

CITY OF SISTERS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017



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, 2017

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Transmittal Letter	i - iii
Officials of the City	iv
Organizational Chart	v
Certificate of Achievement	vi
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	A - C
MANAGEMENT'S DISCUSSION AND ANALYSIS	a - j
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	3
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual	
General	8
Street	9
Urban Renewal Project	10
Proprietary Funds:	11
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Fund Net Position	13
Statement of Cash Flows	14 - 15
Notes to the Basic Financial Statements	16 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)	43
Schedule of the City's Contributions to the Oregon Public Employee Retirement System	43
Notes to Required Supplementary Information	44

	<u>Page</u>
SUPPLEMENTAL INFORMATION	
Combining Statements – Non-Major Governmental Funds:	45
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	47
Budgetary Comparison Schedules:	48
Schedule of Expenditures and Transfers – Budget and Actual (NON-GAAP BUDGETARY BASIS), By Department:	49
General Fund	50
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Governmental Funds:	51
Capital Project Funds:	
Transportation SDC	52
Park SDC	53
Parking District	54
Debt Service Funds:	
City Hall Debt Service	55
Urban Renewal Debt Service	56
Proprietary Funds:	57
Enterprise Funds:	
All Water Funds:	
Water	58
Water SDC	59
Reconciliation to Generally Accepted Accounting Principles	60
All Sewer Funds:	
Sewer	61
Sewer SDC	62
Reconciliation to Generally Accepted Accounting Principles	63
Other Financial Schedules:	
Schedule of Outstanding Debt Principal and Interest Transactions	64
Schedule of Governmental Activities Debt Service Future Requirements	
Loans Payable	65
Bonds payable	66
Schedule of Business-Type Activities Debt Service Future Requirements	
Loans Payable	67
Bonds Payable	68

STATISTICAL SECTION

Net Position By Component – Last Ten Fiscal Years	69
Changes in Net Position – Last Ten Fiscal Years	70 - 71
Fund Balances, Governmental Funds – Last Ten Fiscal Years	72
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	73
Program Revenues by Function/Program – Last Ten Fiscal Years	74
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	75
Assessed Valuation and Actual Values of Taxable Property – Last Ten Fiscal Years	76
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	77
Property Tax Levies and Collections – Last Ten Fiscal Years	78
Principal Taxpayers – June 30, 2017 and June 30, 2006	79

	<u>Page</u>
Ratios of Outstanding Debt By Type – Last Ten Fiscal Years	80
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	81
Legal Debt Margin Information – Last Ten Fiscal Years	82
Computation of Direct and Overlapping Debt	83
Historical Sewer Revenues and Expenditures – Last Seven Years	84
Demographic and Economic Statistics – Last Ten Fiscal Years	85
Principal Employers – Current and Nine Years Ago	86
Full Time Equivalent City Employees	
by Function/Program – Last Ten Fiscal Years	87
Operating Indicators by Function/Program – Last Ten Fiscal Years	88
Capital Asset and Infrastructure Statistics by Function/Program – Last Ten Fiscal Years	89

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR’S REPORT REQUIRED BY OREGON STATE REGULATIONS	90 - 91
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INTRODUCTORY SECTION

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November 28, 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, 2017 is hereby submitted.

This report presents the financial position of the City as of June 30, 2017 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 2,540. Rural subdivisions and outlying ranches contribute to a population of “Sisters Country” in the range of 11,000 to 13,000 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 Director



CITY OF SISTERS, OREGON

FISCAL YEAR ENDING JUNE 30, 2017

ELECTED OFFICIALS OF THE CITY

<u>Name</u>	<u>Position</u>	<u>Terms</u>
Chuck Ryan	Mayor	December, 2020
Nancy Connolly	Council President	December, 2018
David Asson	Council Member	December, 2018
Andrea Blum	Council Member	December, 2020
Richard Esterman	Council Member	December, 2018

CITY STAFF

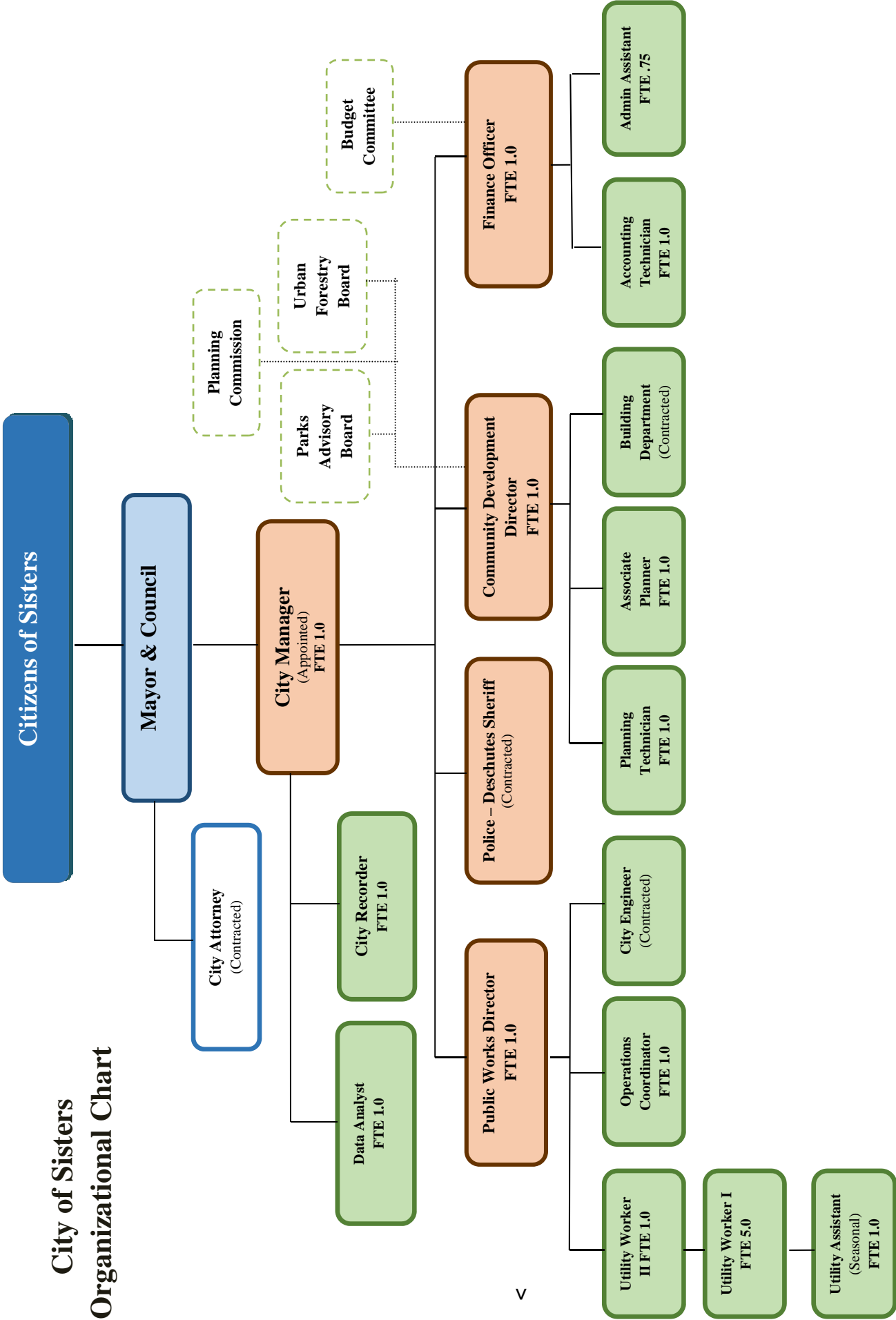
<u>Name</u>	<u>Position</u>
Rick Allen	Interim City Manager
Joseph O'Neill	Finance Officer
Paul Bertagna.....	Public Works Director
Patrick Davenport	Community Development Director
Erik Huffman	City Engineer
Kathy Nelson	City Recorder
Steve Bryant	City Attorney

MAIL ADDRESS

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

www.ci.sisters.or.us

City of Sisters Organizational Chart



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FINANCIAL SECTION

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Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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Pendleton, OR 97801
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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, 2017, 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, 2017, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 28, 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

November 28, 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, 2017

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, 2017. 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 \$39.6 million at the end of the fiscal year, an increase of \$2.4 million from last fiscal year.
- The City's liabilities totaled \$9.4 million at the end of the fiscal year.
- The net position balance (assets over liabilities) of \$30.7 million increased by \$2.6 million over last year. The balance is composed of investments in capital assets such as buildings, infrastructure, and roads (\$23.0 million), restricted amounts for future capital projects and debt service (\$211,329) and an unrestricted balance (\$3.1 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 \$7.6 million this fiscal year, an increase of \$1.8 million from last year, primarily due to an increase in capital grants and contributions.
- Expenses for the City totaled \$4.9 million, a decrease of \$.2 million over last year.

Fund Level

- The City's governmental funds have a combined fund balance of \$3.3 million, an increase of \$.1 million from last year primarily due SDC income.
- Total property taxes of \$1.1 million increased 8% over last fiscal year. Fuel and lodging taxes increased 15% to \$.72 million.
- The City's proprietary funds have a combined net position of \$18.8 million at the end of the fiscal year, an increase of \$.9 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:

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

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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:

- Governmental Funds
- Proprietary Funds

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017

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 Activities		Business-Type Activities		Total Primary Government		Total Change + (-)
	2017	2016	2017	2016	2017	2016	
	Current and other assets	\$ 3.84	\$ 3.82	\$ 5.25	\$ 4.05	\$ 9.08	
Capital assets	10.47	8.91	20.04	20.44	30.51	29.35	1.16
Total assets	<u>14.31</u>	<u>12.73</u>	<u>25.29</u>	<u>24.49</u>	<u>39.59</u>	<u>37.22</u>	<u>2.38</u>
Deferred Outflows	0.43	0.06	0.20	0.02	0.63	0.08	0.55
Current liabilities	0.58	0.44	0.36	0.19	0.94	0.64	0.31
Noncurrent liabilities	2.20	2.04	6.28	6.39	8.49	8.42	1.01
Total liabilities	<u>2.79</u>	<u>2.48</u>	<u>6.64</u>	<u>6.58</u>	<u>9.43</u>	<u>9.06</u>	<u>1.32</u>
Deferred Inflows	0.03	0.10	0.01	0.04	0.04	0.14	-0.10
Net position:							
Invested in capital assets, net of related debt	9.03	7.24	13.95	14.20	22.98	21.44	1.54
Restricted	1.64	1.47	3.05	2.13	4.69	3.60	1.09
Unrestricted	1.25	1.50	1.83	1.56	3.08	3.06	0.02
Total net position	<u>\$ 11.92</u>	<u>\$ 10.21</u>	<u>\$ 18.83</u>	<u>\$ 17.89</u>	<u>\$ 30.74</u>	<u>\$ 28.10</u>	<u>\$ 2.65</u>

Net position serves as a useful indicator of a government's financial position. For the City of Sisters, assets exceeded liabilities by \$30.74 million at the close of fiscal year 2016/17. The largest portion of the City's net position 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 \$1.16 million primarily due to contributed assets from development and street infrastructure expenditures offset by annual depreciation expense.

Restricted net position totals \$4.7 million and represents cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net position (\$3.1 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, 2017

Statement of Activities:

Net position of the City increased by \$2.6 million in the current fiscal year. Governmental activities' net position increased by \$1.7 million and business-type activities increased by \$.9 million.

