

CITY OF LA PINE, OREGON

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

CITY OF LA PINE, OREGON

YEAR ENDED JUNE 30, 2025

MAYOR AND CITY COUNCIL

Jeannine Earls
Courtney Ignazzitto
Janis Curtis-Thompson
Karen Morse
Mike Shields

Mayor
Council President
Councilor
Councilor
Councilor

All council members receive mail at the address listed below.

ADMINISTRATION

Geoff Wullschlager, City Manager
Ashley Ivans, Assistant City Manager / Finance Director

City of La Pine
P.O. Box 2460
La Pine, Oregon 97739

CITY OF LA PINE, OREGON

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council members,
City of La Pine, Oregon

Report on the Audited Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of La Pine (the "City"), as of and for the year ended June 30, 2025, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the blended component unit of the City of La Pine as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of La Pine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

City of La Pine's management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAS, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of La Pine's ability to continue as a going concern for one year after the date that the financial statements are issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of La Pine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of La Pine's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of revenues, expenditures and changes in fund balances - budget and actuals, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

We have applied certain limited procedures to the management's discussion and analysis in accordance with the auditing standards generally accepted in the United States of America, which consisted principally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenues, expenditures and changes in fund balances - budget and actuals for the general fund and major special revenue funds 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. The schedules of revenues, expenditures and changes in fund balances - budget and actuals for the general, street, community development, economic and industrial development and tourism funds have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedules of revenues, expenditures and changes in fund balances - budget and actuals general, street, community development, economic and industrial development and tourism funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of La Pine's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the non-major fund combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the combining balance sheet and statements of revenues, expenditures and changes in fund balance – general and cemetery funds, and the combining statements of net position and statements of revenues, expenditures and changes in fund balance – water and debt reserve funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedules of revenues, expenditures and changes in fund balances - budget and actuals for the Urban Renewal Agency, cemetery, water, sewer, system development and debt reserve funds and the schedule of long-term debt transactions, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Report on Reporting Required by Oregon Minimum Standards

In accordance with the *Minimum Standards for Audits of Oregon Municipal Standards*, we have also issued a report titled Independent Auditors' Report Required by Oregon State Regulations dated December 31, 2025, which is also not a required part of the financial statements. The purpose of that report is to address specific matters required by the State of Oregon.

A handwritten signature in black ink that reads "Brenda Bartlett". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Brenda Bartlett, CPA
Sensiba, LLP

December 31, 2025

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of La Pine (the City) for the fiscal year ended June 30, 2025. Information in the MD&A is based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

Financial Highlights:

Key financial highlights for the fiscal year dated June 30, 2025, are as follows:

- The City's net position was, \$41,206,414, reflecting an increase from the prior fiscal year. Much of this increase was related to grant funding received in the water and sewer funds related to the ongoing infrastructure projects.
- Total revenue for the City was \$14,266,220 which represents an increase from the previous year. General revenue accounted for \$3,100,744 of total revenue. Program revenues of \$11,166,949 included federal grant funding of \$7,271,958.
- The City incurred \$4,033,268 in program expense, which were offset by program revenues and capital grants.
- Among the governmental funds, the General Fund has \$1,149,842 in revenues, which primarily consisted of property taxes, intergovernmental revenues, franchise taxes, and grants.
- The Street Fund had \$617,596 in revenues, which primarily consisted of franchise fees and intergovernmental revenue.
- Among the proprietary funds, the Water Fund had \$4,328,461 in revenue, which primarily consisted of grants in the amount of \$3,069,991 and user fees of \$1,147,756. The Sewer Fund had \$5,573,914 in revenue, which primarily consisted of grants in the amount \$4,201,967 and user fees of 1,199,388.

Overview of the Financial Statements: The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

Government-wide Financial Statements: The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Position includes all assets (including infrastructure) and deferred outflows of resources of the City, as well as all liabilities (including long-term debt) and deferred inflows of resources. Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may be an indicator of whether its financial health is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of the buildings, and water and sewer system facilities.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, street maintenance, contracted police services, and providing resources for cultural, tourism, and economic development activities. The proprietary activities of the City include water and sewer utilities.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) to those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

Fund Financial Statements: A fund is an accountability unit that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all other are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the forms of combining statements and individual fund statements in a later section of the report.

Governmental Funds: Governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future period. Unlike government-wide financial statements, these statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

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

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

Since the government-wide includes the long-term view, comparison between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between the two perspectives.

Budgetary comparison schedules of major funds are included as required supplementary information following the Notes to the Financial Statements.

Proprietary Funds: Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statement, only in more detail. The City maintains one type of proprietary fund – enterprise funds. The City uses enterprise funds to account for water and sewer operations. The proprietary fund financial statements provide separate information for the Water fund, the Sewer Fund, the Water/Sewer Reserve Fund, and the SDC Fund.

The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. 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 are provided to facilitate a comparison between governmental funds and governmental activities.

The City has three governmental funds, all of which are considered major funds and presented separately in the governmental fund financial statements. These funds are the General Fund, Street Fund, and Governmental Debt Service Fund.

Notes to the Basic Financial Statements the accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Street Fund, the Community Development Fund, and the La Pine Urban Renewal Agency Fund. The required supplementary information immediately follows the Notes to the Financial Statements.

Government-Wide Overall Financial Analysis:

Recall that the Statement of Net Position provides the perspective of the City as a whole. Net position may serve over time as a useful indicator of a government's financial position. The City's net position at fiscal year-end is \$44,248,504. This reflects an increase of \$10,062,459 over prior year, primarily related to federal grant revenue funding for the water and sewer infrastructure projects.

