20
Total primary government budgeted FTE	12.75	10.75	10.75	10.50	11.00	11.00	12.50	12.50	11.00	10.00
City of Sisters										
Management and exempt	4.00	5.00	6.00	6.00	6.00	6.00	7.00	6.00	6.00	4.00
Temporary employees	1.00	1.50	0.50	0.50	0.50	0.50	0.50	0.50	0.33	0.33
Total Employees	17.75	17.25	17.25	17.00	17.50	17.50	20.00	19.00	17.33	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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Street										
Street miles	37.9	29.7	28.4	28.2	28.2	28.2	19	19	19	18
Street resurfing miles	0.45	0.22	1.5	1.5	2	2	1.5	1.5	0.5	0.5
Culture and recreation										
Parks	8	8	7	7	7	7	7	7	7	7
Special event permits issued	49	43	43	56	54	52	47	47	34	32
Business-type Activities:										
Water										
Water mains (miles)	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30
Average daily water consumption -CCF ¹	77,568	76,515	69,599	75,166	71,275	68,244	73,641	73,641	73,752	75,591
Sewer										
Sanitary sewers (miles)	29.5	28.9	23	23	23	23	23	23	23	23
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	197,000	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

¹1,000 cubic feet

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

FUNCTION/PROGRAM	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
General Government										
Buildings owned-all structures	23	23	21	21	21	22	21	20	20	19
Vehicles/Equip (i.e. trailers, mowers)	9	9	8	8	8	8	8	8	8	8
Vehicles (i.e. cars & pick ups)-excluding police	12	12	12	12	15	15	15	15	15	15
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	8	8	8	8	7	7	7	7	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	10	10	9	8	8	7	7	7	7	7
Streets and Highways										
Miles of streets maintained by City:										
Paved	26.9	26.9	26.9	26.5	26.5	26.5	18.5	18.5	18.5	17.5
Unpaved	1.5	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	3	3	3	3	3	3	3	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	3
Wastewater										
Treatment plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	4	4	4	4	4	4

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



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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, 2016, and have issued our report thereon dated January 27, 2017. 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 2015-2016 budget in the following amount:

General Fund:		
Administration		<u>\$ 37,356</u>
Street Fund:		
Personal services		<u>\$ 7,050</u>
City Hall Debt Service Fund:		
Debt service		<u>\$ 42,686</u>
Urbank Revenue Debt Service Fund:		
Debt service		<u>\$ 2,145</u>
Urban Renewal Project Fund:		
Materials and Services		<u>\$ 152</u>
Water Fund:		
Personal services		<u>\$ 8,890</u>
Materials and Services		<u>\$ 7,534</u>
Sewer Fund:		
Personal services		<u>\$ 11,209</u>
Sewer SDC Fund:		
Debt service		<u>\$ 61,962</u>

The City did not publish a notice of Budget Hearing and Budget Summary for the 2016-17 budget.

The City prepared two supplemental budgets which were in excess of 10% of the fund and did not submit a full publication as required by Oregon Budget Law.

Also a notice of the regular meeting at which the supplemental budget will be adopted must be published at least five days before the meeting. The notice must include a statement that a supplemental budget will be considered at the meeting. The City's published their notice for a supplemental budget not in excess of the 10% but only one day prior to the meeting.

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 January 27, 2017.

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

Dickey and Tremper, LLP

Dickey and Tremper, LLP

January 27, 2017



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sisters, Oregon, as of and for the year ended June 30, 2016, 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 January 27, 2017.

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 of this section 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. We did identify certain deficiencies in

internal control that we consider to be material weaknesses, described in the accompanying schedule of findings and responses as items 2016-01 and 2016-02 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Sisters, Oregon's Response to Findings

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

Purpose of this Report

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



Dickey and Tremper, LLP
Certified Public Accountants

Pendleton, Oregon
January 27, 2017

**CITY OF SISTERS, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- 01 The auditor's report expresses an unmodified opinion on the basic financial statements of the City of Sisters.
- 02 Deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Sisters. The deficiencies described below as 2016-01 and 2016-02 were not reported as material weaknesses.
- 03 No instances of noncompliance material to the financial statements of the City of Sisters, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2016-01

Condition and criteria: The City's controls over the fiscal year-end recording of accounts receivable, payable, and deferred revenues rely largely on manual processes to reconcile amounts to the trial balance. Several adjustments were required to the balance at year end to properly report the City's account balances. .

Effect: There were several adjustments needed for accounts receivable and accounts payable that should have been accrued at year-end to bring balances to actual and items included in revenues that should have been classified as deferred inflow due to the timing of receipt of revenues.

Cause: The City has undergone several staff changes in management positions and new staff was not fully aware of year-end processes and there was no formal review of many of the entries made due to loss of management staff.

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

Management's response: We agree with this finding of the material weakness regarding controls over fiscal year-end recording. A diligent managerial review of year end balances and adjustments will appropriately address this weakness.

2016-02

Condition and criteria: During the fiscal year ended June 30, 2016, the City refunded debt. Although the transaction was recorded, the amount recorded on the books was for net amounts and did not consider amounts for premiums/discounts and other expenditures/expenses. When refunding of debt takes place, amounts should be recorded at gross to reflect all pieces of the transaction.

Effect: The City required adjustment for grossing up of refunding debt and changes to various debt schedules.

Cause: The City has undergone several staff changes in management positions and new staff was not aware of the process.

Auditor's recommendation: We recommend that new management more closely reviews any debt processes to assure proper recognition of loan proceeds and associated expenditures/expenses.

Management's response: We agree with this finding of the material weakness regarding debt posting recognition. Management will closely review debt entries and the effect of loan proceeds/expenses relative to debt related transactions.