Table 2
City of Sisters' Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Change + (-)
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program revenues:							
Charges for services	\$ 585,637	\$ 668,958	\$ 1,538,208	\$ 1,470,575	\$ 2,123,845	\$ 2,139,533	\$ (15,688)
Operating grants and contributions	436,598	368,127	-	-	436,598	368,127	68,471
Capital grants and contributions	1,981,087	498,624	998,339	701,268	2,979,426	1,199,892	1,779,534
General revenues:							
Taxes	1,115,272	1,029,612	-	-	1,115,272	1,029,612	85,660
Other	869,633	1,003,537	42,850	19,751	912,483	1,023,288	(110,805)
Total revenues	\$ 4,988,227	\$ 3,568,858	\$ 2,579,397	\$ 2,191,594	\$ 7,567,624	\$ 5,760,452	\$ 1,807,172
Expenses:							
General government	\$ 1,610,251	\$ 1,642,434	\$ -	\$ -	\$ 1,610,251	\$ 1,642,434	\$ (32,183)
Public safety	565,688	543,930	-	-	565,688	543,930	21,758
Highways and streets	791,615	731,193	-	-	791,615	731,193	60,422
Culture and recreation	282,244	329,539	-	-	282,244	329,539	(47,295)
Community development	3,794	31,539	-	-	3,794	31,539	(27,745)
Interest on long-term debt	46,446	48,696	-	-	46,446	48,696	(2,250)
Water	-	-	700,971	686,909	700,971	686,909	14,062
Sewer	-	-	921,600	1,073,245	921,600	1,073,245	(151,645)
Total expenses	\$ 3,300,038	\$ 3,327,331	\$ 1,622,571	\$ 1,760,154	\$ 4,922,609	\$ 5,087,485	\$ (164,876)
Increase in net position before transfers	\$ 1,688,189	\$ 241,527	\$ 956,826	\$ 431,440	\$ 2,645,015	\$ 672,967	\$ 1,972,048
Transfers	21,560	49,942	(21,560)	(49,942)	-	-	-
Change in net position	1,709,749	291,469	935,266	381,498	2,645,015	672,967	1,972,048
Net position, July 1	10,206,416	9,914,947	17,893,273	17,511,775	28,099,689	27,426,722	672,967
Net position, June 30	\$ 11,916,165	\$ 10,206,416	\$ 18,828,539	\$ 17,893,273	\$ 30,744,704	\$ 28,099,689	\$ 2,645,015

Governmental Funds

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$3.3 million. Approximately \$1.0 million or 30% 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 (\$1.4 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 \$1.0 million. This represents a \$.2 million decrease compared to FY 16/17.

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, 2017 is \$.5 million, an increase of \$.2 million from prior year primarily due to lack of significant capital expenditures.

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

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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)	\$ 739,889	(40%)
All Sewer (including SDC)	\$1,086,365	(60%)

The total proprietary fund unrestricted net assets increased by \$266,621 from the prior year primarily due to increased utility revenues.

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, 2017.

General Fund. The General Fund's change in fund balance decreased by \$160,883 compared to a budgeted decrease of \$684,567. This is mainly due unexpended contingency of \$285,825. There were supplemental budgets for FY 2016/17 addressing capital improvements to the campground, personnel services, 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, 2017 amounts to \$30.5 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, 34% is associated with governmental activities and 66% with business-type activities. See Table 3 below.

In total, the City's capital assets increased by \$1.2 million from the prior year. Governmental activities account for \$1.6 million of the increase and business-type activities account for \$.4 million decrease. Capital asset projects during the fiscal year included the following:

- Creekside Campground Restroom
- East Cascade Improvements

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	+ (-)
Land	\$ 522,720	\$ 507,220	\$ 4,289,705	\$ 4,274,205	\$ 4,812,425	\$ 4,781,425	\$ 31,000
Art and sculptures	330,872	330,872	14,000	14,000	344,872	344,872	-
Construction in progress	852	455,647	174,487	174,187	175,339	629,834	(454,495)
Buildings	3,085,155	2,780,315	523,905	540,704	3,609,060	3,321,019	288,041
Improvements, others than buildings	6,427,082	4,733,452	15,021,198	15,405,606	21,448,280	20,139,058	1,309,222
Equipment	102,061	99,661	22,751	29,017	124,812	128,678	(3,866)
Total	\$ 10,468,742	\$ 8,907,167	\$ 20,046,046	\$ 20,437,719	\$ 30,514,788	\$ 29,344,886	\$ 1,169,902

Additional information on the City's capital assets can be found in the notes to the basic financial statements. (Note III. C)

Long-term debt.

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
	2017	2016	2017	2016	2017	2016	+ (-)
Revenue bonds	0.5	0.5	5.5	5.6	6.0	6.2	(0.1)
Notes Payable	0.9	1.1	0.0	0.0	0.9	1.1	(0.2)
Total	\$ 1.4	\$ 1.6	\$ 5.5	\$ 5.6	\$ 6.9	\$ 7.3	\$ (0.3)

Additional information on the City's debt can be found in the notes to the basic financial statements. (Note III. E)

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparing the budget for FY 2017/18 the City considered various economic factors and used the following assumptions:

Property taxes. The City has forecasted a 7% increase in assessed value for properties within the city limits, with a collection rate of 95%.

The City's current **population** is 2,502. 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 1.4%.

It was assumed that **medical benefit** premiums will increase approximately 5.0%. The City budgets 90% of the health care premium cost for employees. Employees contribute 10% of the premium cost.

The City's employer contribution rate to the **Public Employee Retirement System (PERS)** is 14.28% and 9.97% 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 7.3%
- Automobile insurance will increase by 6.5%
- Liability insurance will increase by 3.8%
- Unemployment insurance will not change
- Workers compensation insurance rates will increase 7.5%

Budgeted operating contingency is \$.8 million which represents 2 months of operating expenses. Reserves for capital replacement and improvements are \$2.7 million, and reserves for future expenditures, which includes expenditures for capital projects and new development, are \$3.9 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, 2017

Primary Government

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,878,129	\$ 2,012,602	\$ 3,890,731
Receivables:			
Accounts, net	109,967	130,414	240,381
Intergovernmental	41,792	-	41,792
Property taxes	34,321	-	34,321
Assessments	134,183	22,880	157,063
Inventories	-	30,377	30,377
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,639,073	3,049,045	4,688,118
Capital assets:			
Land	522,720	4,289,705	4,812,425
Art and sculptures	330,872	14,000	344,872
Construction in progress	851	174,487	175,338
Depreciable assets, net of depreciation	<u>9,614,300</u>	<u>15,567,854</u>	<u>25,182,154</u>
Total assets	<u>14,306,208</u>	<u>25,291,364</u>	<u>39,597,572</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>429,879</u>	<u>195,168</u>	<u>625,047</u>
LIABILITIES			
Accounts payable and accrued expenses	152,134	29,322	181,456
Deposits	35,472	85,482	120,954
Accrued interest payable	1,860	17,133	18,993
Unearned revenue	247,900	5,988	253,888
Long-term obligations:			
Due within one year	144,726	223,023	367,749
Due in more than one year	<u>2,204,804</u>	<u>6,282,049</u>	<u>8,486,853</u>
Total liabilities	<u>2,786,896</u>	<u>6,642,997</u>	<u>9,429,893</u>
DEFERRED INFLOWS OF RESOURCES	<u>33,026</u>	<u>14,994</u>	<u>48,020</u>
NET POSITION			
Net investment in capital assets	9,025,724	13,953,242	22,978,966
Restricted for:			
Debt service	211,329	-	211,329
System development	1,392,477	3,049,045	4,441,522
Other	35,267	-	35,267
Unrestricted	<u>1,251,368</u>	<u>1,826,254</u>	<u>3,077,622</u>
Total net position	<u>\$ 11,916,165</u>	<u>\$ 18,828,541</u>	<u>\$ 30,744,706</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, 2017

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	\$ 1,610,251	\$ 376,121	\$ 9,169	\$ -	\$(1,224,961)	\$ -	\$ (1,224,961)
Public safety	565,688	-	90,566	-	(475,122)	-	(475,122)
Culture and recreation	282,244	202,575	20,500	194,233	135,064	-	135,064
Community development	3,794	-	-	-	(3,794)	-	(3,794)
Highways and streets	791,615	6,941	316,363	1,786,854	1,318,543	-	1,318,543
Interest on long-term obligation	46,446	-	-	-	(46,446)	-	(46,446)
Total governmental activities	<u>3,300,038</u>	<u>585,637</u>	<u>436,598</u>	<u>1,981,087</u>	<u>(296,716)</u>	<u>-</u>	<u>(296,716)</u>
Business-type activities:							
Water	700,971	636,247	-	435,608	-	370,884	370,884
Sewer	<u>921,600</u>	<u>901,961</u>	<u>-</u>	<u>562,731</u>	<u>-</u>	<u>543,092</u>	<u>543,092</u>
Total business-type activities	<u>1,622,571</u>	<u>1,538,208</u>	<u>-</u>	<u>998,339</u>	<u>-</u>	<u>913,976</u>	<u>913,976</u>
Total primary government	<u>\$ 4,922,609</u>	<u>\$ 2,123,845</u>	<u>\$ 436,598</u>	<u>\$ 2,979,426</u>	<u>(296,716)</u>	<u>913,976</u>	<u>617,260</u>
General revenues:							
Property taxes levied for:							
General purposes					919,416	-	919,416
Debt service					195,856	-	195,856
Franchise and public services taxes					812,800	-	812,800
Interest and investment earnings					34,634	42,850	77,484
Miscellaneous					22,199	-	22,199
Transfers					<u>21,560</u>	<u>(21,560)</u>	<u>-</u>
Total general revenues, special items, and transfers					<u>2,006,465</u>	<u>21,290</u>	<u>2,027,755</u>
Change in net position					1,709,749	935,266	2,645,015
Net position, beginning					<u>10,206,416</u>	<u>17,893,275</u>	<u>28,099,691</u>
Net position, ending					<u>\$11,916,165</u>	<u>\$ 18,828,541</u>	<u>\$ 30,744,706</u>

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 is the general fund of the blended component unit and accounts for general operations and 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, 2017**

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 1,447,738	\$ 460,371	\$ 186,234	\$ 1,422,859	\$ 3,517,202
Receivables:					
Property taxes	28,646	-	-	5,675	34,321
Accounts, net	69,585	40,382	-	-	109,967
Intergovernmental	24,099	12,296	-	5,397	41,792
Assessments, net	-	46,356	-	87,827	134,183
Total assets	<u>\$ 1,570,068</u>	<u>\$ 559,405</u>	<u>\$ 186,234</u>	<u>\$ 1,521,758</u>	<u>\$ 3,837,465</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 138,674	\$ 12,460	\$ 1,000	\$ -	\$ 152,134
Deposits	4,078	31,394	-	-	35,472
Unearned revenue	<u>112,995</u>	<u>36,343</u>	<u>-</u>	<u>98,562</u>	<u>247,900</u>
Total liabilities	<u>255,747</u>	<u>80,197</u>	<u>1,000</u>	<u>98,562</u>	<u>435,506</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>42,032</u>	<u>11,013</u>	<u>-</u>	<u>4,624</u>	<u>57,669</u>
Total deferred inflows of resources	<u>42,032</u>	<u>11,013</u>	<u>-</u>	<u>4,624</u>	<u>57,669</u>
FUND BALANCES					
Restricted	35,267	-	185,234	1,418,572	1,639,073
Assigned	242,017	468,195	-	-	710,212
Unassigned	<u>995,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>995,005</u>
Total fund balances	<u>1,272,289</u>	<u>468,195</u>	<u>185,234</u>	<u>1,418,572</u>	<u>3,344,290</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,570,068</u>	<u>\$ 559,405</u>	<u>\$ 186,234</u>	<u>\$ 1,521,758</u>	<u>\$ 3,837,465</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, 2017

Fund balances - total governmental funds	\$ 3,344,290
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	10,468,743
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	57,669
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(40,477)
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.	(469,181)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(1,860)
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>(1,443,019)</u>
Net Position of governmental activities	<u>\$11,916,165</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Street Fund	Urban Renewal Project Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 917,960	\$ -	\$ -	\$ 194,908	\$ 1,112,868
Other taxes	537,629	184,322	-	-	721,951
Franchise fees	-	343,790	-	-	343,790
Licenses and fees	535,027	4,390	-	15,942	555,359
Charges for services	25,977	-	-	-	25,977
Intergovernmental	186,085	278,882	-	61,733	526,700
Fines and forfeitures	1,750	-	-	-	1,750
System development charges	-	-	-	272,505	272,505
Interest on investments	15,189	3,947	1,789	13,709	34,634
Miscellaneous	22,199	2,550	-	-	24,749
TOTAL REVENUES	<u>2,241,816</u>	<u>817,881</u>	<u>1,789</u>	<u>558,797</u>	<u>3,620,283</u>
EXPENDITURES					
Current:					
General government	1,417,302	-	-	-	1,417,302
Public safety	565,688	-	-	-	565,688
Culture and recreation	264,472	-	-	-	264,472
Community development	-	-	3,794	-	3,794
Highways and streets	-	515,809	-	42,206	558,015
Capital outlay	131,287	120,054	-	141,100	392,441
Debt service	-	1,972	-	255,636	257,608
TOTAL EXPENDITURES	<u>2,378,749</u>	<u>637,835</u>	<u>3,794</u>	<u>438,942</u>	<u>3,459,320</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(136,933)</u>	<u>180,046</u>	<u>(2,005)</u>	<u>119,855</u>	<u>160,963</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	53,320	53,320
Transfers out	(23,950)	(7,810)	-	-	(31,760)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,950)</u>	<u>(7,810)</u>	<u>-</u>	<u>53,320</u>	<u>21,560</u>
NET CHANGE IN FUND BALANCE	(160,883)	172,236	(2,005)	173,175	182,523
FUND BALANCE, Beginning	<u>1,433,172</u>	<u>295,959</u>	<u>187,239</u>	<u>1,245,397</u>	<u>3,161,767</u>
FUND BALANCE, Ending	<u>\$ 1,272,289</u>	<u>\$ 468,195</u>	<u>\$ 185,234</u>	<u>\$ 1,418,572</u>	<u>\$ 3,344,290</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, 2017

Net change in fund balance - governmental funds \$ 182,523

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 (141,980)

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.