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

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

A portion of the City's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, improvements other than building, vehicles, and machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transaction including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the City's net position for the current and prior year.

SUMMARY OF NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS:						
Current and other assets	\$ 9,846,927	\$ 9,896,597	\$ 11,342,950	\$ 10,827,514	\$ 21,189,877	\$ 20,724,111
Non-current assets	142,339	155,495	972,567	199,895	1,114,906	355,390
Capital assets	3,512,153	3,135,126	45,221,017	39,173,156	48,733,170	42,308,282
Total assets	13,501,419	13,187,218	57,536,534	50,200,565	71,037,953	63,387,783
LIABILITIES:						
Current liabilities	\$ 1,657,708	\$ 2,652,983	\$ 979,465	\$ 15,490,205	\$ 2,637,173	\$ 18,143,188
Long-term liabilities	185,000	215,000	23,597,587	10,688,055	23,782,587	10,903,055
Total liabilities	1,842,708	2,867,983	24,577,052	26,178,260	26,419,760	29,046,243
Deferred inflows of resources	142,339	5,435	-	-	142,339	5,435
NET POSITION						
Net investment in capital assets	3,297,153	2,890,126	21,110,618	24,409,765	24,407,771	27,299,891
Restricted	4,337,977	3,653,701	7,523,083	708,999	11,861,060	4,362,700
Unrestricted	3,881,242	3,619,913	4,325,781	(1,096,459)	8,207,023	2,523,454
TOTAL NET POSTION	\$ 11,516,372	\$ 10,163,740	\$ 32,959,482	\$ 24,022,305	\$ 44,475,854	\$ 34,186,045

Changes in Net Position: The City's total revenue for the fiscal year ended June 30, 2025 \$14,267,693 which represents a 18% increase from the previous year, primarily related to grant financing for the infrastructure projects in the water and sewer funds. The following table shows a comparative analysis of government-wide revenues, expenses, and changes in net position.

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

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Revenues						
Program revenues						
Charges for services	\$ 316,471	\$ 244,366	\$ 3,320,330	\$ 3,406,239	\$ 3,636,801	\$ 3,650,605
Operating grants and contributions	258,190	-	-	-	258,190	-
Capital grants and contributions	-	-	7,271,958	5,484,368	7,271,958	5,484,368
Total program revenues	574,661	244,366	10,592,288	8,890,607	11,166,949	9,134,973
General revenues						
Taxes	1,522,670	1,392,497	-	-	1,522,670	1,392,497
Intergovernmental	448,321	459,761	-	-	448,321	459,761
Interest & investment earnings	417,964	332,828	458,290	323,294	876,254	656,122
Other revenues	141,488	225,407	112,011	83,701	253,499	309,108
Total general revenues	2,530,443	2,410,493	570,301	406,995	3,100,744	2,817,488
Total revenues	3,105,104	2,654,859	11,162,589	9,297,602	14,267,693	11,952,461
Program expenses						
General government	674,975	636,925	-	-	674,975	636,925
Highways and streets	556,430	453,036	-	-	556,430	453,036
Cemetery services	5,442	10,519	-	-	5,442	10,519
Planning	462,447	420,813	-	-	462,447	420,813
Tourism	93,864	90,013	-	-	93,864	90,013
Urban renewal	96,406	31,428	-	-	96,406	31,428
Interest expense	12,908	14,483	406,225	126,436	419,133	140,919
Utility services	-	-	1,669,187	1,496,309	1,669,187	1,496,309
Total program expenses	1,902,472	1,657,217	2,075,412	1,622,745	3,977,884	3,279,962
Transfers	150,000	(400,000)	(150,000)	400,000	-	-
Change in net position	<u>\$ 1,352,632</u>	<u>\$ 597,642</u>	<u>\$ 8,937,177</u>	<u>\$ 8,074,857</u>	<u>\$ 10,289,809</u>	<u>\$ 8,672,499</u>

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the City/ The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

For the current year, business-type activities increased the City's net position by \$8,937,177. Business-type revenues totaled \$11,012,589 and consisted primarily of charges for services (approximately 30 %) and capital grants and contributions (approximately 66%).

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

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

Financial Analysis of the City's Funds:

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. An unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds: As the City completed the year, its governmental funds reported a combined fund balance of \$8,246,938, an increase of \$956,768. The fund balance constitutes nonspendable, restricted, committed, assigned, and unassigned amounts. Of the current fund balances, \$2,856 is nonspendable, \$4,337,977 is restricted, \$646,643 is committed to community development projects and cemetery projects, \$683,605 is assigned, and \$2,575,857 is unassigned and available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,575,857. The total fund balance of the General Fund increased by \$315,297 during the fiscal year, ending at \$3,352,000.

Proprietary Funds: The City's enterprise funds ended the fiscal year with a net position of \$32,959,482. The enterprise funds report \$7,523,083 in restricted net position. The enterprise net position includes \$21,110,618 invested in capital assets, net of the related debt.

Budgetary Highlights: General Fund expenditures of \$754,386 were less than the amount budgeted by \$793,419.

Capital Assets: As of June 30, 2025, the City had invested, net of accumulated depreciation, \$56,276,881 in capital assets, including buildings, land, machinery and equipment, water and sewer utility systems, construction in progress, and other intangible assets. This amount represents an increase of approximately \$6.0 million from the prior year, reflecting the ongoing water and sewer infrastructure project, which were both placed in service during the year.

Additional information on the City's capital assets can be found in the Capital Asset Note of the Notes to the Basic Financial Statements section of this report.

Long-Term Debt:

As of June 30, 2025, the City refinanced its remaining interim DEQ financing debt with an issue of \$13.0 million in revenue bonds. \$548,000 in additions for the infrastructure project was offset by regularly scheduled principal payments.

