

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

Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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

TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2015

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



SISTERS URBAN RENEWAL AGENCY

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

OFFICIALS OF THE AGENCY

JUNE 30, 2015

BOARD OF DIRECTORS

<u>Name</u>		<u>Term Expires</u>
Chris Frye	Mayor	December, 2016
Nancy Connolly	Board Member	December, 2018
David Asson	Board Member	December, 2018
Wendy Holzman	Board Member	December, 2016

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

www.ci.sisters.or.us



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Sisters Urban Renewal Agency (*a component unit of the City of Sisters, Oregon*) as of and for the year ended, June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency'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.

A

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sisters Urban Renewal Agency (a component unit of the City of Sisters, Oregon), as of June 30, 2015, and the respective changes in financial position, and the budgetary comparison for the Urban Renewal Project Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through f 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 – Urban Renewal Agency, Oregon's basic financial statements. The supplemental budgetary schedule for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 7, 2015, on our consideration of the City of Sisters' internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants and Consultants

December 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

SISTERS URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The Management's Discussion and Analysis (MD&A) section of the Agency of Sisters Urban Renewal Agency (Agency) financial statements presents a narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2015.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The *statement of activities* presents information on how the Agency's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in the statement for some items that will result in cash flows in a future period. An example of this is earned, but uncollected property taxes.

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

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

SISTERS URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

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

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

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

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

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

SISTERS URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position:

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

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

	Governmental Activities		Total Change
	<u>2015</u>	<u>2014</u>	+ (-)
Current and other assets	\$ 767,565	\$ 730,214	\$ 37,351
Capital Assets	314,610	517,021	(202,411)
Total assets	<u>1,082,175</u>	<u>1,247,235</u>	<u>(165,060)</u>
Noncurrent liabilities	1,231,340	848,818	382,522
Other liabilities	67,049	220,982	(153,933)
Total liabilities	<u>1,298,389</u>	<u>1,069,800</u>	<u>228,589</u>
Net position:			
Unrestricted	(216,214)	177,435	(393,649)
Total net position	<u>\$ (216,214)</u>	<u>\$ 177,435</u>	<u>\$ (393,649)</u>

SISTERS URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Statement of Activities:

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

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

	Governmental Activities		Total Change
	2015	2014	+ (-)
Revenues:			
General revenues:			
Taxes	\$ 121,427	\$ 183,419	\$ (61,992)
Interest and investment earnings	2,623	2,919	(296)
Other revenue	65,583	157,406	(91,823)
Total revenues	<u>189,633</u>	<u>343,744</u>	<u>(154,111)</u>
Expenses:			
Community development	555,019	225,380	329,639
Interest on long-term debt	28,263	17,557	10,706
Total expenses	<u>583,282</u>	<u>242,937</u>	<u>340,345</u>
Change in net position	(393,649)	100,807	(494,456)
Net position, July 1	<u>177,435</u>	<u>76,628</u>	<u>100,807</u>
Net position, June 30	<u>\$ (216,214)</u>	<u>\$ 177,435</u>	<u>\$ (393,649)</u>

FINANCIAL HIGHLIGHTS

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

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

The Agency's net position decreased by \$393,649 during the fiscal year primarily due to the completion of the Fir Street Park project and subsequent transfer as contributed asset to the City of Sisters. This was slightly offset by current year capital expenditures. Current projects include Cascade Avenue Improvements, Village Green Parking, and Village Green Restrooms. The Agency also issued \$99,264 in façade grants.

As of the end of the current fiscal year, the Agency's funds reported combined ending fund balance of \$685,373. The fund balance is restricted for capital projects (\$433,506) and debt service (\$251,867) and not available for future discretionary spending.

SISTERS URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The combined ending fund balance increased \$1,166,263 from the prior year. The Project Fund increased by \$288,637 primarily due to a decrease in accounts payable and a decrease in deferred revenue for the Fir Street Park project. The Debt Service Fund increased by \$877,626 primarily due to the payoff of the City of Sisters loan.