200,964

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 4,820
 Change in compensated absences (10,084)
 Change in accrued interest payable 5,371
 Change in pension asset and related deferred outflows and inflows (93,440)

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	\$	430,447	
Donated capital assets		1,509,921	
Basis of assets disposed		(26,850)	
Depreciation expense		<u>(351,943)</u>	
			<u>1,561,575</u>

Change in net position - governmental activities **\$ 1,709,749**

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 938,700	\$ 938,700	\$ 917,960	\$ (20,740)
Other taxes	495,000	495,000	537,629	42,629
Licenses and fees	463,500	463,500	535,027	71,527
Charges for services	23,600	23,600	25,977	2,377
Intergovernmental	111,418	186,418	186,085	(333)
Fines and forfeitures	3,000	3,000	1,750	(1,250)
Interest on investments	7,500	7,500	15,189	7,689
Miscellaneous	3,000	14,875	22,199	7,324
TOTAL REVENUES	<u>2,045,718</u>	<u>2,132,593</u>	<u>2,241,816</u>	<u>109,223</u>
EXPENDITURES				
Current:				
General government	1,423,850	1,498,425	1,417,302	81,123
Public safety	565,688	565,688	565,688	-
Culture and recreation	281,492	286,492	264,472	22,020
Capital outlay	6,800	156,800	131,287	25,513
Contingency	353,505	285,805	-	285,805
TOTAL EXPENDITURES	<u>2,631,335</u>	<u>2,793,210</u>	<u>2,378,749</u>	<u>414,461</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(585,617)</u>	<u>(660,617)</u>	<u>(136,933)</u>	<u>523,684</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(23,950)	(23,950)	(23,950)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,950)</u>	<u>(23,950)</u>	<u>(23,950)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(609,567)	(684,567)	(160,883)	523,684
FUND BALANCE, Beginning	<u>1,400,094</u>	<u>1,400,094</u>	<u>1,433,172</u>	<u>33,078</u>
FUND BALANCE, Ending	<u>\$ 790,527</u>	<u>\$ 715,527</u>	<u>\$ 1,272,289</u>	<u>\$ 556,762</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Other taxes	\$ 185,000	\$ 185,000	\$ 184,322	\$ (678)
Franchise fees	321,900	321,900	343,790	21,890
Licenses and fees	6,500	6,500	4,390	(2,110)
Intergovernmental	124,200	124,200	278,882	154,682
Interest on investments	1,500	1,500	3,947	2,447
Miscellaneous	-	1,875	2,550	675
TOTAL REVENUES	<u>639,100</u>	<u>640,975</u>	<u>817,881</u>	<u>176,906</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	239,184	239,184	232,279	6,905
Materials and services	258,905	285,780	283,530	2,250
Capital outlay	183,720	215,720	120,054	95,666
Debt service	-	1,972	1,972	-
Contingency	83,015	56,043	-	56,043
TOTAL EXPENDITURES	<u>764,824</u>	<u>798,699</u>	<u>637,835</u>	<u>160,864</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(125,724)</u>	<u>(157,724)</u>	<u>180,046</u>	<u>337,770</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,810)	(7,810)	(7,810)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,810)</u>	<u>(7,810)</u>	<u>(7,810)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(133,534)	(165,534)	172,236	337,770
FUND BALANCE, Beginning	<u>467,553</u>	<u>467,553</u>	<u>295,959</u>	<u>(171,594)</u>
FUND BALANCE, Ending	<u>\$ 334,019</u>	<u>\$ 302,019</u>	<u>\$ 468,195</u>	<u>\$ 166,176</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 500	\$ 500	\$ 1,789	\$ 1,289
TOTAL REVENUES	<u>500</u>	<u>500</u>	<u>1,789</u>	<u>1,289</u>
EXPENDITURES				
Current:				
Community development:				
Materials and services	4,200	4,200	3,794	406
Capital outlay	70,000	70,000	-	70,000
Contingency	<u>72,063</u>	<u>72,063</u>	<u>-</u>	<u>72,063</u>
TOTAL EXPENDITURES	<u>146,263</u>	<u>146,263</u>	<u>3,794</u>	<u>142,469</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(145,763)</u>	<u>(145,763)</u>	<u>(2,005)</u>	<u>143,758</u>
NET CHANGE IN FUND BALANCE	(145,763)	(145,763)	(2,005)	143,758
FUND BALANCE, Beginning	<u>145,763</u>	<u>145,763</u>	<u>187,239</u>	<u>41,476</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,234</u>	<u>\$ 185,234</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, 2017

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 869,033	\$ 1,143,569	\$ 2,012,602
Receivables:			
Accounts, net	57,158	73,256	130,414
Assessments	7,001	15,879	22,880
Inventories	30,377	-	30,377
Total current assets	<u>963,569</u>	<u>1,232,704</u>	<u>2,196,273</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,865,118	1,183,927	3,049,045
Capital assets:			
Land	10,022	4,279,683	4,289,705
Art and sculptures	-	14,000	14,000
Construction in progress	45,136	129,351	174,487
Depreciable assets, net of depreciation	5,807,028	9,760,826	15,567,854
Total noncurrent assets	<u>7,727,304</u>	<u>15,367,787</u>	<u>23,095,091</u>
Total assets	<u>8,690,873</u>	<u>16,600,491</u>	<u>25,291,364</u>
DEFERRED OUTFLOW OF RESOURCES	<u>102,866</u>	<u>92,302</u>	<u>195,168</u>
LIABILITIES			
Current liabilities:			
Accounts payable	15,902	13,420	29,322
Accrued interest payable	-	17,133	17,133
Deposits	85,482	-	85,482
Unearned revenue	-	5,988	5,988
Compensated absences payable	7,518	6,793	14,311
Current portion of long-term debt	1,124	207,588	208,712
Total current liabilities	<u>110,026</u>	<u>250,922</u>	<u>360,948</u>
Long-term obligations, net of current portion:			
Compensated absences payable	2,506	2,265	4,771
Notes and contracts payable	5,877	8,303	14,180
Net pension liability	207,235	185,951	393,186
Bonds payable	-	5,308,000	5,308,000
Bond premium	-	561,912	561,912
Total long-term debt, net of current portion	<u>215,618</u>	<u>6,066,431</u>	<u>6,282,049</u>
Total liabilities	<u>325,644</u>	<u>6,317,353</u>	<u>6,642,997</u>
DEFERRED INFLOW OF RESOURCES	<u>7,903</u>	<u>7,091</u>	<u>14,994</u>
NET POSITION			
Net investment in capital assets	5,855,185	8,098,057	13,953,242
Restricted for system development	1,865,118	1,183,927	3,049,045
Unrestricted	739,889	1,086,365	1,826,254
Total net position	<u>\$ 8,460,192</u>	<u>\$ 10,368,349</u>	<u>\$ 18,828,541</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, 2017

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
OPERATING REVENUES			
Charges for services	\$ 629,736	\$ 883,605	\$ 1,513,341
Licenses and fees	6,200	6,200	12,400
Rental income	-	12,000	12,000
Miscellaneous	311	156	467
TOTAL OPERATING REVENUES	<u>636,247</u>	<u>901,961</u>	<u>1,538,208</u>
OPERATING EXPENSES			
Personal services	250,853	232,194	483,047
Materials and services	266,705	239,787	506,492
Depreciation	183,318	272,308	455,626
TOTAL OPERATING EXPENSES	<u>700,876</u>	<u>744,289</u>	<u>1,445,165</u>
OPERATING INCOME (LOSS)	<u>(64,629)</u>	<u>157,672</u>	<u>93,043</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	23,532	19,318	42,850
Interest expense	(95)	(177,311)	(177,406)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>23,437</u>	<u>(157,993)</u>	<u>(134,556)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(41,192)	(321)	(41,513)
CAPITAL CONTRIBUTIONS			
Intergovernmental	582	-	582
System development charges	417,286	551,061	968,347
Capital asset contributions	17,740	11,670	29,410
TRANSFERS			
Transfers out	(9,490)	(12,070)	(21,560)
CHANGE IN NET POSITION	384,926	550,340	935,266
NET POSITION, Beginning	<u>8,075,266</u>	<u>9,818,009</u>	<u>17,893,275</u>
NET POSITION, Ending	<u>\$ 8,460,192</u>	<u>\$ 10,368,349</u>	<u>\$ 18,828,541</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, 2017

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 639,205	\$ 898,319	\$ 1,537,524
Payments to suppliers	(286,416)	(236,985)	(523,401)
Payments to employees	(139,687)	(123,051)	(262,738)
Payments for interfund services used	(48,958)	(69,898)	(118,856)
Net cash provided from (used by) operating activities	<u>164,144</u>	<u>468,385</u>	<u>632,529</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(9,490)	(12,070)	(21,560)
Net cash provided from (used by) non-capital financing activities	<u>(9,490)</u>	<u>(12,070)</u>	<u>(21,560)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	582	-	582
System development charges	417,286	551,061	968,347
Assessments principal collections	1,159	1,639	2,798
Acquisition of capital assets	(18,741)	(115,500)	(134,241)
Principal paid on long-term obligations	(1,159)	(132,637)	(133,796)
Interest paid on long-term obligations	(95)	(278,187)	(278,282)
Net cash provided from (used by) capital and related financing activities	<u>399,032</u>	<u>26,376</u>	<u>425,408</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	23,532	19,318	42,850
Net cash provided (used) by investing activities	<u>23,532</u>	<u>19,318</u>	<u>42,850</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	577,218	602,009	1,179,227
CASH AND CASH EQUIVALENTS, Beginning	<u>2,156,933</u>	<u>1,725,487</u>	<u>3,882,420</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,734,151</u>	<u>\$ 2,327,496</u>	<u>\$ 5,061,647</u>
COMPRISED AS FOLLOWS			
Cash and cash equivalents	\$ 869,033	\$ 1,143,569	\$ 2,012,602
Restricted cash and cash equivalents	1,865,118	1,183,927	3,049,045
	<u>\$ 2,734,151</u>	<u>\$ 2,327,496</u>	<u>\$ 5,061,647</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, 2017

	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)	\$ (64,629)	\$ 157,672	\$ 93,043
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	183,318	272,308	455,626
(Increase) decrease in assets and deferred outflows:			
Receivables	(783)	(2,642)	(3,425)
Inventories	5,881	-	5,881
Deferred outflows	(88,831)	(81,202)	(170,033)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses	6,485	5,378	11,863
Deposits	3,741	-	3,741
Unearned revenues	-	(1,000)	(1,000)
Compensated absences payable	4,844	4,729	9,573
Net pension liability	129,223	124,248	253,471
Deferred inflows	(15,105)	(11,106)	(26,211)
Net cash provided from (used by) operating activities	<u>\$ 164,144</u>	<u>\$ 468,385</u>	<u>\$ 632,529</u>
Noncash Investing, Capital, and Financing Activities			
Capital asset contributions	<u>\$ 17,740</u>	<u>\$ 11,670</u>	<u>\$ 29,410</u>
Total noncash investing, capital, and financing activities	<u>\$ 17,740</u>	<u>\$ 11,670</u>	<u>\$ 29,410</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, 2017

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. The City has the ability to significantly influence the operations of the Agency and provides financial benefit. 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 is a special revenue fund and accounts for general operations and 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 acquisition 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. Pension expenses are normally paid from the General, Street, Water, and Sewer funds.

