

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Sisters, Oregon)

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2022**

**SISTERS URBAN REWAL AGENCY**  
(A Component Unit of the City of Sisters, Oregon)

**TABLE OF CONTENTS**  
**For the Fiscal Year Ended June 30, 2022**

	<u>Page</u>
<b>OFFICIALS OF THE AGENCY</b>	i
<b>INDEPENDENT AUDITOR'S REPORT</b>	A-C
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	a-e
<b>BASIC FINANCIAL STATEMENTS:</b>	
Agency-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet-Governmental Funds	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Urban Renewal Project Fund	6
Notes to the Basic Financial Statements	7-15
<b>SUPPLEMENTAL INFORMATION:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Urban Renewal Debt Service Fund	16
<b>AUDITOR'S COMMENTS AND REPORTS:</b>	
Independent Auditor's Comments	17-18



---

# SISTERS URBAN RENEWAL AGENCY

(A COMPONENT UNIT OF THE CITY OF SISTERS, OREGON)

## OFFICIALS OF THE AGENCY

### JUNE 30, 2022

### BOARD OF DIRECTORS

<u>Name</u>		<u>Term Expires</u>
Michael Preedin	Chairman	December 2022
Nancy Connolly	Board Member	December 2022
Andrea Blum	Board Member	December 2024
Jennifer Letz	Board Member	December 2024
Gary Ross	Board Member	December 2022

**AGENCY ADDRESS**  
**SISTERS URBAN RENEWAL AGENCY**  
520 E. Cascade Ave.  
P.O. Box 39  
Sisters, Oregon 97759

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



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

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

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Sisters Urban Renewal Agency  
Sisters, Oregon

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Sisters Urban Renewal Agency (*a component unit of the City of Sisters, Oregon*) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Sisters Urban renewal Agency (a component unit of the City of Sisters, Oregon), as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the Urban Renewal Project Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the of Sisters Urban Renewal Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sisters Urban Renewal Agency's, ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sisters Urban Renewal Agency's, internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sisters Urban Renewal Agency's, ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a to e be presented to supplement the basic financial statements. Such information, is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sisters Urban Renewal Agency's, basic financial statements. The supplementary budget schedule for the Debt Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **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 April 24, 2023, on our consideration of the Agency's 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*

---

Dickey and Tremper, LLP  
Certified Public Accountants and Consultants

Pendleton, Oregon  
April 24, 2023

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

---

---

**SISTERS URBAN RENEWAL AGENCY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

---

The Management's Discussion and Analysis (MD&A) section of the Agency of Sisters Urban Renewal Agency (Agency) financial statements presents a narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2022.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

***Government-wide Financial Statements.*** The government-wide financial statements are designed to provide readers with a broad overview of the Agency'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* presents information of the Agency'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 Agency is improving or deteriorating.

The *statement of activities* presents information on how the Agency'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. An example of this is earned, but uncollected property taxes.

Both of the government-wide statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues, referred to as governmental activities. The Agency does not have other business-type activities.

***Fund Financial Statements.*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or functions. The Agency, like other state and local governments, uses fund accounting to demonstrate compliance with legal requirements. All of the funds of the Agency are considered governmental funds.



**SISTERS URBAN RENEWAL AGENCY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

---

*Governmental Funds* are used to account for Agency 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.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation to facilitate the comparison between the governmental fund statements and governmental activities.

The Agency maintains two individual governmental funds, the Urban Renewal Project Fund and Urban Renewal Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance.

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

***Notes to the Basic Financial Statements.*** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

***Other Information.*** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information including budgetary to actual comparisons for the Agency's two funds.

**SISTERS URBAN RENEWAL AGENCY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position:**

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

**Table 1**  
**Urban Renewal Agency - Net Position**  
**as of June 30**

	Governmental Activities		Total Change
	2022	2021	+ (-)
Current and other assets	\$ 312,166	\$ 841,279	\$ (529,113)
Capital Assets	-	410	(410)
Total assets	<u>312,166</u>	<u>841,689</u>	<u>(529,523)</u>
Noncurrent liabilities	-	282,464	(282,464)
Other liabilities	-	1,039	(1,039)
Total liabilities	<u>-</u>	<u>283,503</u>	<u>(283,503)</u>
Net position:			
Unrestricted	312,166	558,186	(246,020)
Total net position	<u>\$ 312,166</u>	<u>\$ 558,186</u>	<u>\$ (246,020)</u>

**SISTERS URBAN RENEWAL AGENCY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

**Statement of Activities:**

The following table compares revenues and expenses for the government activities.