Additional information on the City's long-term debt can be found in the Long-Term Debt Note of the Notes to the Basic Financial Statements.

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

CITY OF LA PINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2025

Economic Factors and Next Year's Budget:

The budget process is governed by the City Charter, City Ordinances, and State of Oregon Budget Laws. The City's budget for the fiscal year ending on June 30, 2026, has been set at \$31,093,184, reflecting an increase of \$843,191 from the previous year's budget. Out of the total budget, \$18,451,928 has been appropriated for various purposes. Among the appropriated funds, \$1,780,194 has been allocated to the General Fund, \$1,647,904 to the Streets Fund, \$3,351,225 to the Water Fund, \$5,549,356 to the Sewer Fund and \$3,000,000 to the SDC Fund. The remaining \$3,123,249 has been allocated to the Cemetery Fund, Tourism Fund, Community Development Fund and Economic Development Fund. The remaining budget of \$12,641,256 has been allocated to unappropriated and reserved amounts

The permanent rate levy was \$1.98 per \$1,000 of assessed value.

Major Capital Projects for the 2025-26 Budget include: conclusion of work on the City's Water and Wastewater expansion into the Cagle and Glenwood subdivisions, enhanced police force services, safety improvements throughout city facilities, maintenance of unimproved city streets, construction of the city spec building in the Industrial Park, the Newberry Lift Station upgrade and design on the Urban Renewal Agency's archway; and System Development planning.

Requests for Information

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City of La Pine, Attention: City Manager, PO Box 2460, La Pine, Oregon 97739.

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

BASIC FINANCIALS STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

CITY OF LA PINE
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 9,623,594	\$ 10,715,654	\$ 20,339,248
Accounts receivable - net	202,948	514,038	716,986
Property taxes receivable	17,529	-	17,529
Prepaid expenses	714	1,428	2,142
Inventory	<u>2,142</u>	<u>111,830</u>	<u>113,972</u>
Total current assets	9,846,927	11,342,950	21,189,877
Non-current Assets:			
Tower lease receivable	142,339	-	142,339
Restricted cash	<u>-</u>	<u>972,567</u>	<u>972,567</u>
Total other assets	142,339	972,567	1,114,906
Capital assets, not being depreciated			
Land	321,528	879,252	1,200,780
Construction in progress	225,475	151,835	377,310
Capital assets			
Infrastructure	7,046,088	54,018,767	61,064,855
Buildings & improvements	1,708,563	376,265	2,084,828
Equipment & vehicles	266,503	783,248	1,049,751
Other capital assets	-	43,000	43,000
Intangible assets	103,961	24,514	128,475
Less: accumulated depreciation	<u>(6,159,965)</u>	<u>(11,055,864)</u>	<u>(17,215,829)</u>
Total capital assets	<u>3,512,153</u>	<u>45,221,017</u>	<u>48,733,170</u>
Total assets	\$ <u>13,501,419</u>	\$ <u>57,536,534</u>	\$ <u>71,037,953</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 118,560	\$ 163,687	\$ 282,247
Customer deposits	33,900	56,685	90,585
Compensated absences	38,273	38,079	76,352
Payroll liabilities	3,265	4,898	8,163
Unearned revenue	1,433,710	-	1,433,710
Interest payable	-	203,304	203,304
Current portion of long-term debt	<u>30,000</u>	<u>512,812</u>	<u>542,812</u>
Total current liabilities	1,657,708	979,465	2,637,173
Long-term debt	<u>185,000</u>	<u>23,597,587</u>	<u>23,782,587</u>
Total liabilities	<u>1,842,708</u>	<u>24,577,052</u>	<u>26,419,760</u>
DEFERRED INFLOW OF RESOURCES:			
Deferred tower lease revenue	<u>142,339</u>	<u>-</u>	<u>142,339</u>
Total deferred inflows of resources	\$ <u>142,339</u>	\$ <u>-</u>	\$ <u>142,339</u>
NET POSITION:			
Net investment in capital assets	\$ 3,297,153	\$ 21,110,618	24,407,771
Restricted for:			
Highways & streets	1,876,982	-	1,876,982
Economic and industrial	849,826	-	849,826
Urban renewal	1,135,716	-	1,135,716
Tourism	475,453	-	475,453
Capital projects	-	6,550,516	6,550,516
Debt service	-	972,567	972,567
Unrestricted	<u>3,881,242</u>	<u>4,325,781</u>	<u>8,207,023</u>
Total net position	\$ <u>11,516,372</u>	\$ <u>32,959,482</u>	\$ <u>44,475,854</u>