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.

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, 2017, 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:	
Planning	<u>\$ 41,576</u>
Water Fund:	
Materials and Services	<u>\$ 11,546</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2017. 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, 2017, the carrying amount for the City’s US Bank deposits was \$1,307,337 and the bank balance was \$1,439,399. All deposits are held in the name of the City. Of the bank balance \$250,000 was covered by federal depository insurance and the remaining \$1,189,399 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, 2017 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 7,270,762
Less amounts classified as cash equivalents			<u>(7,270,762)</u>
Total Investments			<u>\$ -</u>

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

Cash on hand	\$	750
Carrying amounts of deposits		1,307,337
Local Government Investment Pool		7,270,766
		<hr/>
Total cash and cash equivalents	\$	8,578,853
		<hr/>
Funds:		
<u>Governmental Activities</u>		
General	\$	1,447,738
Street		460,371
Urban Renewal Project		186,234
Other Governmental Funds		1,422,859
		<hr/>
Total Governmental Activities		3,517,202
		<hr/>
<u>Business-Type Activities</u>		
Water (\$1,865,118 restricted)		2,734,151
Sewer (\$1,183,927 restricted)		2,327,496
		<hr/>
Total Business-Type Activities		5,061,647
		<hr/>
Total cash and cash equivalents	\$	8,578,849
		<hr/>

Governmental activities cash and cash equivalents are restricted for debt service for \$211,329 for street and system development of \$1,392,477 (including \$380,766 deposited into the ODOT construction account), and \$35,267 for other purposes. Business type activities are restricted for system development of \$3,049,045.

B. Receivables

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

	General	Street	URA Project	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 28,646	\$ -	\$ -	\$ 5,675	\$ 34,321
Accounts	69,621	40,382	-	-	110,003
Intergovernmental	24,099	12,296	-	5,397	41,792
Assessments	-	46,356	-	107,063	153,419
Allowance For Doubtful Account	(36)	-	-	(19,236)	(19,272)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 122,330	\$ 99,034	\$ -	\$ 98,899	\$ 320,263
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Receivables as of June 30, 2017 for the business-type activities individual major funds are as follows:

	Water	Sewer	Total Business-Type Activities
Accounts	\$ 57,636	\$ 74,471	\$ 132,107
Assessments	7,001	15,879	22,880
Allowance for doubtful accounts	(478)	(1,215)	(1,693)
	<u>\$ 64,159</u>	<u>\$ 89,135</u>	<u>\$ 153,294</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 2017-2018, the City levied property taxes in the net amount of \$948,503 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, 2017 was \$358,861,544. 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 \$201,808.

Following is a summary of property tax transactions for the year ended June 30, 2017:

	Balances					Balances
	July 1, 2016	2016-17 Levy	Adjustments	Interest (Discounts)	Collections	June 30, 2017
2016-17	\$ -	\$ 1,150,311	\$ (6,972)	\$ (28,665)	\$ (1,097,518)	\$ 17,156
2015-16	15,477	-	(598)	468	(8,909)	6,438
2014-15	5,786	-	(95)	346	(2,840)	3,197
2013-14	2,836	-	(60)	430	(2,373)	833
2012-13	946	-	(47)	193	(900)	192
2011-12	253	-	(34)	49	(164)	104
2010-11	165	-	(34)	28	(82)	77
2009-10	92	-	(5)	9	(24)	72
2008-09	70	-	(4)	5	(28)	43
2007-08	44	-	(6)	6	(15)	29
2006-07	24	-	(1)	2	(6)	19
Prior years	96	-	(4)	5	(9)	87
	<u>\$ 25,789</u>	<u>\$ 1,150,311</u>	<u>\$ (7,860)</u>	<u>\$ (27,124)</u>	<u>\$ (1,112,868)</u>	<u>28,247</u>
				Cash with County		<u>6,074</u>
				Total Receivable		<u>\$ 34,321</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 \$19,236 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, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 507,220	\$ 15,500	\$ -	\$ 522,720
Art and sculptures	330,872	-	-	330,872
Construction in progress	455,646	1,869,157	(2,323,952)	851
	<u>1,293,738</u>	<u>1,884,657</u>	<u>(2,323,952)</u>	<u>854,443</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and improvements	4,155,655	-	407,087	4,562,742
Tools and equipment	757,993	13,505	-	771,498
Office equipment	273,496	-	12,644	286,140
Street Improvements	5,788,326	42,206	1,877,372	7,707,904
	<u>10,975,470</u>	<u>55,711</u>	<u>2,297,103</u>	<u>13,328,284</u>
Total capital assets, being depreciated				
Accumulated depreciation for:				
Buildings	(1,375,340)	(102,247)	-	(1,477,587)
Tools and equipment	(684,586)	(13,433)	-	(698,019)
Office equipment	(247,242)	(10,316)	-	(257,558)
Street Improvements	(1,054,873)	(225,947)	-	(1,280,820)
	<u>(3,362,041)</u>	<u>(351,943)</u>	<u>-</u>	<u>(3,713,984)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>7,613,429</u>	<u>(296,232)</u>	<u>2,297,103</u>	<u>9,614,300</u>
Governmental activities capital assets, net	<u>\$ 8,907,167</u>	<u>\$ 1,588,425</u>	<u>\$ (26,849)</u>	<u>\$ 10,468,743</u>

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

Governmental activities

General government	\$ 113,722
Culture and recreation	7,789
Highways and streets	<u>230,432</u>
Total depreciation expense - governmental activities	<u>\$ 351,943</u>

Capital asset activity for the business-type activities for the year ended June 30, 2017 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	\$ 15,500	\$ -	\$ 4,289,705
Artwork	14,000	-	-	14,000
Construction in progress	<u>174,487</u>	<u>-</u>	<u>-</u>	<u>174,487</u>
Total capital assets, not being depreciated	<u>4,462,692</u>	<u>15,500</u>	<u>-</u>	<u>4,478,192</u>
Capital assets, being depreciated:				
Buildings and improvements	638,499	-	-	638,499
Tools and equipment	535,691	-	-	535,691
Office equipment	21,816	-	-	21,816
Infrastructure	<u>21,270,887</u>	<u>48,151</u>	<u>-</u>	<u>21,319,038</u>
Total capital assets, being depreciated	<u>22,466,893</u>	<u>48,151</u>	<u>-</u>	<u>22,515,044</u>
Less accumulated depreciation for:				
Buildings and improvements	(97,795)	(16,799)	-	(114,594)
Tools and equipment	(506,673)	(6,267)	-	(512,940)
Office equipment	(21,816)	-	-	(21,816)
Infrastructure	<u>(5,865,280)</u>	<u>(432,560)</u>	<u>-</u>	<u>(6,297,840)</u>
Total accumulated depreciation	<u>(6,491,564)</u>	<u>(455,626)</u>	<u>-</u>	<u>(6,947,190)</u>
Total capital assets, being depreciated, net	<u>15,975,329</u>	<u>(407,475)</u>	<u>-</u>	<u>15,567,854</u>
Business-type activities capital assets, net	<u>\$ 20,438,021</u>	<u>\$ (391,975)</u>	<u>\$ -</u>	<u>\$ 20,046,046</u>

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

Water	\$ 183,318
Sewer	<u>272,308</u>
Total depreciation expense - business-type activities	<u><u>\$ 455,626</u></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 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:

	<u>General</u>	<u>Street</u>	<u>Urban Renewal Project</u>	<u>Totals</u>
Property taxes	\$ 23,622	\$ -	\$ 4,624	\$ 28,246
Intergovernmental	<u>18,410</u>	<u>11,013</u>	<u>-</u>	<u>29,423</u>
	<u><u>\$ 42,032</u></u>	<u><u>\$11,013</u></u>	<u><u>\$ 4,624</u></u>	<u><u>\$ 57,669</u></u>

E. Long-term obligations

1. Bonds Payable – Governmental Activities

The City issued \$6,020,000 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
2018	\$ 34,000	\$ 17,310
2019	36,000	16,610
2020	39,000	15,665
2021	38,000	14,510
2022	42,000	13,310
2023-2027	215,000	42,740
2028-2031	102,000	4,040
	<u>\$ 506,000</u>	<u>\$ 124,185</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 \$489,535 due February 25, 2022, including interest at 3.22%. The Urban Renewal Agency paid an additional principal payment of \$121,492 in the prior year and \$97,000 in the current year to reduce the outstanding balance of the loan. Future maturities of the loans are as follows:

Year Ending June 30	Principal	Interest
2018	\$ 78,600	\$ 26,866
2019	81,169	24,298
2020	83,821	21,645
2021	86,561	18,906
2022	540,019	11,038
	<u>\$ 870,170</u>	<u>\$ 102,753</u>

The City borrowed \$32,525 from the Oregon Infrastructure Finance Authority on April 24, 2016 to provide additional funds for the infrastructure improvements. The obligation is payable in annual payments of \$4,996.57 for seven years including interest of 1.85%. In the 2016-2017 year the City moved the IFA debt to split between water, sewer, and streets that paid for the original costs.

Future maturities of the governmental street fund portion are:

Year Ending June 30	Principal	Interest
2018	\$ 1,768	\$ 204
2019	1,801	171
2020	1,834	138
2021	1,868	104
2022	1,903	69
2023	1,840	34
	<u>\$ 11,014</u>	<u>\$ 720</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
2018	\$ 206,000	\$ 203,540
2019	209,000	199,390
2020	216,000	194,060
2021	222,000	187,490
2022	228,000	180,740
2023-2027	1,280,000	762,760
2028-2032	1,118,000	505,560
2033-2037	1,035,000	306,900
2038-2041	1,000,000	84,000
	<u>\$ 5,514,000</u>	<u>\$ 2,624,440</u>

4. Loans Payable – Business-Type Activities

The City borrowed \$32,525 from the Oregon Infrastructure Finance Authority on April 24, 2016 to provide additional funds for the infrastructure improvements. The obligation is payable in annual payments of \$4,996.57 for seven years including interest of 1.85%. In the 2016-2017 year the City moved the IFA debt to split between water, sewer, and streets that paid for the original costs. Future maturities of the water and sewer fund portion is:

Year Ending June 30	Water		Sewer	
	Principal	Interest	Principal	Interest
2018	\$ 1,124	\$ 129	\$ 1,588	\$ 183
2019	1,145	109	1,618	153
2020	1,166	88	1,648	124
2021	1,188	66	1,678	93
2022	1,210	44	1,709	62
2023	1,168	22	1,650	30
	<u>\$ 7,001</u>	<u>\$ 458</u>	<u>\$ 9,891</u>	<u>\$ 645</u>

5. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions and Transfers	Reductions and Transfers	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 535,000	\$ -	\$ 29,000	\$ 506,000	\$ 34,000
Bond premium	60,656	-	4,821	55,835	-
Loans payable	1,072,843	-	191,659	881,184	80,368.00
Net pension liability	336,980	529,054	-	866,034	-
Compensated absences	30,392	10,085	-	40,477	30,358
Governmental activity Long-term obligations	<u>\$ 2,035,871</u>	<u>\$ 539,139</u>	<u>\$ 225,480</u>	<u>\$ 2,349,530</u>	<u>\$ 144,726</u>
Business - type activities					
Bonds payable	\$ 5,645,000	\$ -	\$ 131,000	\$ 5,514,000	\$ 206,000
Bond premium	592,293	-	30,381	561,912	-
Loans payable	-	19,688	2,796	16,892	2,712
Net pension liability	139,715	253,471	-	393,186	-
Compensated absences	9,508	9,574	-	19,082	14,311
Business-type activity Long-term obligations	<u>\$ 6,386,516</u>	<u>\$ 282,733</u>	<u>\$ 164,177</u>	<u>\$ 6,505,072</u>	<u>\$ 223,023</u>

F. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2017 were as follows:

	General Fund	Street Fund	URA Project Fund	Non-major Governmental Funds	Total Governmental Funds
Fund Balance					
Restricted for:					
CATS Grant	\$ 13,422	\$ -	\$ -	\$ -	\$ 13,422
Debt Service	-	-	-	211,329	211,329
Capital Projects	-	-	185,234	1,207,243	1,392,477
Building Inspection	21,845	-	-	-	21,845
Assigned to:					
Capital Reserve	242,017	-	-	-	242,017
Highways and Streets	-	468,195	-	-	468,195
Unassigned:					
	995,005	-	-	-	995,005
Total Fund Balance	<u>\$ 1,272,289</u>	<u>\$ 468,195</u>	<u>\$ 185,234</u>	<u>\$ 1,418,572</u>	<u>\$ 3,344,290</u>

G. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers into the governmental activities from the business-type activities in the amount of \$21,560.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ -	\$ 23,950
Street	-	7,810
Other Governmental Funds	53,320	-
Business-type activities:		
Water	-	9,490
Sewer	-	12,070
	<u>\$ 53,320</u>	<u>\$ 53,320</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/EMP/Pages/Actuarial-Financial-Information.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. The COLA is capped at 2%.