**Table 2**  
**Urban Renewal Agency - Changes in Net Position**  
**as of June 30**

	Governmental Activities		Total Change
	<u>2022</u>	<u>2021</u>	+ (-)
Revenues:			
General revenues:			
Taxes	\$ 405,428	\$ 405,755	\$ (327)
Interest and investment earnings	4,604	5,099	(495)
Other revenue	63	-	63
Total revenues	<u>410,095</u>	<u>410,854</u>	<u>(759)</u>
Expenses:			
Community development	650,746	11,831	638,915
Interest Expense	5,369	11,305	(5,936)
Total expenses	<u>656,115</u>	<u>23,136</u>	<u>632,979</u>
Change in net position	(246,020)	387,718	(633,738)
Net position, July 1	<u>558,186</u>	<u>170,468</u>	<u>387,718</u>
Net position, June 30	<u>\$ 312,166</u>	<u>\$ 558,186</u>	<u>\$ (246,020)</u>

**FINANCIAL HIGHLIGHTS**

The *Urban Renewal Debt Service Fund* accounts for the accumulation of resources and payments for long-term debt related to the Urban Renewal Plan. Tax increment revenues are deposited to the debt service fund. Consistent with state law, the tax revenues are used to leverage debt proceeds, which are placed in the project fund for project construction.

The *Urban Renewal Project Fund* accounts for the accumulation of resources and payments for the project construction costs related to the Urban Renewal Plan.

The Agency's net position decreased by \$246,020 during the fiscal year primarily due to the purchase of assets pursuant to the Urban Renewal Plan.

As of the end of the current fiscal year, the Agency's funds reported combined ending fund balance of \$306,131 for future discretionary spending.

**SISTERS URBAN RENEWAL AGENCY  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022**

---

**BUDGETARY HIGHLIGHTS**

The Project Fund explored remaining obligations for rehabilitation grants and evaluated an appropriate method to utilize the existing fund balance. The project fund also embarked on the design for street improvement to Adams Avenue.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Agency’s investment in capital assets for June 30, 2022 is zero, however the respective fiscal year saw the completion of the Adams Avenue Streetscape project and the proportional purchase of the East Portal Property.

**Long-term debt.** The Agency continues to service a loan originated in November 2014. In addition to the current construction in progress, the Agency plans to complete improvements to the building currently rented by the Sisters Area Chamber of Commerce and to issue additional small business improvement grants.

The outstanding balance of the note payable at the end of the fiscal year is \$0. All scheduled debt service payments were met.

**Table 3  
Urban Renewal Agency - Outstanding Debt  
as of June 30**

	Government Activities		Total Change
	<b>2022</b>	<b>2021</b>	+ (-)
Notes Payable	\$ -	\$ 282,593	\$ (282,593)
Total	\$ -	\$ 282,593	\$ (282,593)

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

After an adjustment to property values within the district in FY 21/22 and the loss of Sisters School District Bonds eligible for Urban Renewal tax increment income, the Agency expects property tax revenues to decrease slightly in FY 2022/23 when compared to the FY 2021/22 budget.

**REQUESTS FOR INFORMATION**

The Agency’s financial statements are designed to provide readers with a general overview of the Agency’s finances. For questions about the report or additional information, contact the City of Sisters’ 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](http://www.ci.sisters.or.us).

## **BASIC FINANCIAL STATEMENTS**

---

**SISTERS URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of Sisters, Oregon)**

**STATEMENT OF NET POSITION**  
**June 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 304,413
Receivables:	
Property taxes	7,753
Total assets	312,166
 <b>LIABILITIES</b>	
Long-term obligations	
Due within one year	-
Total liabilities	-
 <b>NET POSITION</b>	
Unrestricted	312,166
Total Net Position	\$ 312,166

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Sisters, Oregon)

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Community development	\$ 650,746	\$ -	\$ -	\$ -	\$ (650,746)
Interest on long-term obligations	5,369				(5,369)
Total governmental activities	<u>\$ 656,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (656,115)</u>
General revenues:					
Property taxes levied for:					
Debt service					405,428
Interest and investment earnings					4,604
Miscellaneous					63
Total general revenues					<u>410,095</u>
Change in net position					(246,020)
Net position, beginning					<u>558,186</u>
Net position, ending					<u>\$ 312,166</u>

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

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Sisters, Oregon)