See accompanying notes to basic financial statements

CITY OF LA PINE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

		Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	(Expenses)				
Governmental Activities:					
General government	675,233	\$ 131,134	\$ 258,190	\$ -	\$ (285,909)
Cemetery services	5,442	-	-	-	(5,442)
Highways and streets	556,430	-	-	-	(556,430)
Tourism	93,864	-	-	-	(93,864)
Planning	462,447	185,337	-	-	(277,110)
Urban renewal	96,406	-	-	-	(96,406)
Interest on long-term debt	12,908	-	-	-	(12,908)
Total governmental activities	1,902,472	316,471	258,190	-	(1,327,811)
Business-type activities:					
Water utilities	773,975	2,347,144	-	3,069,991	\$ 4,643,160
Sewer utilities	895,212	973,186	-	4,201,967	4,279,941
Interest on long-term debt	406,225	-	-	-	(406,225)
Total business-type activities	2,075,412	3,320,330	-	7,271,958	8,516,876
Total primary government	\$ 3,977,884	\$ 3,636,801	\$ 258,190	\$ 7,271,958	\$ 7,189,065
			Governmental Activities	Business-Type Activities	Total
CHANGES IN NET POSITION:					
Net (expense) revenue			\$ (1,327,811)	\$ 8,516,876	\$ 7,189,065
General Revenues:					
Property taxes, levied for general purposes			868,725	-	868,725
Transient room tax			210,906	-	210,906
Intergovernmental tax turnovers			448,321	-	448,321
Franchise taxes			443,039	-	443,039
Interest and investment earnings			417,964	458,290	876,254
Licenses and permits			33,275	-	33,275
Other revenue			108,213	112,011	220,224
Interfund transfers			150,000	(150,000)	-
Total general revenue and transfers			2,680,443	420,301	3,100,744
Change in net position			1,352,632	8,937,177	10,289,809
Beginning net position balance			10,163,740	24,022,305	34,186,045
Net position - ending			\$ 11,516,372	\$ 32,959,482	\$ 44,475,854

See accompanying notes to basic financial statements

BASIC FINANCIAL STATEMENTS

GOVERNMENTAL FUND

FINANCIAL STATEMENTS

CITY OF LA PINE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	Component Unit						
	General Fund	Street Fund	Community Development Fund	Urban Renewal Agency Fund	Economic Industrial Fund	Tourism Fund Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 3,351,885	\$ 1,816,718	\$ 585,612	\$ 1,134,184	\$ 2,269,272	\$ 465,923	\$ 9,623,594
Receivables:							
Business license	10,160	-	-	-	-	-	10,160
Other receivables	80,230	84,385	12,447	-	-	15,726	192,788
Property tax	10,372	-	-	7,157	-	-	17,529
Lease receivable	142,339	-	-	-	-	-	142,339
Prepaid expenses	714	-	-	-	-	-	714
Inventory	-	2,142	-	-	-	-	2,142
Total Assets	\$ 3,595,700	\$ 1,903,245	\$ 598,059	\$ 1,141,341	\$ 2,269,272	\$ 481,649	\$ 9,989,266
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 68,853	\$ 23,367	\$ 10,080	\$ 17	\$ 10,046	\$ 6,196	\$ 118,559
Payroll payable	816	754	1,350	345	-	-	3,265
Deposits payable	4,500	-	-	-	29,400	-	33,900
Unearned revenue	21,900	-	-	-	1,411,810	-	1,433,710
Total liabilities	96,069	24,121	11,430	362	1,451,256	6,196	1,589,434
Deferred inflows of resources:							
Unavailable property taxes	5,292	-	-	5,263	-	-	10,555
Unearned lease payments	142,339	-	-	-	-	-	142,339
Total deferred inflows of resources	147,631	-	-	5,263	-	-	152,894
Fund Balances:							
Nonspendable	714	2,142	-	-	-	-	2,856
Restricted for:							
Highways and streets	-	1,876,982	-	-	-	-	1,876,982
Urban renewal	-	-	-	1,135,716	-	-	1,135,716
Economic and industrial	31,810	-	-	-	818,016	-	849,826
Tourism	-	-	-	-	-	475,453	475,453
Committed for:							
Cemetery maintenance	60,014	-	-	-	-	-	60,014
Community development	-	-	586,629	-	-	-	586,629
Assigned for:							
Appropriated ending fund balance	683,605	-	-	-	-	-	683,605
Unassigned	2,575,857	-	-	-	-	-	2,575,857
Total fund balances	3,352,000	1,879,124	586,629	1,135,716	818,016	475,453	8,246,938
Total liabilities, deferred inflows of resources & fund balances	\$ 3,595,700	\$ 1,903,245	\$ 598,059	\$ 1,141,341	\$ 2,269,272	\$ 481,649	\$ 9,989,266

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

CITY OF LA PINE
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS
JUNE 30, 2025

Total Fund Balances - Governmental Funds \$ 8,246,938

Capital assets are not financial resources and therefore are
not reported in the governmental funds:

Cost	\$ 9,672,118	
Accumulated depreciation	<u>(6,159,965)</u>	3,512,153

Certain receivables that will not be available to pay for current-period
expenditures are deferred in the governmental funds:

Property taxes	10,554
----------------	--------

Long-term liabilities are not due or payable in the current period
and therefore are not reported in the governmental funds. (215,000)

Accrued compensated absences	<u>(38,273)</u>
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Net Position of Governmental Activities **\$ 11,516,372**

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

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Component Unit						
	General Fund	Street Fund	Community Development Fund	Urban Renewal Agency	Economic Industrial Fund	Tourism Fund	Total Governmental Funds
Revenues:							
Taxes and assessments	\$ 495,511	\$ -	\$ -	\$ 371,742	\$ -	\$ -	\$ 867,253
Intergovernmental	215,544	232,777	-	-	-	-	448,321
Franchise fees	134,942	308,097	-	-	-	-	443,039
Licenses & permits	8,625	-	-	-	24,650	-	33,275
Transient room tax	63,277	-	-	-	-	147,629	210,906
Charges for service	900	-	185,337	-	130,234	-	316,471
Investment revenue	169,590	71,846	23,169	45,241	89,701	18,417	417,964
Grants	-	-	50,000	-	208,190	-	258,190
Miscellaneous and other revenue	64,903	4,876	6,575	-	31,859	-	108,213
Total Revenues	1,153,292	617,596	265,081	416,983	484,634	166,046	3,103,632
Expenditures:							
Current:							
General government	635,279	-	-	-	-	-	635,279
Cemetery services	3,468	-	-	-	-	-	3,468
Highway and streets	-	365,628	-	-	-	-	365,628
Tourism	-	-	-	-	-	91,763	91,763
Community development	-	-	352,853	-	92,722	-	445,575
Urban renewal	-	-	-	91,030	-	-	91,030
Debt service	42,908	-	-	-	-	-	42,908
Capital outlay	76,340	330,848	78,032	48,103	88,190	-	621,513
Total expenditures	757,995	696,476	430,885	139,133	180,912	91,763	2,297,164
Other financing sources (uses):							
Transfers in	400,000	325,000	155,000	-	-	-	880,000
Transfers out	(480,000)	(250,000)	-	-	-	-	(730,000)
Total other financing sources (uses)	(80,000)	75,000	155,000	-	-	-	150,000
Net change in fund balances	315,297	(3,880)	(10,804)	277,850	303,722	74,283	956,468
Fund balance - July 1, 2024	3,036,703	1,883,004	597,433	857,866	514,294	401,170	7,290,470
Fund balance - June 30, 2025	\$ 3,352,000	\$ 1,879,124	\$ 586,629	\$ 1,135,716	\$ 818,016	\$ 475,453	\$ 8,246,938