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.

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, which became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$109,100, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 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, 2017, the City of Sisters reported a liability of \$1,259,220 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the City's proportion was 0.00839 percent, which was an increase from its proportion of .00830 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the City's recognized pension expense of \$259,767. At June 30, 2017, 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
Differences between expected and actual experience.	\$ 41,661	\$ -
Changes of assumptions	268,561	-
Net difference between projected and actual earnings on investments	248,769	-
Changes in proportionate share	4,588	4,440
Differences between employer contributions and employer's proportionate share of system contributions	-	43,580
Total (prior to post-MD contributions)	563,579	48,020
Contributions subsequent to the measurement date	61,468	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 625,047</u>	<u>\$ 48,020</u>

\$61,468 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, 2017. 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	\$ 87,916
2018	87,916
2019	180,794
2020	139,564
2021	19,369
Total	<u>\$ 515,559</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent (reduced from 2.75%)
Long-Term Expected Rate of Return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected Salary Increases	3.50 percent overall payroll growth (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25% / 0.15%) in accordance with more decision; blend based on service
Mortality	Health retirees and beneficiaries; RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality rates.

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 2015 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	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro CAP US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Funds of Funds - Diversified	2.50%	4.64%
Hedge Funds - Events-driven	0.63%	6.72%
Timber	1.87%	5.85%
Farmland	1.87%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

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 7.50 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$2,033,221	\$1,259,220	\$ 612,291

Pension plan fiduciary net position

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

Payables to the Pension Plan

The City reports payables in the amount of \$5,104 to the pension plan.

Changes in Plan Provisions During the Measurement Period

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions for merit increases, unused sick leave, and vacation pay were updated.

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

Changes in Plan Provisions Subsequent to Measurement Date

As its July 28, 2017 meeting, the PERS Board lowered the assumed earnings rate to 7.2 percent. For member transaction, this rate will take effect January 1, 2018. The current assumed earnings rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

C. Construction in Progress

The City is committed under various construction contracts at June 30, 2017. Major projects in progress at June 30, 2017 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 11% complete. Costs incurred to date are \$2,159 with estimated costs of \$18,860. The Barclay waterline project is also being funded through the Water SDC fund where costs incurred to date are \$2,535 with an estimated cost of \$22,140.

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 \$2,481, with total estimated costs of \$87,880. The SCADA Upgrades project is also being funded by the Sewer fund as well and is approximately 3% complete with an estimated cost of \$56,186.

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 has deposited \$360,000 into a separate LGIP account for ODOT projects to be used towards construction of a round a bout and other improvements at the intersection of Santiam Highway and Barclay Drive and McKinney Butte Road. The total project cost is estimated at \$3,192,599; with the majority of the costs being funded by ODOT. The project will be ran by ODOT and most of the improvements will be owned by the state. The City agrees to maintain the decorative landscaping and may accept ownership of assets outside of the state jurisdiction once conveyed from the state.

E. Tax Abatement Disclosures

The City enters into property tax abatement agreements with local business under the Greater Redmond Area Enterprise Zone authorized by Oregon Statute 285C.175. The Redmond Enterprise Zone was established in 1988, renewed in 1998, and reconfigured in 2009 to include parts of the City of Sisters. For the basic 3-year property tax exemption, the business needs to invest \$50,000 and increase full time, permanent employment by 1 new job or 10%, whichever is greater in the first year. There is no minimum compensation requirement at this level. Some projects which meet the basis three-year exemption may also qualify for an additional two years of tax exemption if the average compensation per employee is at least 150% of the 2010 Deschutes County average annual wage of \$35,223 which may include mandatory benefits, overtime, and profit sharing. If the business invests \$9.8 mill, increases full-time permanent employment by 35 within 3 years, and meet the average compensation per employee as outlined above, the would qualify for a seven to fifteen-year tax abatement. The City has six three-year and two four-year contracts with an engineering company, brewing company, and power company for which the City's abated tax portion amounted to \$4,854 for fiscal year ended June 30, 2017. In addition, the City of Sisters offers additional benefits and entered into an economic development agreement with Three Creeks Brewing Company, LLC in April, 2014 which will reduce waste water charges associated with Three Creeks use of its new brewery facility by 30% up to a maximum of \$10,000 per year.

Additional benefits available to new business are: 1) a 2% reduction in building permit fees for every new full time equivalent job created, up to a 25% maximum; 2) expedited permitting process for E-Zone projects; 3) waiver of water and sewer hook-up fees; 4) waiver of 50% of land use fees for businesses that meet the 150% salary and benefit threshold of regional median income; 5) waiver of 25% of the land use fees for businesses that do not meet the 150% threshold; 6) 5% reduction in monthly water and sewer user charges for each FTE created, up to 25%; and 7) waiver of \$200 application fee.

F. Subsequent Events

The City will obtain water rights in the amount of \$250,000 in the current fiscal year via a donation from Ms. Converse in honor of her mother who was a long-time resident of the City.

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>	<u>2013</u>
City's proportion of the net pension liability (asset)	0.00838791	0.00830268	0.00863735%	0.00863735%
City's proportionate share of the net pension liability (asset)	\$ 1,259,220	\$ 476,695	\$ (195,784)	\$ 440,777
City's covered-employee payroll	\$ 801,011	\$ 782,710	\$ 759,194	\$ 806,159
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.20%	60.90%	-25.79%	54.68%
Plan fiduciary net position as a percentage of the total pension liability	80.50%	91.90%	103.60%	91.97%

CITY OF SISTERS, OREGON

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 109,100	\$ 111,829	\$ 113,378	\$ 112,592
Contributions in relation to the contractually required	(109,100)	(111,829)	(113,378)	(112,592)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 778,567	\$ 801,011	\$ 782,716	\$ 759,194
Contributions as a percentage of covered-employee payroll	14.01%	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, 2017

Changes in Benefit Terms

The Oregon Supreme Court in *Moro v. State of Oregon*, issued April 30, 2015, reversed a significant portion of the reductions that 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. The reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 pension liability. The changes included lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions for merit increases, unused sick leave, and vacation pay were updated.

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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, 2017**

	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	\$ 853,772	\$ 172,657	\$ 186,152	\$ 37,622	\$ 172,656	\$ 1,422,859
Receivables:						
Property taxes	-	-	-	-	5,675	5,675
Accounts	-	5,397	-	-	-	5,397
Assessments, net	-	-	87,827	-	-	87,827
 Total assets	<u>\$ 853,772</u>	<u>\$ 178,054</u>	<u>\$ 273,979</u>	<u>\$ 37,622</u>	<u>\$ 178,331</u>	<u>\$ 1,521,758</u>
LIABILITIES						
Accounts payable and Unearned revenue	\$ -	\$ -	\$ 98,562	\$ -	\$ -	\$ 98,562
 Total liabilities	-	-	98,562	-	-	98,562
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	4,624	4,624
FUND BALANCES						
Restricted	853,772	178,054	175,417	37,622	173,707	1,418,572
 Total fund balances	<u>853,772</u>	<u>178,054</u>	<u>175,417</u>	<u>37,622</u>	<u>173,707</u>	<u>1,418,572</u>
 Total liabilities fund balances, and deferred inflows of resources	<u>\$ 853,772</u>	<u>\$ 178,054</u>	<u>\$ 273,979</u>	<u>\$ 37,622</u>	<u>\$ 178,331</u>	<u>\$ 1,521,758</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, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ 194,908	\$ 194,908
Licenses and fees	-	-	15,942	-	-	15,942
Intergovernmental	-	61,733	-	-	-	61,733
System development charges	140,005	132,500	-	-	-	272,505
Interest on investments	7,717	1,255	1,674	404	2,659	13,709
TOTAL REVENUES	<u>147,722</u>	<u>195,488</u>	<u>17,616</u>	<u>404</u>	<u>197,567</u>	<u>558,797</u>
EXPENDITURES						
Current:						
Highways and streets	42,206	-	-	-	-	42,206
Capital outlay	-	141,100	-	-	-	141,100
Debt service	-	-	-	53,169	202,467	255,636
TOTAL EXPENDITURES	<u>42,206</u>	<u>141,100</u>	<u>-</u>	<u>53,169</u>	<u>202,467</u>	<u>438,942</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>105,516</u>	<u>54,388</u>	<u>17,616</u>	<u>(52,765)</u>	<u>(4,900)</u>	<u>119,855</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	53,320	-	53,320
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,320</u>	<u>-</u>	<u>53,320</u>
NET CHANGE IN FUND BALANCE	105,516	54,388	17,616	555	(4,900)	173,175
FUND BALANCE, Beginning	<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>
FUND BALANCE, Ending	<u>\$ 853,772</u>	<u>\$ 178,054</u>	<u>\$ 175,417</u>	<u>\$ 37,622</u>	<u>\$ 173,707</u>	<u>\$ 1,418,572</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Administration	\$ 531,035	\$ 598,735	\$ 561,377	\$ 37,358
Maintenance	121,824	123,699	111,437	12,262
Parks	281,492	436,492	389,114	47,378
Police	565,688	565,688	565,688	-
Planning	318,009	323,009	364,585	(41,576)
Support services	459,782	459,782	386,548	73,234
Transfers out	23,950	23,950	23,950	-
Contingency	353,505	285,805	-	285,805
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 2,655,285</u>	<u>\$ 2,817,160</u>	<u>\$ 2,402,699</u>	<u>\$ 414,461</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ 50,000	\$ 50,000	\$ 140,005	\$ 90,005
Interest on investments	<u>2,800</u>	<u>2,800</u>	<u>7,717</u>	<u>4,917</u>
TOTAL REVENUES	<u>52,800</u>	<u>52,800</u>	<u>147,722</u>	<u>94,922</u>
EXPENDITURES				
Current:				
Highways and streets:				
Materials and services	120,000	120,000	42,206	77,794
Capital outlay	<u>266,980</u>	<u>266,980</u>	<u>-</u>	<u>266,980</u>
TOTAL EXPENDITURES	<u>386,980</u>	<u>386,980</u>	<u>42,206</u>	<u>344,774</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(334,180)</u>	<u>(334,180)</u>	<u>105,516</u>	<u>439,696</u>
NET CHANGE IN FUND BALANCE	(334,180)	(334,180)	105,516	439,696
FUND BALANCE, Beginning	<u>740,802</u>	<u>740,802</u>	<u>748,256</u>	<u>7,454</u>
FUND BALANCE, Ending	<u>\$ 406,622</u>	<u>\$ 406,622</u>	<u>\$ 853,772</u>	<u>\$ 447,150</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 75,000	\$ 61,733	\$ (13,267)
System development charges	40,000	40,000	132,500	92,500
Interest on investments	650	650	1,255	605
TOTAL REVENUES	<u>40,650</u>	<u>115,650</u>	<u>195,488</u>	<u>79,838</u>
EXPENDITURES				
Capital outlay	<u>10,000</u>	<u>167,000</u>	<u>141,100</u>	<u>25,900</u>
TOTAL EXPENDITURES	<u>10,000</u>	<u>167,000</u>	<u>141,100</u>	<u>25,900</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>30,650</u>	<u>(51,350)</u>	<u>54,388</u>	<u>105,738</u>
NET CHANGE IN FUND BALANCE	30,650	(51,350)	54,388	105,738
FUND BALANCE, Beginning	<u>95,825</u>	<u>95,825</u>	<u>123,666</u>	<u>27,841</u>
FUND BALANCE, Ending	<u>\$ 126,475</u>	<u>\$ 44,475</u>	<u>\$ 178,054</u>	<u>\$ 133,579</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 14,500	\$ 14,500	\$ 15,942	\$ 1,442
Interest on investments	<u>600</u>	<u>600</u>	<u>1,674</u>	<u>1,074</u>
TOTAL REVENUES	<u>15,100</u>	<u>15,100</u>	<u>17,616</u>	<u>2,516</u>
NET CHANGE IN FUND BALANCE	15,100	15,100	17,616	2,516
FUND BALANCE, Beginning	<u>157,982</u>	<u>157,982</u>	<u>157,801</u>	<u>(181)</u>
FUND BALANCE, Ending	<u><u>\$ 173,082</u></u>	<u><u>\$ 173,082</u></u>	<u><u>\$ 175,417</u></u>	<u><u>\$ 2,335</u></u>