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

	Urban Renewal Project Fund	Urban Renewal Debt Service Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 304,413	\$ 304,413
Receivables:			
Property taxes	-	7,753	7,753
Advances to other funds	-	1,445	1,445
Total assets	\$ -	\$ 313,611	\$ 313,611
<b>LIABILITIES</b>			
Advances from other funds	\$ 1,445	\$ -	\$ 1,445
Total liabilities	1,445	-	1,445
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	6,035	6,035
Total deferred inflows of resources	-	6,035	6,035
<b>FUND BALANCES</b>			
Restricted	-	307,576	307,576
Unassigned	(1,445)	-	(1,445)
Total fund balances	(1,445)	307,576	306,131
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 313,611	\$ 313,611
Fund balance at end of year - governmental funds			\$ 306,131
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Long-term assets that are not available to pay for current-period expenditures are deferred in the funds.			6,035
<b>Net position of governmental activities</b>			<b>\$ 312,166</b>

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



**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Sisters, Oregon)

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2022**

	<u>Urban Renewal Project Fund</u>	<u>Urban Renewal Debt Service Fund</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ -	\$ 405,554	\$ 405,554
Interest on investments	280	4,324	4,604
Miscellaneous	-	63	63
<b>TOTAL REVENUES</b>	<u>280</u>	<u>409,941</u>	<u>410,221</u>
<b>EXPENDITURES</b>			
Current:			
Community development	96,125	-	96,125
Capital Outlay	554,212	-	554,212
Debt service	-	287,962	287,962
<b>TOTAL EXPENDITURES</b>	<u>650,337</u>	<u>287,962</u>	<u>938,299</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(650,057)</u>	<u>121,979</u>	<u>(528,078)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	560,000	-	560,000
Transfers out	-	(560,000)	(560,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>560,000</u>	<u>(560,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE</b>	(90,057)	(438,021)	(528,078)
<b>FUND BALANCE, Beginning</b>	<u>88,612</u>	<u>745,597</u>	<u>834,209</u>
<b>FUND BALANCE, Ending</b>	<u>\$ (1,445)</u>	<u>\$ 307,576</u>	<u>\$ 306,131</u>

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

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the 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, 2022**

<b>Net change in fund balance - governmental funds</b>	\$	(528,078)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		(126)
<p>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.</p>		
		282,464
<p>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.</p>		
Change in accrued interest payable		129
<p>Governmental funds report capital outlays as expenditures, However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense.</p>		
Additions to capital assets		<u>(409)</u>
<b>Change in net position - governmental activities</b>	<b>\$</b>	<b><u><u>(246,020)</u></u></b>

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the 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, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ 2,000	\$ 2,000	\$ 280	\$ (1,720)
<b>TOTAL REVENUES</b>	<u>2,000</u>	<u>2,000</u>	<u>280</u>	<u>(1,720)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Materials and services	144,200	144,200	96,125	48,075
Capital Outlay	-	560,000	554,212	5,788
Contingency	145,113	145,113	-	145,113
<b>TOTAL EXPENDITURES</b>	<u>289,313</u>	<u>849,313</u>	<u>650,337</u>	<u>198,976</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(287,313)</u>	<u>(847,313)</u>	<u>(650,057)</u>	<u>197,256</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan proceeds	200,000	760,000	560,000	(200,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>200,000</u>	<u>760,000</u>	<u>560,000</u>	<u>(200,000)</u>
<b>NET CHANGES IN FUND BALANCE</b>	(87,313)	(87,313)	(90,057)	(2,744)
<b>FUND BALANCE, Beginning</b>	87,313	87,313	88,612	1,299
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,445)</u>	<u>\$ (1,445)</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

---

---

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Sisters, Oregon)

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Sisters Urban Renewal Agency (the Agency), a component unit of the City of Sisters, Oregon, is the urban renewal agency of, and controlled by, the City of Sisters (the City). It was established on July 24, 2003 to assist in the redevelopment of blighted and deteriorated areas within the City through tax increment financing. The governing body consists of a five member advisory committee, which makes its recommendations to the Board of Directors. The Board of Directors is composed of the Mayor and City Council of the City of Sisters.

**B. Inclusion of the Agency in Sisters, Oregon, Comprehensive Annual Financial Report**

All significant activities and organizations for which the City exercises oversight responsibility have been included in the City's combined financial statements. The following criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 34 and 61, regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

- Financial interdependency – the City provides a financial benefit or burden relationship to the organization.
- Authoritative appointment of governing authority – Sisters City Council is the organization's governing authority.

City management has determined that the Agency meets the criteria set forth above, and, therefore, is a component unit of the City. This report is issued solely to meet a State of Oregon, Department of Revenue interpretation of Oregon Revised Statutes that requires a separate audit report.