BUDGETARY HIGHLIGHTS

The Project Fund prepared supplemental budgets for Village Green Parking Improvements, Chamber ADA and Landscaping Improvements and Improvement Grants. Several projects, including Village Green Restrooms and Improvement Grants, were budgeted for FY 14/15 but will be completed in FY 15/16. A positive variance in Intergovernmental Revenue is due to grant reimbursement for Fir Street Park. Variances in Other Financing Sources is due to the refinancing of the loan from the City with the Bank of the Cascades.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Agency's investment in capital assets for June 30, 2015 is \$314,610 which includes construction in progress for Cascade Avenue Improvements, Village Green Parking, and Village Green Restrooms.

Long-term debt. The Agency secured a \$1,253,318 loan in November 2014. \$878,817 was used to payoff the City of Sisters loan, the remaining balance will be used for additional agency projects. In addition to the current construction in progress, the Agency plans to complete improvements to the building currently rented by the Sisters Area Chamber of Commerce and to issue additional small business improvement grants.

The outstanding balance of the note payable at the end of the fiscal year is \$1,231,240. All scheduled debt service payments were met.

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

	Government Activities		Total Change
	2015	2014	+ (-)
Notes Payable	\$ 1,231,240	\$ -	\$ 1,231,240
Total	\$ 1,231,240	\$ -	\$ 1,231,240

SISTERS URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

After an adjustment to property values within the district in FY 14/15, the Agency expects property tax revenues to increase slightly in FY 15/16.

REQUESTS FOR INFORMATION

The Agency's financial statements are designed to provide readers with a general overview of the Agency's finances. For questions about the report or additional information, contact the City of Sisters' Finance Director, at City of Sisters, P.O. Box 39, Sisters, Oregon 97759 or visit the City's website at www.ci.sisters.or.us.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 751,049
Receivables:	
Intergovernmental	11,455
Property taxes	5,061
Capital assets:	
Construction in progress	314,610
Total assets	1,082,175
 LIABILITIES	
Accounts payable and accrued expenses	63,435
Retainage payable	3,071
Accrued interest payable	543
Long-term obligations:	
Due within one year	66,689
Due in more than one year	1,164,651
Total liabilities	1,298,389
 NET POSITION	
Unrestricted	(216,214)
Total net position	\$ (216,214)

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

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) and Changes
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Community development	\$ 555,019	\$ -	\$ -	\$ 65,583	\$ (489,436)
Interest on long-term obligations	28,263	-	-	-	(28,263)
Total governmental activities	\$ 583,282	\$ -	\$ -	\$ 65,583	(517,699)
General revenues:					
Property taxes levied for:					
Debt service					121,427
Interest and investment earnings					2,623
Total general revenues, special items, and transfers					124,050
Change in net position					(393,649)
Net position, beginning					177,435
Net position, ending					\$ (216,214)

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Urban Renewal Project Fund	Urban Renewal Debt Service Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 500,012	\$ 251,037	\$ 751,049
Receivables:			
Property taxes	-	5,061	5,061
Accounts	11,455	-	11,455
Total assets	\$ 511,467	\$ 256,098	\$ 767,565
LIABILITIES			
Accounts payable and accrued liabilities	\$ 63,435	\$ -	\$ 63,435
Retainage Payable	3,071	-	3,071
Total liabilities	66,506	-	66,506
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	11,455	4,231	15,686
Total deferred inflows of resources	11,455	4,231	15,686
FUND BALANCES (DEFICIT)			
Restricted	433,506	251,867	685,373
Total fund balances	433,506	251,867	685,373
Total liabilities, deferred inflows of resources, and fund balances	\$ 511,467	\$ 256,098	\$ 767,565
Fund balance (deficit) at end of year - governmental funds			\$ 685,373

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets reported in the governmental activities are not financial resources, and, therefore, are not reported in the funds.	314,610
Long-term assets that are not available to pay for current-period expenditures are deferred in the funds.	15,686
Long-term liabilities, including notes payable and accrued interest are not due in the current period and are not reported in the funds.	(1,231,883)
Net position of governmental activities	\$ (216,214)