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CITY HALL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Interest on investments	\$ 40	\$ 40	\$ 404	\$ 364
TOTAL REVENUES	<u>40</u>	<u>40</u>	<u>404</u>	<u>364</u>
EXPENDITURES				
Debt service	<u>53,300</u>	<u>53,300</u>	<u>53,169</u>	<u>131</u>
TOTAL EXPENDITURES	<u>53,300</u>	<u>53,300</u>	<u>53,169</u>	<u>131</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(53,260)</u>	<u>(53,260)</u>	<u>(52,765)</u>	<u>495</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>53,320</u>	<u>53,320</u>	<u>53,320</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>53,320</u>	<u>53,320</u>	<u>53,320</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	60	60	555	495
FUND BALANCE, Beginning	<u>36,945</u>	<u>36,945</u>	<u>37,067</u>	<u>122</u>
FUND BALANCE, Ending	<u>\$ 37,005</u>	<u>\$ 37,005</u>	<u>\$ 37,622</u>	<u>\$ 617</u>

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 165,000	\$ 165,000	\$ 194,908	\$ 29,908
Interest on investments	2,000	2,000	2,659	659
TOTAL REVENUES	<u>167,000</u>	<u>167,000</u>	<u>197,567</u>	<u>30,567</u>
EXPENDITURES				
Debt service	<u>206,635</u>	<u>206,635</u>	<u>202,467</u>	<u>4,168</u>
TOTAL EXPENDITURES	<u>206,635</u>	<u>206,635</u>	<u>202,467</u>	<u>4,168</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(39,635)</u>	<u>(39,635)</u>	<u>(4,900)</u>	<u>34,735</u>
NET CHANGE IN FUND BALANCE	(39,635)	(39,635)	(4,900)	34,735
FUND BALANCE, Beginning	<u>184,702</u>	<u>184,702</u>	<u>178,607</u>	<u>(6,095)</u>
FUND BALANCE, Ending	<u>\$ 145,067</u>	<u>\$ 145,067</u>	<u>\$ 173,707</u>	<u>\$ 28,640</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 6,000	\$ 6,000	\$ 6,200	\$ 200
Charges for services	625,900	625,900	629,736	3,836
Intergovernmental	-	1,875	1,740	(135)
Interest on investments	1,500	1,500	8,077	6,577
Miscellaneous	-	-	311	311
TOTAL REVENUES	<u>633,400</u>	<u>635,275</u>	<u>646,064</u>	<u>10,789</u>
EXPENDITURES				
Current:				
Personal services	246,808	246,808	220,721	26,087
Materials and services	239,025	273,900	285,446	(11,546)
Capital outlay	18,860	18,860	-	18,860
Debt service	-	1,254	1,254	-
Contingency	80,972	61,718	-	61,718
TOTAL EXPENDITURES	<u>585,665</u>	<u>602,540</u>	<u>507,421</u>	<u>95,119</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>47,735</u>	<u>32,735</u>	<u>138,643</u>	<u>105,908</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,490)	(9,490)	(9,490)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,490)</u>	<u>(9,490)</u>	<u>(9,490)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	38,245	23,245	129,153	105,908
FUND BALANCE, Beginning	<u>723,773</u>	<u>723,773</u>	<u>726,108</u>	<u>2,335</u>
FUND BALANCE, Ending	<u>\$ 762,018</u>	<u>\$ 747,018</u>	<u>\$ 855,261</u>	<u>\$ 108,243</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 155,000	\$ 155,000	\$ 417,286	\$ 262,286
Interest on investments	4,500	4,500	15,455	10,955
TOTAL REVENUES	<u>159,500</u>	<u>159,500</u>	<u>432,741</u>	<u>273,241</u>
EXPENDITURES				
Capital outlay	47,140	47,140	-	47,140
TOTAL EXPENDITURES	<u>47,140</u>	<u>47,140</u>	<u>-</u>	<u>47,140</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>112,360</u>	<u>112,360</u>	<u>432,741</u>	<u>320,381</u>
NET CHANGE IN FUND BALANCE	112,360	112,360	432,741	320,381
FUND BALANCE, Beginning	<u>1,402,589</u>	<u>1,402,589</u>	<u>1,432,377</u>	<u>29,788</u>
FUND BALANCE, Ending	<u>\$ 1,514,949</u>	<u>\$ 1,514,949</u>	<u>\$ 1,865,118</u>	<u>\$ 350,169</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, 2017**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Water	\$ 855,261
Water SDC	<u>1,865,118</u>
	2,720,379

Adjustments:

Capital assets, net of depreciation	5,862,186
Assessments receivable	7,001
Deferred outflows	102,866
Deferred inflows	(7,903)
Net pension liability	(207,235)
Compensated absences	(10,101)
Long-term debt	<u>(7,001)</u>

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

\$ 8,460,192

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 9,000	\$ 9,000	\$ 6,200	\$ (2,800)
Charges for services	855,100	855,100	883,605	28,505
Rental income	12,000	12,000	12,000	-
Interest on investments	4,000	4,000	10,845	6,845
Miscellaneous	-	1,875	1,793	(82)
TOTAL REVENUES	<u>880,100</u>	<u>881,975</u>	<u>914,443</u>	<u>32,468</u>
EXPENDITURES				
Current:				
Personal services	225,604	225,604	195,525	30,079
Materials and services	233,275	250,150	239,787	10,363
Capital outlay	-	16,000	15,500	500
Debt service	333,000	334,771	334,679	92
Contingency	76,480	74,709	-	74,709
TOTAL EXPENDITURES	<u>868,359</u>	<u>901,234</u>	<u>785,491</u>	<u>115,743</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>11,741</u>	<u>(19,259)</u>	<u>128,952</u>	<u>148,211</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,770)	(12,770)	(12,070)	700
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,770)</u>	<u>(12,770)</u>	<u>(12,070)</u>	<u>700</u>
NET CHANGE IN FUND BALANCE	(1,029)	(32,029)	116,882	148,911
FUND BALANCE, Beginning	<u>1,080,739</u>	<u>1,080,739</u>	<u>1,086,519</u>	<u>(5,780)</u>
FUND BALANCE, Ending	<u>\$ 1,079,710</u>	<u>\$ 1,048,710</u>	<u>\$ 1,203,401</u>	<u>\$ 154,691</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 190,000	\$ 190,000	\$ 551,061	\$ 361,061
Interest on investments	2,000	2,000	8,473	6,473
TOTAL REVENUES	<u>192,000</u>	<u>192,000</u>	<u>559,534</u>	<u>367,534</u>
EXPENDITURES				
Debt service	76,144	76,144	76,144	-
TOTAL EXPENDITURES	<u>76,144</u>	<u>76,144</u>	<u>76,144</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>115,856</u>	<u>115,856</u>	<u>483,390</u>	<u>367,534</u>
NET CHANGE IN FUND BALANCE	115,856	115,856	483,390	367,534
FUND BALANCE, Beginning	<u>670,052</u>	<u>670,052</u>	<u>700,538</u>	<u>30,486</u>
FUND BALANCE, Ending	<u>\$ 785,908</u>	<u>\$ 785,908</u>	<u>\$ 1,183,928</u>	<u>\$ 398,020</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, 2017**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Sewer	\$ 1,203,401
Sewer SDC	<u>1,183,928</u>

2,387,329

Adjustments:

Capital assets, net of depreciation	14,183,860
Deferred outflows	92,302
Earned assessments receivable	9,893
Deferred inflows	(7,091)
Net pension liability	(185,951)
Compensated absences	(9,057)
Accrued interest payable	(17,133)
Long-term debt	(5,523,891)
Bond premium	<u>(561,912)</u>

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

\$ 10,368,349

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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, 2017

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2016	Interest Matured and Paid
				Outstanding July 1, 2016	Transfers/ Adjustments	Matured and Paid		
<u>Governmental Funds</u>								
Urban Renewal Agency	3.22%	11/24/2014	\$ 1,253,318	\$ 1,040,317	\$ -	\$ 170,147	\$ 870,170	\$ 32,320
US Bank- National	2.00%	1/28/2016	535,000	535,000	-	29,000	506,000	24,168
Infrastructure Finance Authority	1.85%	4/26/2016	32,525	32,525	(19,688)	1,823	11,014	149
				<u>1,607,842</u>	<u>(19,688)</u>	<u>200,970</u>	<u>1,387,184</u>	<u>56,637</u>
<u>Enterprise Funds</u>								
Infrastructure Finance Authority	1.85%	4/26/2016	8,160	-	8,160	1,159	7,001	94
US Bank Refunding Bonds	2.00%	1/28/2016	776,000	776,000	-	41,000	735,000	35,145
Infrastructure Finance Authority	1.85%	4/26/2016	11,528	-	11,528	1,637	9,891	134
US Bank Refunding Bonds	2.00%	1/28/2016	4,869,000	4,869,000	-	90,000	4,779,000	242,908
				<u>5,645,000</u>	<u>19,688</u>	<u>133,796</u>	<u>5,530,892</u>	<u>278,281</u>
Total				<u>\$ 7,252,842</u>	<u>\$ -</u>	<u>\$ 334,766</u>	<u>\$ 6,918,076</u>	<u>\$ 334,918</u>

See auditor's report.

**CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
LOANS PAYABLE
June 30, 2017**

Year Ending June 30	URA Loan Payable		IFA Loan Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 78,600	\$ 26,866	\$ 1,768	\$ 204	\$ 80,368	\$ 27,070
2019	81,169	24,298	1,801	171	82,970	24,469
2020	83,821	21,645	1,834	138	85,655	21,783
2021	86,561	18,906	1,868	104	88,429	19,010
2022	540,019	11,038	1,903	69	541,922	11,107
2023	-	-	1,840	34	1,840	34
	<u>\$ 870,170</u>	<u>\$ 102,753</u>	<u>\$ 11,014</u>	<u>\$ 720</u>	<u>\$ 881,184</u>	<u>\$ 103,473</u>

See auditor's report.

**CITY OF THE SISTERS, OREGON
 SCHEDULE OF GOVERNMENTAL ACTIVITIES
 DEBT SERVICE FUTURE REQUIREMENTS -
 BONDS PAYABLE
 June 30, 2017**

Year Ending June 30	Bond Payable		Totals	
	Principal	Interest	Principal	Interest
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>\$ 506,000</u>	<u>\$ 124,185</u>	<u>\$ 506,000</u>	<u>\$ 124,185</u>

See auditor's report.

**CITY OF SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
LOANS PAYABLE
6/30/17**

	IFA loan - Water portion		IFA Loan - Sewer portion		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
12/1/2017	\$ 1,124	\$ 129	\$ 1,588	\$ 183	\$ 2,712	\$ 312
12/1/2018	1,145	109	1,618	153	2,763	262
12/1/2019	1,166	88	1,648	124	2,814	212
12/1/2020	1,188	66	1,678	93	2,866	159
12/1/2021	1,210	44	1,709	62	2,919	106
12/1/2022	1,168	22	1,650	30	2,818	52
	<u>\$ 7,001</u>	<u>\$ 458</u>	<u>\$ 9,891</u>	<u>\$ 645</u>	<u>\$ 16,892</u>	<u>\$ 1,103</u>

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
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>\$ 5,514,000</u>	<u>\$ 2,624,440</u>	<u>\$ 5,514,000</u>	<u>\$ 2,624,440</u>

See auditor's report.