**C. Agency-wide and Fund Financial Statements**

The agency-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### **D. Measurement Focus, Basis of Accounting and Basis of Presentation**

The agency-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

Governmental 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.

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 to be 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 to be 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 to be measurable and available when received by the Agency. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgment, are recorded only when payment is due.

The Agency reports the following major governmental funds:

The *Project Fund* is the Agency's primary operation fund. It accounts for all financial resources of the Agency, which could be restricted, committed, or assigned, except those required to be accounted for in another fund. Principal sources of revenue are Bond/Loan Proceeds. Expenditures are primarily for construction projects related to the downtown core area of the Urban Renewal District.

The *Debt Service* fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for repayment of principal and interest on long-term obligations used to finance construction projects related to the downtown core area of the Urban Renewal District. The principal source of revenue is Urban Renewal Tax collections.

#### **E. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **F. Cash and Cash Equivalents**

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

The Agency's bank accounts and investments are maintained in a central pool of cash and investments with the City of Sisters that is available for use by all funds. Each fund's portion of this pool is reported on the combined balance sheet as cash and cash equivalents.

The investment policy of the Agency is to invest in the Local Government Investment Pool (LGIP), U.S. Government Obligations, 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 Agency allocates earnings on investments to each fund based on the average monthly balances throughout the year.

Investments in the LGIP are reported at amortized cost, which approximates fair value in accordance with GASB Statement Number 31, and are considered cash equivalents for financial reporting purposes. All other investments are reported at fair value.

## **G. Receivables and Payables**

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in paragraph D above.

## **H. 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 Board passes a resolution that places specific constraints on how the resources may be used. The Board 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 Board 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 Agency'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.

### **I. Long-Term Obligation**

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Position.

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

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets, except Oregon Budget Law requires the repayment of interfund loans in a subsequent year to be budgeted. All annual appropriations lapse at fiscal year-end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management 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 Board of Directors 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 at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at the materials and services, capital outlay, debt service, and all other requirement levels for all funds.

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 Board. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain Board authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2022, no appropriation increases and transfers were approved and one supplemental budget was adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Agency lapses as of year-end.



## **B. Deficit Fund Balance**

The Urban Renewal Capital Projects Fund had a deficit fund balance of \$1,445 at year end. Management expects the deficit to be reversed in future years through loan proceeds and loan fees.

## **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 Agency at June 30, 2022. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists.

The Agency maintains a cash pool with the City of Sisters that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as cash and cash equivalents. Please refer to the City's basic financial statements, issued under a separate cover, for additional information pertaining to the nature and collateralization of the City's deposits and investments.

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

**Investments.** In connection with their shared funds with the City of Sisters, the Agency 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 form 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 Agency's cash position.

Investments in the Oregon State Treasury LGIP are made under the provision of ORS 194.180. These funds are held in the Agency's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at cost, which approximates fair value.

**Credit risk.** State statutes authorize the Agency 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 Agency has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk.** The Agency is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 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 Agency has no such investments.

**Interest Rate Risk.** The Agency 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.

The Agency's cash and cash equivalents by fund on June 30, 2022, are shown below:

Governmental activities:	
Debt Service	<u>\$ 304,413</u>
Total Cash and cash equivalents	<u>\$ 304,413</u>

## **B. Receivables**

On June 30, 2022, the Agency's receivables are as follows:

<b>Receivables</b>	
Property taxes	<u>\$ 7,753</u>
Total receivables	<u>\$ 7,753</u>

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 are billed and collected by Deschutes County and remittance to the Agency is made at periodic intervals. The Agency levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$416,431.

Following is a summary of property tax transactions for the year ended June 30, 2022:

Agency	Balances		Adjustments	Interest (Discounts)	Collections	Balances
	July 1, 2022	2021-22 Levy				
2021-22	\$ -	\$ 416,431	\$ (242)	\$ (10,933)	\$ (401,614)	\$ 3,642
2020-21	3,981	-	(166)	133	(2,482)	1,466
2019-20	1,258	-	(25)	80	(680)	633
2018-19	649	-	(3)	102	(562)	186
2017-18	186	-	(1)	36	(170)	51
2016-17	38	-	-	7	(25)	20
2015-16	(5)	-	-	5	(14)	(14)
2014-15	12	-	-	1	(2)	11
2013-14	8	-	-	1	(1)	8
2012-13	7	-	-	-	-	7
2011-12	4	-	-	-	-	4
2010-11	7	-	-	1	(2)	6
2009-10	6	-	-	-	-	6
2008-09	6	-	-	-	-	6
2007-08	3	-	-	-	-	3
	<u>\$ 6,160</u>	<u>\$ 416,431</u>	<u>\$ (437)</u>	<u>\$ (10,567)</u>	<u>\$ (405,552)</u>	<u>\$ 6,035</u>
					Cash with County	<u>1,718</u>
					Total Receivable	<u>\$ 7,753</u>

### C. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental fund balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The unavailable revenues reported in the governmental funds included \$6,035 in property taxes.