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

CITY OF LA PINE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2025

CITY OF LA PINE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025

Net Changes in Fund Balances - Total Governmental Funds		\$ 956,468
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capitalized assets	\$ 621,771	
Less current year depreciation	<u>(244,744)</u>	377,027
Change in accrued compensated absences not recognized in the governmental funds		(12,335)
Certain receivables that will not be available to pay for current-period expenditures are not recognized in the governmental funds:		
Property taxes		1,472
Principal repayments are on expenditure in the governmental fund presentation. In the Statement of Activities, these debt repayments are reclassified to the statement of net activities as a reduction of debt.		
Principal repayments		<u>30,000</u>
Change in Net Position of Governmental Activities		<u>\$ 1,352,632</u>

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

BASIC FINANCIAL STATEMENTS

PROPRIETARY FUND
FINANCIAL STATEMENTS

CITY OF LA PINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Water Fund	Sewer Fund	Sewer Reserve Fund	SDC Fund	Total Proprietary Funds
ASSETS:					
Current assets:					
Cash and investments	\$ 2,139,667	\$ 2,597,848	\$ 946,519	\$ 5,031,620	\$ 10,715,654
Accounts receivable, net	117,142	121,248	-	275,648	514,038
Inventory	94,571	17,259	-	-	111,830
Prepaid expense	714	714	-	-	1,428
Total current assets	2,352,094	2,737,069	946,519	5,307,268	11,342,950
Non-current assets:					
Restricted cash	972,567	-	-	-	972,567
Capital Assets:					
Land	33,500	845,752	-	-	879,252
Intangible assets	24,514	-	-	-	24,514
Construction in progress	-	151,835	-	-	151,835
Infrastructure	24,848,771	29,169,996	-	-	54,018,767
Buildings & improvements	219,953	156,312	-	-	376,265
Equipment & vehicles	212,601	570,647	-	-	783,248
Other capital assets	22,500	20,500	-	-	43,000
Less: accumulated depreciation	(5,942,448)	(5,113,416)	-	-	(11,055,864)
Total capital assets	19,419,391	25,801,626	-	-	45,221,017
Total assets	\$ 22,744,052	\$ 28,538,695	\$ 946,519	\$ 5,307,268	\$ 57,536,534
LIABILITIES:					
Current liabilities:					
Accounts payable	11,455	152,232	-	0	163,687
Interest payable	41,720	161,584	-	-	203,304
Compensated absences	19,515	18,564	-	-	38,079
Customer deposits	56,685	-	-	-	56,685
Payroll liabilities	2,480	2,418	-	-	4,898
Current portion of long-term debt	282,312	230,500	-	-	512,812
Total current liabilities	414,167	565,298	-	-	979,465
Long-term debt, net of current portion	9,578,086	14,019,501	-	-	23,597,587
Total liabilities	9,992,253	14,584,799	-	-	24,577,052
NET POSITION:					
Net investment in capital assets	9,558,993	11,551,625	-	-	21,110,618
Restricted for:					
Capital projects	-	296,729	946,519	5,307,268	6,550,516
Debt service	972,567	-	-	-	972,567
Unrestricted	2,220,239	2,105,542	-	-	4,325,781
Total net position	\$ 12,751,799	\$ 13,953,896	\$ 946,519	\$ 5,307,268	\$ 32,959,482

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

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Water Fund	Sewer Fund	Water/ Sewer Reserve Fund	SDC Fund	Total Proprietary Funds
Operating revenues:					
Charges for services & fees	\$ 1,147,756	\$ 1,199,388	\$ -	\$ -	\$ 2,347,144
SDC income	-	-	-	973,186	973,186
Miscellaneous & other income	26,033	85,978	-	-	112,011
Total revenues	1,173,789	1,285,366	-	973,186	3,432,341
Operating expenses:					
Personnel services	440,880	423,697	-	-	864,577
Materials and supplies	258,236	334,274	-	-	592,510
Depreciation expense	74,859	137,241	-	-	212,100
Total operating expenses	773,975	895,212	-	-	1,669,187
Income (loss) from operations	399,814	390,154	-	973,186	1,763,154
Non-operating revenues (expenses):					
Investment revenue	123,125	98,310	37,415	199,439	458,289
Intergovernmental - grants	3,069,991	4,201,967	-	-	7,271,958
Interest expense	(215,680)	(190,545)	-	-	(406,225)
Total non-operating rev. (exp.)	2,977,436	4,109,732	37,415	199,439	7,324,022
Income before other financing sources	3,377,250	4,499,886	37,415	1,172,625	9,087,176
Other financing sources (uses):					
Transfers from other funds	734,228	285,000	400,000	-	1,419,228
Transfers to other funds	(1,113,987)	(318,407)	-	(136,833)	(1,569,227)
Changes in net position	2,997,491	4,466,479	437,415	1,035,792	8,937,177
Net position - June 30, 2024	9,754,308	9,487,417	509,104	4,271,476	24,022,305
Net position - June 30, 2025	\$ 12,751,799	\$ 13,953,896	\$ 946,519	\$ 5,307,268	\$ 32,959,482