STATISCAL SECTION

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STATISTICAL SECTION

This section provides further details as a framework for a better understanding of the financial statements.

Financial Trends

- These schedules contain trend information to help the reader understand how financial performance has changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the City's most significant local revenue sources, property taxes.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted.

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

	<u>2017</u>	<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>
Governmental Activities:										
Net investment in capital assets	\$ 9,026	\$ 7,239	\$ 5,926	\$ 6,684	\$ 5,664	\$ 5,253	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185
Restricted	1,639	1,492	1,738	1,032	1,509	1,111	1,071	926	922	841
Unrestricted	1,251	1,476	2,251	2,052	2,338	2,390	2,509	2,863	3,442	3,814
Total governmental activities net position	<u>\$ 11,916</u>	<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>
Business-Type Activities:										
Net investment in capital assets	\$ 13,953	\$ 14,200	\$ 14,305	\$ 13,453	\$ 14,137	\$ 14,107	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025
Restricted	3,049	2,133	2,170	1,683	1,346	1,433	1,479	1,684	2,107	2,069
Unrestricted	1,826	1,560	1,037	1,507	630	499	574	826	1,307	1,333
Total business-type activities net position	<u>\$ 18,828</u>	<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>
Primary Government:										
Net investment in capital assets	\$ 22,979	\$ 21,439	\$ 20,231	\$ 20,137	\$ 19,801	\$ 19,360	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211
Restricted	4,688	3,625	3,908	2,715	2,855	2,544	2,550	2,610	3,029	2,911
Unrestricted	3,077	3,036	3,288	3,559	2,968	2,889	3,083	3,689	4,749	5,147
Total primary government net position	<u>\$ 30,744</u>	<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>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues										
Governmental activities:										
Charges for services, fees and fines										
General government	\$ 376	\$ 430	\$ 551	\$ 441	\$ 249	\$ 210	\$ 181	\$ 194	\$ 259	\$ 443
Public safety	-	-	-	-	-	-	-	-	-	-
Culture and recreation	203	210	168	142	125	115	127	103	59	60
Community Development	-	-	-	-	-	-	-	-	-	-
Highways and streets	7	29	11	30	103	82	65	79	46	41
Operating grants and contributions	437	368	341	325	294	293	402	168	76	133
Capital grants and contributions	1,981	498	526	323	713	401	76	730	385	696
Total governmental activities program revenues	<u>3,004</u>	<u>1,535</u>	<u>1,597</u>	<u>1,261</u>	<u>1,484</u>	<u>1,101</u>	<u>851</u>	<u>1,274</u>	<u>825</u>	<u>1,373</u>
Business-type activities:										
Charges for services:										
Water	636	615	592	555	543	513	487	474	426	441
Refuse	-	-	-	-	-	-	-	0	104	410
Sewer	902	856	848	793	825	774	750	717	798	754
Operating grants	-	-	-	-	-	-	4	4	10	-
Capital grants	998	701	967	668	316	164	160	97	179	759
Total business-type activities program revenues	<u>2,536</u>	<u>2,172</u>	<u>2,407</u>	<u>2,016</u>	<u>1,684</u>	<u>1,451</u>	<u>1,401</u>	<u>1,292</u>	<u>1,517</u>	<u>2,364</u>
Total primary government program revenues	<u>5,540</u>	<u>3,707</u>	<u>4,004</u>	<u>3,277</u>	<u>3,168</u>	<u>2,552</u>	<u>2,252</u>	<u>2,566</u>	<u>2,342</u>	<u>3,737</u>
Expenses										
Governmental activities:										
General government	1,610	1,642	1,288	1,204	1,162	1,007	1,094	1,099	1,127	1,155
Public safety	566	544	523	487	468	450	433	416	400	393
City Hall Remodel	-	-	-	-	-	-	-	-	-	-
Culture and recreation	282	330	252	246	195	186	210	199	175	161
Community development	4	32	103	84	4	4	3	5	5	24
Highways and streets	792	731	606	631	519	403	420	377	399	423
Interest on long term obligations	46	48	43	58	62	70	80	90	104	92
Depreciation	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>3,300</u>	<u>3,327</u>	<u>2,815</u>	<u>2,710</u>	<u>2,410</u>	<u>2,120</u>	<u>2,240</u>	<u>2,186</u>	<u>2,210</u>	<u>2,248</u>
Business-type activities:										
Water	701	687	557	570	540	593	623	574	578	540
Refuse	-	-	-	-	-	-	-	-	65	437
Sewer	922	1,073	865	908	1,030	1,090	1,076	1,098	1,085	1,032
Total business-type activities expenses	<u>1,623</u>	<u>1,760</u>	<u>1,422</u>	<u>1,478</u>	<u>1,570</u>	<u>1,683</u>	<u>1,699</u>	<u>1,672</u>	<u>1,728</u>	<u>2,009</u>
Total primary government expenses	<u>4,923</u>	<u>5,087</u>	<u>4,237</u>	<u>4,188</u>	<u>3,980</u>	<u>3,803</u>	<u>3,939</u>	<u>3,858</u>	<u>3,938</u>	<u>4,257</u>
Net Expense										
Governmental activities	(296)	(1,792)	(1,217)	(1,449)	(926)	(1,019)	(1,389)	(912)	(1,385)	(875)
Business-type activities	913	412	984	538	114	(232)	(298)	(380)	(211)	355
Total primary government net expense	<u>\$ 617</u>	<u>\$ (1,380)</u>	<u>\$ (233)</u>	<u>\$ (911)</u>	<u>\$ (812)</u>	<u>\$ (1,251)</u>	<u>\$ (1,687)</u>	<u>\$ (1,292)</u>	<u>\$ (1,596)</u>	<u>\$ (520)</u>

*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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
General revenues:										
Property taxes levied for:										
General purposes	\$ 919	\$ 878	\$ 816	\$ 781	\$ 768	\$ 762	\$ 771	\$ 764	\$ 736	\$ 681
Debt service	196	152	121	183	187	132	172	134	133	108
Franchise and public service taxes	813	973	772	688	646	608	614	573	583	566
Interest and investment earnings	34	22	22	20	23	25	28	41	112	192
Miscellaneous	22	8	21	14	7	10	14	5	3	8
Contributed Revenue	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of asset	-	-	(139)	-	-	-	-	-	-	-
Transfers	22	50	21	20	52	57	(558)	810	90	4
Total governmental activities	<u>2,006</u>	<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>
Business-type activities:										
Contributed Revenue	-	-	-	-	-	-	-	-	-	-
Interest and investment earnings	43	20	13	12	11	13	13	24	81	205
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(22)	(50)	(21)	(20)	(52)	(57)	558	(810)	(90)	(4)
Total business-type activities	<u>21</u>	<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>
Total primary government	<u>2,027</u>	<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>
Change in Net Position										
Governmental activities	1,710	291	416	257	757	575	(348)	1,415	272	684
Business-type activities	935	381	977	530	74	(276)	273	(1,166)	(220)	556
Total primary government change in net position	<u>2,645</u>	<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>
Net Position Beginning										
Governmental activities	10,206	9,915	9,499	9,511	8,754	8,179	8,527	7,112	6,841	6,157
Business-type activities	17,893	17,512	16,535	16,113	16,039	16,315	16,042	17,207	17,427	16,870
Total primary government net position-beginning	<u>28,099</u>	<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>
Net Position Ending										
Governmental activities	11,916	10,207	9,915	9,768	9,511	8,754	8,179	8,527	7,113	6,841
Business-type activities	18,828	17,893	17,512	16,643	16,113	16,039	16,315	16,042	17,207	17,427
Total Primary Government Net Position	<u>\$ 30,744</u>	<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>

*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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Combined General Fund										
Advance to Other Funds	\$ -	\$ -	\$ -	\$ 848,818	\$ 36,000	\$ 55,000	\$ 75,000	\$ 150,000	\$ 200,000	\$ 350,000
Restricted	35,267	37,169	58,492	14,694	19,848	14,848	30,444	-	-	-
Assigned for Police,Capital & Streets	242,017	176,949	150,615	708,323	1,381,126	1,388,811	1,401,719	-	-	-
Unassigned	995,005	1,219,059	1,645,881	940,539	894,895	891,220	664,780	624,755	1,375,521	1,556,021
Total general fund	1,272,289	1,433,177	1,854,988	2,512,374	2,331,869	2,349,879	2,171,943	774,755	1,575,521	1,906,021
All Other Governmental Funds										
Restricted: Debt Service	211,329	215,674	264,987	13,005	454,762	368,942	394,366	311,646	368,628	318,913
Sys Dev, Paths, Streets	1,392,477	1,216,962	1,414,207	1,004,934	1,034,154	726,905	852,990	614,378	553,496	522,480
Assigned	468,195	295,901	506,628	-	-	-	-	-	-	-
Unreserved/Unassigned	-	-	-	(625,759)	-	-	-	2,034,392	1,802,921	1,885,641
Total all other governmental funds	2,072,001	1,728,537	2,185,822	392,180	1,488,916	1,095,847	1,247,356	2,960,416	2,725,045	2,727,034
Total governmental funds	\$ 3,344,290	\$ 3,161,714	\$ 4,040,810	\$ 2,904,554	\$ 3,820,785	\$ 3,445,726	\$ 3,419,299	\$ 3,735,171	\$ 4,300,566	\$ 4,633,055

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Property taxes	\$ 1,112,868	\$ 1,031,320	\$ 944,861	\$ 972,429	\$ 971,237	\$ 903,370	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080
Other taxes	721,951	627,772	568,135	503,369	478,725	444,425	427,723	306,332	280,279	267,551
Intergovernmental	526,700	465,183	522,945	298,151	658,070	635,413	274,320	398,297	119,346	215,523
Franchise Fees	343,790	324,542	308,032	268,228	259,467	260,103	267,291	249,422	254,122	243,443
Licenses and Fines	555,359	611,019	688,968	567,295	426,179	353,217	331,457	339,994	317,995	496,848
Fines and forfeitures	1,750	2,746	3,838	3,577	3,157	1,766	1,338	1,828	2,729	4,728
System development charges	272,505	87,974	101,376	95,657	42,022	55,914	21,722	13,609	123,427	445,324
Charges for services	25,977	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	34,634	22,178	22,054	19,836	22,450	24,693	27,947	41,231	112,536	192,082
Miscellaneous Revenues	24,749	32,800	25,303	23,856	20,014	28,881	19,555	8,225	9,244	57,019
Total revenues	<u>3,620,283</u>	<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>
Expenditures										
Current:										
General Government	1,417,302	1,379,928	1,304,765	1,116,749	1,066,934	900,854	953,851	940,768	952,762	984,572
Public safety	565,688	543,930	523,010	486,678	467,960	449,961	432,655	416,015	400,014	393,255
Culture and recreation	264,472	278,802	276,400	239,416	189,724	180,366	207,409	194,673	170,978	156,967
Community development	3,794	4,352	6,288	22,398	4,308	3,687	3,269	5,254	4,863	24,338
Highways and streets	558,015	474,973	492,042	499,545	384,973	288,713	310,693	293,712	358,486	323,388
Capital outlay	392,441	1,203,769	652,972	812,123	257,564	721,494	577,860	1,016,692	388,121	447,065
Debt service										
Principal	197,916	281,717	58,714	134,905	163,444	156,466	149,787	143,397	137,055	75,306
Interest	59,692	43,728	41,786	62,611	62,969	70,506	80,785	90,975	104,942	89,394
Total expenditures	<u>3,459,320</u>	<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>
Revenues over (under) expenditures	<u>160,963</u>	<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>
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	-	62,644	-	-	-	-	-	-	-	-
Payment to refund debt	-	(584,130)	-	-	-	-	-	-	-	-
Transfers in	53,320	331,777	80,900	2,634,319	156,780	213,600	209,000	1,395,064	740,610	737,000
Transfers out	(31,760)	(281,835)	(60,031)	(2,614,025)	(99,780)	(156,600)	(154,000)	(1,149,162)	(650,610)	(710,000)
Total other financing sources (uses)	<u>21,560</u>	<u>97,231</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>
Special Item										
Payment for early extinguishment of debt	-	-	-	(1,056,690)	-	-	-	-	-	-
Net change in fund balances	<u>\$ 182,523</u>	<u>\$ (879,059)</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>
Debt service as a percentage of noncapital expenditures	<u>9.3%</u>	<u>12.0%</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>