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

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

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

For the Fiscal Year Ended June 30, 2015

	Urban Renewal Project Fund	Urban Renewal Debt Service Fund	Totals
REVENUES			
Property taxes	\$ -	\$ 123,668	\$ 123,668
Intergovernmental	188,960	-	188,960
Interest on investments	1,247	1,376	2,623
TOTAL REVENUES	<u>190,207</u>	<u>125,044</u>	<u>315,251</u>
EXPENDITURES			
Current:			
Community development	6,288	-	6,288
Capital outlay	346,320	-	346,320
Debt service	-	49,697	49,697
TOTAL EXPENDITURES	<u>352,608</u>	<u>49,697</u>	<u>402,305</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(162,401)</u>	<u>75,347</u>	<u>(87,054)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	421,038	832,280	1,253,318
Transfers in	30,000	-	30,000
Transfers out	-	(30,000)	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>451,038</u>	<u>802,280</u>	<u>1,253,318</u>
NET CHANGE IN FUND BALANCE	288,637	877,627	1,166,264
FUND BALANCE (DEFICIT), Beginning	<u>144,869</u>	<u>(625,760)</u>	<u>(480,891)</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 433,506</u>	<u>\$ 251,867</u>	<u>\$ 685,373</u>

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

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

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

Net change in fund balance - governmental funds \$ 1,166,264

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.

Property taxes (2,241)

Intergovernmental revenue (123,377)

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

(1,253,318)

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 Assets

21,978

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

Change in accrued interest payable (544)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the construction in progress for assets reverting to the City is capitalized until completed and contributed to the City. The cost of assets contributed to the City is expensed in the year construction is completed.

Additions to capital assets 249,682

Capital assets contributed to the City (452,093)

Change in net position - governmental activities \$ (393,649)

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

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

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

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

C. Agency-wide and Fund Financial Statements

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

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

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

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

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

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

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

The Agency reports the following major governmental funds:

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

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

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

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

The investment policy of the Agency is to invest in the Local Government Investment Pool (LGIP), U.S. Government Obligations, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments, authorized for municipal corporations. The Agency allocates earnings on investments to each fund based on the average monthly balances throughout the year.

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

G. Receivables and Payables

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

H. Fund Equity

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

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

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

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

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

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

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

I. Long-Term Obligation

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets, except Oregon Budget Law requires the repayment of interfund loans in a subsequent year to be budgeted. In the current year, the Debt Service fund repaid the City's General fund \$878,818. The Project fund had loan proceeds from the General Fund of \$30,000. A budget to GAAP adjustment is required for the financial statements. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Directors adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at the materials and services, capital outlay, debt service, and all other requirement levels for all funds.

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

Board authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2015, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Agency lapses as of year-end.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amount:

URA Project Fund	
Materials and Services	<u>\$ 1,641</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 Agency at June 30, 2015. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists.

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

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

Investments. In connection with their shared funds with the City of Sisters, the Agency has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly,

the adjustment to fair value would not represent an expendable increase in the Agency's cash position.

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

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

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

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

The Agency's cash and cash equivalents by fund at June 30, 2015 are shown below:

Governmental activities:	
Urban Renewal Project	\$ 500,012
Debt service	<u>251,037</u>
Total cash and cash equivalents	<u>\$ 751,049</u>

B. Receivables

At June 30, 2015 the Agency's receivables are as follows:

Property taxes	\$ 5,061
Accounts	<u>11,455</u>
Total receivables	<u>\$ 16,516</u>

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by Deschutes County and remittance to the Agency is made at periodic intervals. The Agency levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$124,563.

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

Agency	Balances		Adjustments	Interest (Discounts)	Collections	Balances
	July 1, 2014	2014-15 Levy				
2014-15	\$ -	\$ 124,563	\$ (465)	\$ (3,085)	\$ (119,023)	\$ 1,990
2013-14	3,651	-	(64)	143	(2,515)	1,215
2012-13	1,698	-	(6)	150	(1,154)	688
2011-12	690	-	(4)	118	(619)	185
2010-11	304	-	(3)	67	(298)	70
2009-10	72	-	(4)	13	(43)	38
2008-09	40	-	(1)	5	(14)	30
2007-08	9	-	0	-	(1)	8
2006-07	2	-	-	-	-	2
2005-06	3	-	-	-	-	3
2004-05	2	-	-	-	-	2
	<u>\$ 6,471</u>	<u>\$ 124,563</u>	<u>\$ (547)</u>	<u>\$ (2,589)</u>	<u>\$ (123,667)</u>	<u>4,231</u>
					Cash with County	<u>830</u>
					Total receivable	<u>\$ 5,061</u>

C. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental fund balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The unavailable revenues reported in the governmental funds included \$4,231 in property taxes and \$11,455 in intergovernmental.