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

CITY OF LA PINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2025

	Water Fund	Sewer Fund	Water/Sewer Reserve Fund	SDC Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from user charges	\$ 1,344,426	\$ 1,533,263	\$ -	\$ 740,968	\$ 3,618,657
Cash payments for employee services	(445,255)	(429,085)	-	-	(874,340)
Cash payments to suppliers	(389,507)	(474,225)	-	-	(863,732)
Net cash provided (used) by operating activities	509,664	629,953	-	740,968	1,880,585
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfer from other funds	734,228	285,000	400,000	-	1,419,228
Interest income	123,124	98,310	37,415	199,439	458,288
Transfer to other funds	(1,113,987)	(318,407)	-	(136,833)	(1,569,227)
Net cash provided (used) by non-capital financing activities	(256,635)	64,903	437,415	62,606	308,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Debt proceeds	150,000	398,934			548,934
Grant funding	3,069,991	4,201,967			7,271,958
Acquisition of capital assets	(3,219,362)	(4,658,754)	-	-	(7,878,116)
Principal paid on long term debt	(271,827)	-	-	-	(271,827)
Interest paid on long term debt	(208,769)	(99,707)	-	-	(308,476)
Net cash provided (used) by capital and related financing activities	(479,967)	(157,560)	-	-	(637,527)
CASH AND INVESTMENTS at July 1, 2024	3,339,171	2,060,551	509,104	4,228,046	10,136,872
CASH AND INVESTMENTS at June 30, 2025	\$ 3,112,233	\$ 2,597,847	\$ 946,519	\$ 5,031,620	\$ 11,688,219
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Income from operations	\$ 399,814	\$ 390,154	\$ -	\$ 973,186	\$ 1,763,154
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation	74,859	137,241	-	-	212,100
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	171,468	331,673	-	(232,218)	270,923
Decrease (increase) in inventory	(9,708)	2,032	-	-	(7,676)
Increase (decrease) in accounts payable	(121,563)	(141,983)	-	-	(263,546)
Increase (decrease) in payroll liabilities	(4,375)	(5,388)	-	-	(9,763)
Increase (decrease) in customer deposits	(831)	(83,776)	-	-	(84,607)
Net cash provided (used) by operating activities	\$ 509,664	\$ 629,953	\$ -	\$ 740,968	\$ 1,880,585
NON-CASH TRANSACTIONS					
Refinancing of interim construction loans		\$ 13,000,000	\$ -	\$ -	\$ 13,000,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Note 1: Summary of Significant Accounting Policies

The City of La Pine, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected council. Administrative functions are delegated to the City Manager who reports to and is responsible to the mayor and council. The chief administrative officer is the City Manager.

The financial statements of the City of La Pine, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the City's accounting policies are described below.

The financial reporting entity: In determining the financial reporting entity, the City of La Pine includes La Pine Urban Renewal Agency (Agency) as a blended component unit in its financial statements. The Agency is a legally separate entity, which is governed by a board comprised of one member of the La Pine City Council and four members of the Public at large as stipulated in the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined based on budget adoption, taxing authority, and funding for the Agency. Complete financial statements for the Agency can be obtained from the Finance Department of the City.

Basis of Presentation:

Government-wide financial statements: The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

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

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Net Position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws) or through constitutional provisions or enabling resolutions.

Fund financial statements: The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

Governmental Funds: Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City reports the following major governmental funds:

General fund: The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund. Within the Balance Sheet and Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, the General Fund is combined with the Cemetery Fund. The cemetery fund is utilized to account for cemetery activities.

Street fund: This Fund provides for street and bridge repairs and maintenance within the City. The primary source of revenue is from state gas tax turnovers and franchise fees collected by the City.

Community Development Fund: The purpose of this fund is to provide Public Planning/Land Use Services both in terms of current development and shaping the future of La Pine through long-range planning efforts.

Urban Renewal Agency Fund: This fund accounts for the General Fund revenues and expenditures of the Urban Renewal Agency.

Additionally, the City also reports non-major funds within the governmental fund type.

Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include the Tourism Fund and the Industrial/Economic Development Fund.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Proprietary Funds - Enterprise Funds: Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund: The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system and billing and collection activities. Within the Statement of Net Position – Proprietary Funds and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, the Water Fund is combined with the Debt Reserve Fund – Water. The Debt Reserve Fund – Water is utilized to hold the long-term debt service reserve required by the USDA on the Water Fund revenue bonds.

Sewer Fund: The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the sewer system and billing and collection activities.

Water/Sewer Reserve Fund: The Water/Sewer Reserve Fund is used to account for the acquisition or construction of sewer and water utility projects.

Capital Reserve Fund: The Capital Reserve Fund is used to account for future capital expenditures of the Sewer Fund.

SDC Fund: Water/Sewer/Transportation: The SDC fund is used to account for the water, sewer system, and transportation development charges which have been collected over the years. As capital projects and other qualifying expenditures are incurred that can legally be paid with SDC funds, the City will pay the expenditure directly from the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
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Measurement Focus/Basis of Accounting

Government-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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and is recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 of the city's Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Budgeting: A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by the fund are the levels of control. The detailed budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

Cash and cash equivalents: For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City does not have an investment policy. However, Oregon statutes authorize that the City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings.