### D. Fund Balance

Restricted Fund Balance represents amounts that are constrained for Urban Renewal capital projects and the Urban Renewal Debt Service Fund. Generally the purpose for each is indicated by the account title on the face of the balance sheet.

When the option is available to use restricted or unrestricted resources for any purpose, the Agency expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the Agency expends committed resources before assigned resources, and assigned resources before

unassigned resources. Fund balance by classification for the year ended June 30, 2022, is as follows:

<b>Fund Balance</b>	<u>URA Project Fund</u>	<u>URA Debt Service Fund</u>
<b>Restricted for:</b>		
Debt Service	\$ -	\$ 307,576
Unassigned	<u>(1,445)</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>\$ (1,445)</u>	<u>\$ 307,576</u>

**E. Capital Assets**

The Agency constructs and refurbishes assets for the benefit of the City and businesses in the local area, and any assets constructed or improved would be property of the benefiting entity. During the current year the Agency incurred \$638,856 costs on city projects and contributed total improvements of \$639,266 to the city. The Agency had no capital assets at year end.

**F. Long – Term Obligations**

A Full Faith and Credit loan was issued on November 24, 2014 to repay prior interfund loans from the City and to provide additional funding for Urban Renewal Agency projects. Security for the loan is the full faith and credit of the City, and the obligation is payable in monthly payments of \$8,789 for seven years with a balloon payment of \$319,005 due February 25, 2022, including interest at 3.22%. In the prior years, the URA paid an additional principal payment of \$67,270, \$52,500, and \$36,541 to reduce the outstanding balance of the loan. As of June 30, 2022, the loan is paid off.

Changes in long-term obligations for the fiscal year ended June 30, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
FF&C Loan					
2014	<u>\$282,464</u>	<u>\$ -</u>	<u>\$ 282,464</u>	<u>\$ -</u>	<u>\$ -</u>

**G. Risk Management**

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

**H. Construction in Progress**

In the Urban Renewal Project fund there are no construction in progress ongoing as of June 30, 2022.

**I. Commitments and Contingencies**

No significant commitments and contingencies at June 30, 2022.

**J. Subsequent Events**

No significant subsequent events occurred after fiscal year-end through the date of issuance of financial statements.

**SUPPLEMENTAL INFORMATION**

---

---

**SISTERS URBAN RENEWAL AGENCY**  
(A Component Unit of the 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, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 445,000	\$ 445,000	\$ 405,554	\$ (39,446)
Interest on investments	200	200	4,324	4,124
Miscellaneous	-	-	63	63
<b>TOTAL REVENUES</b>	<u>445,200</u>	<u>445,200</u>	<u>409,941</u>	<u>(35,259)</u>
<b>EXPENDITURES</b>				
Debt service	296,175	296,175	287,962	8,213
<b>TOTAL EXPENDITURES</b>	<u>296,175</u>	<u>296,175</u>	<u>287,962</u>	<u>8,213</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>149,025</u>	<u>149,025</u>	<u>121,979</u>	<u>(27,046)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan repayment	(150,000)	(710,000)	(560,000)	150,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(150,000)</u>	<u>(710,000)</u>	<u>(560,000)</u>	<u>150,000</u>
<b>NET CHANGES IN FUND BALANCE</b>	(975)	(560,975)	(438,021)	122,954
<b>FUND BALANCE, Beginning</b>	<u>751,488</u>	<u>751,488</u>	<u>745,597</u>	<u>(5,891)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 750,513</u>	<u>\$ 190,513</u>	<u>\$ 307,576</u>	<u>\$ 117,063</u>

## **AUDITOR'S COMMENTS AND REPORTS**

---

---





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

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

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

We have audited the basic financial statements of Sisters Urban Renewal Agency as of and for the year ended June 30, 2022 and have issued our report thereon dated April 24, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance**

As part of obtaining reasonable assurance about whether the Sisters Urban Renewal Agency 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.**
- **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 that the City of Sisters Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

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

In planning and performing our audit, we considered the Agency 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 Agency internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency internal control over financial reporting.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the Agency 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*

April 24, 2023