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
General government	\$ 385,290	\$ 539,547	\$ 621,802	\$ 613,203	\$ 254,252	\$ 215,851	\$ 268,158	\$ 199,438	\$ 512,754	\$ 445,436
Public safety	90,566	28,832	26,215	26,208	21,808	26,606	61,895	21,937	-	54,128
Culture and recreation	417,308	259,752	316,955	199,428	145,968	119,136	173,098	134,355	71,093	76,037
Highways and streets	2,110,158	707,578	632,146	422,079	1,062,293	739,693	348,244	918,012	241,048	796,856
Total governmental activities	3,003,322	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
Business-type activities										
Water	1,071,855	927,672	1,104,184	888,023	730,442	585,906	565,795	510,978	517,862	838,823
Refuse	-	-	-	-	-	-	-	26	104,281	409,935
Sewer	1,464,692	1,244,171	1,302,664	1,127,910	953,535	865,237	835,719	781,428	894,319	1,115,776
Total business-type activities	2,536,547	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
Total Primary government	\$ 5,539,869	\$ 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

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>
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
2017	917,960	537,629

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)
2008	259,662,042	269,090	8,627,120	2,647,400	271,205,652	2.98	586,314,650
2009	279,355,466	202,480	8,390,970	2,834,900	290,783,816	3.03	641,825,525
2010	293,239,921	196,270	9,595,580	2,310,100	305,341,871	3.02	518,138,455
2011	299,029,708	159,640	8,986,640	2,858,400	311,034,388	3.12	451,070,086
2012	294,195,678	178,990	8,188,750	2,843,630	305,407,048	3.01	393,289,238
2013	301,988,249	171,390	7,728,030	2,474,000	312,361,669	3.16	386,590,358
2014	306,870,940	209,820	6,945,910	2,799,800	316,826,470	3.13	375,985,330
2015	314,574,619	234,790	7,944,760	3,454,400	326,208,569	2.96	389,737,373
2016	342,164,332	287,830	7,816,100	4,380,500	354,648,762	3.01	438,553,487
2017	360,681,270	253,060	8,320,750	4,148,900	373,403,980	3.09	499,843,058

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	
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
2017	2.54	0.55	3.09	3.23	6.24	0.72	0.21	2.85	16.34

*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
2008	807,122	753,572	93.37%	53,521	807,093	100.00%
2009	879,759	806,487	91.67%	73,229	879,716	100.00%
2010	920,414	851,565	92.52%	68,777	920,342	99.99%
2011	968,063	901,769	93.15%	66,216	967,985	99.99%
2012	918,015	862,038	93.90%	55,873	917,911	99.99%
2013	981,366	927,418	94.50%	53,756	981,174	99.98%
2014	989,983	943,355	95.29%	45,795	989,150	99.92%
2015	962,333	919,535	95.55%	39,601	959,136	99.67%
2016	1,064,203	1,012,770	95.17%	44,994	1,057,764	99.40%
2017	1,150,311	1,097,518	95.41%	-	1,097,518	95.41%

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

CITY OF SISTERS, OREGON
Principal Taxpayers
City of Sisters
June 30, 2017 and June 30, 2007

June 30, 2017				
Taxpayer	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	
BEND-THIRD LLC ETAL	\$ 9,529,515	1	2.52%	
BEST WESTERN PONDEROSA LODGE INC	6,599,525	2	1.74%	
WILLITTS LLC	6,589,885	3	1.74%	
PENN STREET LLC	5,203,120	4	1.37%	
SISTERS COMMERCIAL II LLC,	4,913,630	5	1.30%	
DINSDALE, PETER B	4,659,830	6	1.23%	
FISH BARRELL LLC	2,855,740	7	0.75%	
3 SISTERS PARTNERS LLC	2,831,725	8	0.75%	
THREEWIND ASSOCIATES L L C	1,899,800	9	0.50%	
DANCING TREES TRUST	1,891,640	10	0.50%	
	<u>\$ 46,974,410</u>			
Total Assessed Valuation	<u>\$ 378,494,937</u>			

June 30, 2007				
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			
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	595,656	1,072,843	6,237,393	-	7,905,892	7.67%	2,472
2017	561,835	881,184	6,075,912	16,892	7,535,823	6.78%	2,502

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
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%	-
2017	2,502	0	373,404	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
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%
2017	499,843,058	3%	14,995,292	-	14,995,292	0.00%

CITY OF SISTERS, OREGON
Computation of Direct and Overlapping Debt
For the Fiscal Year Ended June 30, 2017

<u>Jurisdiction</u>	<u>Total Net Debt</u>	<u>Percent Applicable to City of Sisters</u>	<u>Amount Applicable to City of Sisters</u>
Direct Debt:			
City of Sisters	6,020,000	100%	6,020,000
Overlapping Debt:			
Central Oregon Community College	55,125,000	1.30%	716,625
Central Oregon Regional Housing Authority	4,532,529	1.54%	69,982
Deschutes County	16,200,000	1.54%	250,128
Deschutes County SD (Sisters)	23,077,173	19.81%	4,571,357
Deschutes Public Library District	-	1.54%	-
HFA Deschutes County	111,750,000	1.54%	1,725,420
High Desert ESD	3,662,068	1.42%	51,837
Sisters RFPD (Camp Sherman)	1,865,000	35.98%	671,016
	216,211,770	3.73%	8,056,365
Total Direct and Overlapping Debt:	222,231,770	6.33%	14,076,365

Source:

Debt Management Division, Oregon State Treasury

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Sisters. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying debt, of each overlapping government.

CITY OF SISTERS, OREGON

Historical Sewer Revenues and Expenditures
Last Seven Fiscal Years

	2011	2012	2013	2014	2015	2016	2017
Operating Revenues:							
Charges for Services	\$ 686,354	\$ 695,228	\$ 686,731	\$ 715,963	\$ 810,622	\$ 839,625	\$ 883,605
Licenses and Fees	2,280	3,952	1,588	9,227	11,061	2,800	6,200
Rental Income	48,000	48,000	48,000	48,000	24,000	13,000	12,000
Interest on Investments	5,459	5,046	4,414	4,074	3,893	4,785	10,845
Miscellaneous ^①	17,850	26,533	88,831	19,503	1,869	1,194	1,793
Total Operating Revenues	\$ 759,943	\$ 778,759	\$ 829,564	\$ 796,767	\$ 851,445	\$ 861,404	\$ 914,443
Operating Expenditures							
Personal Services	\$ 279,199	\$ 271,414	\$ 196,038	\$ 183,905	\$ 153,970	\$ 179,186	\$ 195,525
Materials and Services	180,356	175,205	218,024	190,220	208,291	323,166	239,787
Total Operating Expenditures	\$ 459,555	\$ 446,619	\$ 414,062	\$ 374,125	\$ 362,261	\$ 502,352	\$ 435,312
Net Operating Revenues	300,388	332,140	415,502	422,642	489,184	359,052	479,131
Other Resources:							
Beginning Sewer Fund Balances	\$ 1,289,896	\$ 1,052,992	\$ 944,417	\$ 942,064	\$ 896,919	\$ 997,382	\$ 1,086,518
Total Resources	\$ 1,590,284	\$ 1,385,132	\$ 1,359,919	\$ 1,364,706	\$ 1,386,103	\$ 1,356,434	\$ 1,565,649
Debt Service ^{②③}							
	409,338	407,715	406,065	409,800	368,940	363,475	334,679
Coverage with Net Operating Revenues	0.73	0.81	1.02	1.03	1.33	0.99	1.43
Coverage with Total Resources	3.89	3.40	3.35	3.33	3.76	3.73	4.68

① Includes revenues tied to wastewater disposal in connection with fighting forest fires.

② Includes debt service on the USDA Loans, the BotC Sewer Loan (and initial loan it refunded) and a loan from the Department of Environmental Quality which the City paid off January 12, 2016

③ For Fiscal Year 2015-2016, debt service is net of bond issuance/payoff related activity

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
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%
2017	2,502	111,176,370	44,435	1,684	3.80%

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**

2017		
Employer	Employees	Rank
Sisters School District	126	1
Ray's Food Place	52	2
US Forest Service	65	3
Three Creeks Brewing	55	4
Energynearing Solutions	53	5
McDonald's Sisters	52	6
Sisters Coffee Company	50	7
Five Pine Lodge & Conf. Center	40	8
Metabolic Maintenance	35	9
Sisters Athletic Club	41	10
	569	

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
General government	1.98	2.65	2.52	2.53	2.44	2.62	2.49	2.30	1.50	1.70
Culture and recreation	1.75	1.70	1.66	1.50	1.48	1.51	1.04	1.30	1.00	0.90
Community development	1.75	1.65	0.90	0.85	0.85	0.85	1.03	2.00	2.00	1.50
Streets and highways	2.45	2.85	2.03	1.90	1.91	1.91	1.11	1.20	1.10	1.10
Total governmental activities	7.93	8.85	7.11	6.78	6.68	6.89	5.67	6.80	5.60	5.20
Business-type activities:										
Water	2.56	2.20	2.14	2.00	1.92	2.09	2.50	2.50	2.40	2.00
Sewer	2.26	1.70	1.50	1.97	1.90	2.02	2.83	3.20	2.30	1.80
Refuse			-	-	-	-	-	-	2.20	2.00
Total business-type activities	4.82	3.90	3.64	3.97	3.82	4.11	5.33	5.70	6.90	5.80
Total primary government budgeted FTE	12.75	12.75	10.75	10.75	10.50	11.00	11.00	12.50	12.50	11.00
City of Sisters										
Management and exempt	5.00	4.00	5.00	6.00	6.00	6.00	6.00	7.00	6.00	6.00
Temporary employees	1.00	1.00	1.50	0.50	0.50	0.50	0.50	0.50	0.50	0.33
Total Employees	18.75	17.75	17.25	17.25	17.00	17.50	17.50	20.00	19.00	17.33

Source: City of Sisters
budgets and payroll records

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

FUNCTION/PROGRAM	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Street										
Street miles	38.1	37.9	29.7	28.4	28.2	28.2	28.2	19	19	19
Street resurfing miles	1	0.45	0.22	1.5	1.5	2	2	1.5	1.5	0.5
Culture and recreation										
Parks	8	8	8	7	7	7	7	7	7	7
Special event permits issued	51	49	43	43	56	54	52	47	47	34
Business-type Activities:										
Water										
Water mains (miles)	38.4	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3
Average daily water consumption -CCF ¹	77,160	77,568	76,515	69,599	75,166	71,275	68,244	73,641	73,641	73,752
Sewer										
Sanitary sewers (miles)	30	29.5	28.9	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	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

¹1,000 cubic feet

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

FUNCTION/PROGRAM	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities											
General Government											
Buildings owned-all structures	24	23	23	21	21	21	22	21	20	20	19
Vehicles/Equip (i.e. trailers, mowers)	10	9	9	8	8	8	8	8	8	8	8
Vehicles (i.e. cars & pick ups)-excluding police	12	12	12	12	12	15	15	15	15	15	15
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	8	8	8	8	8	7	7	7	7	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	10	10	10	9	8	8	7	7	7	7	7
Streets and Highways											
Miles of streets maintained by City:											
Paved	27.1	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	1.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	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	1
Wells	3	3	3	3	3	3	3	3	3	3	3
Wastewater											
Treatment plant	1	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	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, 2017, and have issued our report thereon dated November 28, 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 2016-2017 budget in the following amount:

General Fund:	
Planning	<u>\$ 41,576</u>
Water Fund:	
Materials and Services	<u>\$ 11,546</u>

The City prepared two supplemental budgets during the year which were appropriated by line item rather than the City's legal level of appropriation. The budget was shown in the financial statements based on the budgetary intent.

The City submitted their financial statements to EMMA for continuing disclosure, but it was not submitted until June 5, 2017 which was beyond the deadline of nine months after the end of the fiscal year. The submission also did not include separate required information of historical sewer system revenues, operating expenses, and debt service. The City has subsequently consulted with their bond attorney and submitted the required documentation.

OAR 162-10-0230 Internal Control

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

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated November 28, 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



November 28, 2017

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