Receivables: Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the City. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts. Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently, no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow of resources.

Long-term lease receivable: The City leases land for a cellular phone tower in a long-term, non-cancelable leasing arrangement. The City reports a receivable related to the lease, measured at its net present value based on cash flows expected to be received during the lease term, and a discount equal to the City's estimated borrowing rate.

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no deferred outflows at year end.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

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, 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 City has two types of items that qualify for reporting in this category, rent income and other income not available. In the governmental funds balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

Inventory: Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

Capital assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when the original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

Buildings and improvements	5-50 years
Equipment and vehicles	3-15 years
Water and wastewater systems	30-50 years
Infrastructure	5-20 years
Master plan	10 years

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Compensated absences: Employee leave is reported in accordance with GASB Statement No 101 – Compensated Absences. In the government-wide statements, leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid is included in the liability. The liability is measured based on the number of hours available to the employee at the financial statement date, multiplied by their current pay rate, and includes salary-related costs such as payroll taxes.

In the governmental fund statements, only the portion of the accrued leave that is due and payable at year end or is expected to be paid out in cash in the near term, is recognized.

Long-term debt: All bonds to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity classifications: Government-wide Statements: Equity is classified as net position, which represents the difference between assets and liabilities, and deferred accounts. Net position is displayed in three components:

- a. Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Fund financial statements: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City's nonspendable resources may include inventory and prepaid expenses.
- **Restricted:** This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for various projects that are to be used for governmental purposes.
- **Committed:** This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision-making authority, the City Council, and does not lapse at year-end. The City has committed resources for various projects and purposes.
- **Assigned:** This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City's policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

Property taxes: The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

Inter-fund transactions: Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

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 the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties: The City has evaluated its operations for concentrations and constraints under GASB Statement No. 102, Certain Risk Disclosures. As of the date of these financial statements, no events have occurred, begun to occur, or are more likely than not to occur within the next 12 months that would result in substantial impact due to such concentrations or constraints.

Note 2: Cash and cash equivalents

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized in the Cash and Cash Equivalents note under the Summary of Significant Accounting Policies.

Deposits: All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. ORS 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Oregon Public Funds Collateralization Program (PFCP). Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Custodial Credit Risk for Deposits: Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2025, the reported amount of the City's deposits was \$21,311,815 and the bank balance was \$21,380,649. Of the bank balance, the entire amount was insured by the FDIC or covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer.

Investments: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Credit Risk : Credit risk exists when there is a possibility the issuer or other counterparty to an Investment may be unable to fulfill its obligations. As of June 30, 2025, the City had no investments.

Concentration of Credit Risk: An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. There were no investments as of June 30, 2025.

Note 3: Lease Receivable

The City is the lessor in a noncancellable agreement to lease land in a site ground agreement with lease terms through 2034. For the year ending June 30, 2025, the City recognized \$13,156 in lease revenue released from the deferred inflows or resources related to the hangar leases.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Note 4: Capital Assets

The following is a summary of capital asset activity for governmental activities for the fiscal year ended June 30, 2025:

Depreciable Assets Schedule				
For the Fiscal Year Ended June 30, 2025				
Governmental Activities:	Balance			Balance
	June 30, 2024	Additions	Disposals	June 30, 2025
Capital assets not being depreciated:				
Land	\$ 321,528	\$ -	\$ -	\$ 321,528
Construction in progress	89,182	422,881	(375,770)	136,293
Total capital assets not being depreciated	410,710	422,881	(375,770)	457,821
Capital assets being depreciated:				
Buildings & improvements	1,708,563	-	-	1,708,563
Machinery & equipment	137,486	129,017	-	266,503
Infrastructure	6,759,500	375,770	-	7,135,270
Intangible assets	34,088	69,873	-	103,961
Total capital assets being depreciated	8,639,637	574,660	-	9,214,297
Less accumulated depreciation for:				
Buildings & improvements	205,378	43,474	-	248,852
Machinery & equipment	87,849	34,364	-	122,213
Infrastructure	5,621,994	166,906	-	5,788,900
Total accumulated depreciation	5,915,221	244,744	-	6,159,965
Total capital assets being depreciated, net	2,724,416	329,916	-	3,054,332
Total capital assets governmental activities, net	<u>\$ 3,135,126</u>	<u>\$ 752,797</u>	<u>\$ (375,770)</u>	<u>\$ 3,512,153</u>

Depreciation expense was charged to the functions of governmental activities as follows:

General government	\$ 48,798
Cemetery Fund	1,974
Street	190,802
Tourism	2,101
Community development	1,069
Total Depreciation Expense	<u>\$ 244,744</u>

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

The following is a summary of capital asset activity for business-type activities for the fiscal year ended June 30, 2025:

Depreciable Assets Schedule				
For the Fiscal Year Ended June 30, 2025				
Business-type Activities:	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 879,252	\$ -	\$ -	\$ 879,252
Construction in progress	36,874,996	6,117,591	(42,840,756)	151,831
Water rights	24,514	-	-	24,514
Total capital assets not being depreciated	37,778,762	6,117,591	(42,840,756)	1,055,597
Capital assets being depreciated:				
Utility systems	11,178,014	42,840,756	-	54,018,770
Building and improvements	376,265	-	-	376,265
Machinery and equipment	640,879	142,370	-	783,249
Master plan	43,000	-	-	43,000
Total capital assets being depreciated	12,238,158	42,983,126	-	55,221,284
Less accumulated depreciation for:				
Utility systems	10,054,809	148,966	-	10,203,775
Building and improvements	283,901	15,148	-	299,049
Machinery and equipment	471,112	43,686	-	514,798
Master plan	33,942	4,300	-	38,242
Total accumulated depreciation	10,843,764	212,100	-	11,055,864
Total capital assets being depreciated, net	1,394,394	42,771,026	-	44,165,420
Total capital assets business-type activities, net	<u>\$ 39,173,156</u>	<u>\$ 48,888,617</u>	<u>\$ (42,840,756)</u>	<u>\$ 45,221,017</u>