D. Fund Balance

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

When the option is available to use restricted or unrestricted resources for any purpose, the Agency expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the Agency expends committed resources before assigned resources, and assigned resources before unassigned resources. Fund balance by classification for the year ended June 30, 2015 is as follows:

Fund Balance	<u>URA Project Fund</u>	<u>URA Debt Service Fund</u>
Restricted for:		
Capital Projects	\$ 433,506	\$ -
Debt Service	<u>-</u>	<u>251,867</u>
Total Fund Balance	<u>\$ 433,506</u>	<u>\$ 251,867</u>

E. Capital Assets

The Agency constructs and refurbishes assets for the benefit of the City and businesses in the local area, and any assets constructed or improved would be property of the benefiting entity. During the current year the Agency completed the construction of Fir Street Park and contributed the asset to the City totaling \$452,093. The Agency also started the Village Green Parking project and Village Green Restrooms. Work continued on the East Cascade Improvements. The City incurred costs of \$314,610. The projects are still in construction in process and the Agency will contribute the asset to the City upon project completion. The Agency's portion of the design of the projects is about 84% complete.

F. Long – Term Obligations

A Full Faith and Credit loan was issued on November 24, 2014 to repay prior interfund loans from the City and to provide additional funding for Urban Renewal Agency projects. Security for the loan is the full faith and credit of the City, and the obligation is payable in monthly payments of \$8,788.87 for seven years with a balloon payment of \$751,763 due February 25, 2022, including interest at 3.22%.

Changes in long-term obligations for the fiscal year ended June 30, 2015, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
FF&C Loan					
2014	<u>\$ -</u>	<u>\$ 1,253,318</u>	<u>\$ 21,978</u>	<u>\$ 1,231,340</u>	<u>\$ 66,689</u>

Future maturities of the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 66,689	\$ 38,777
2017	68,974	36,492
2018	71,228	34,238
2019	73,556	31,911
2020	75,879	29,587
2021-2022	<u>875,014</u>	<u>43,737</u>
	<u>\$ 1,231,340</u>	<u>\$ 214,742</u>

G. Advances from Primary Government

The City of Sisters loaned the Agency \$30,000 for capital projects at an interest rate of 5.4%. The Capital Project loan was paid in full during the current fiscal year.

The City of Sisters loaned the Agency \$848,818 for capital projects during the 2013-14 fiscal year. The loans were scheduled to be paid off over a 10 year period with interest at 5.4%. The loans were paid in full during the current fiscal year.

H. Risk Management

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

I. Commitments and Contingencies

The URA has previously awarded outstanding grants of \$143,843, of which \$99,264 was paid in the current year. The Agency awarded an additional \$43,255, leaving an unpaid balance of \$87,834 at June 30, 2015.

J. Subsequent Events

The Agency prepared a supplemental budget for Chamber ADA and Landscaping Improvements which were expected to be completed in the previous year but will be completed in FY 15/16.

An additional debt service payment of \$121,492 was made in October 2015.

SUPPLEMENTAL INFORMATION

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

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

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

See auditor's report.

AUDITOR'S COMMENTS AND REPORTS



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of Sisters Urban Renewal Agency as of and for the year ended June 30, 2015, and have issued our report thereon dated December 7, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

Expenditures exceeded appropriations in the following amount:

URA Project Fund	
Materials and Services	<u>\$ 1,641</u>

OAR 162-10-0230 Internal Control

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

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

Dickey and Tremper, LLP

Dickey and Tremper, LLP

December 7, 2015