Depreciation expense was charged to the functions of business-type activities as follows:

Water fund	\$ 84,859
Wastewater fund	<u>137,241</u>
Total depreciation expense	<u>\$ 222,100</u>

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Note 5: Long-Term Debt

A summary of debt transactions for the year ended June 30, 2025, is as follows:

Bank of New York Mellon Certificate of Participation, Series 2011: A Bank of New York Mellon Certificate of Participation Series 2011A dated 2011, for the amount of \$520,000 for the purchase and improvements to a building for use as a new City Hall. Fixed interest rates vary on outstanding bonds from 3.0% to 5.7%.

Full Faith and Credit Series 2024: In 2024 the City refunded the outstanding balance of the Water Revenue Refunding Bond, Series 2016. The obligation is payable in semi-annual installments of approximately \$98,000, including interest at 5.86% per annum, with a final payment of \$54,931 due at maturity on June 2, 2031.

DEQ Wastewater Improvement Loan: On March 2, 2020, the City entered into a loan agreement with Oregon Department of Environmental Quality for wastewater improvements. The loan balance was \$500,000 on June 30, 2025, and carries an interest rate of 1.10% with a .5% service fee. The City must set up a reserve of \$10,049. \$500,000 of this loan was forgiven during the year ended June 30, 2023. The loan was finalized in October 2025 with the first payment of \$9,947 due August 1, 2026. The loan matures on August 1, 2055.

Oregon Business Development Loans: The City entered into a loan agreement with Oregon Business Development Department for water and wastewater improvements. The loans had new issuance of \$268,729 and 150,000 for the current fiscal year. The loans bear interest at a rate of 1.0% once the repayment term commences. The loans include a forgivable amount upon project completion. Neither loan has been closed out as of the end of the fiscal year.

Water Revenue Refunding Bond #1: On May 14th, 2024, the City refinanced the outstanding interim loan agreement with the USDA / CoBank for water system improvements with issuance of water revenue bonds in the amount of \$5,286,000. The bonds are payable in annual installments of \$193,257, including interest 2.0% per annum. The bonds mature on May 17, 2064. The loan agreement with USDA requires the establishment of debt service reserves in the amount of \$193,257, deposited monthly in the amount of \$1,610 until the reserve amount has accumulated. Additionally, the loan agreement requires the establishment of a short-lived asset reserve, requiring annual deposits of \$10,933 for the life of the loan to fund repairs and/or replacement of major system assets. Prior written consent is not required before funds may be withdrawn from the account.

Water Revenue Refunding Bond #2: On May 14th, 2024, the City refinanced the outstanding interim loan agreement with the USDA / CoBank for water system improvements with issuance of water revenue bonds in the amount of \$2,714,000. The bonds are payable in annual installments of \$90,730, including interest 1.5% per annum. The bonds mature on May 17, 2064. The loan agreement with USDA requires the establishment of debt service reserves in the amount of \$90,730, deposited monthly in the amount of \$756 until the reserve amount has accumulated.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Wastewater Revenue Bond #1: On October 23, 2024, the City entered into a loan agreement with the USDA, Rural Utilities Service for wastewater improvements with the issuance of wastewater revenue bonds in the amount of \$5,000,000. The bonds are payable in annual installments of \$182,800, including interest 2.0% per annum. The bonds mature on November 14, 2064. The loan with the USDA required the establishment of debt services reserves in the amount of \$182,800, deposited monthly in the amount of \$1,524 until the reserve amount has accumulated. Additionally, the loan agreement requires the establishment of a short-lived asset reserve, requiring annual deposits of \$17,100 for the life of the loan to fund repairs and/or replacement of major system assets. Prior written consent is not required before funds may be withdrawn from the account.

Wastewater Revenue Bond #2: On October 23, 2024, the City entered into a loan agreement with the USDA, Rural Utilities Service for wastewater improvements with the issuance of wastewater revenue bonds in the amount of \$8,000,000. The bonds are payable in annual installments of \$267,440, including interest 1.5% per annum. The bonds mature on November 14, 2064. The loan with the USDA required the establishment of debt services reserves in the amount of \$267,440, deposited monthly in the amount of \$2,229 until the reserve amount has accumulated. Additionally, the loan agreement requires the establishment of a short-lived asset reserve, requiring annual deposits of \$17,100 for the life of the loan to fund repairs and/or replacement of major system assets. Prior written consent is not required before funds may be withdrawn from the account.

The table below presents the current year's changes in long-term obligations. Governmental and business-type activities are shown separately:

	Outstanding Balance July 1, 2024	New Issues	Principal Paid	Outstanding Balance June 30, 2025	Due Within One Year
Governmental long-term debt					
Bonds payable:					
Bank of New York Mellon certificate of participation, Series 2011 A	\$ 245,000	\$ -	\$ 30,000	\$ 215,000	\$ 30,000
Total bonds payable	245,000	-	30,000	215,000	30,000
Total governmental long-term debt	<u>\$ 245,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 215,000</u>	<u>\$ 30,000</u>
Business-type long-term debt					
Bonds payable:					
Water Revenue Bond #1	\$ 2,714,000	\$ -	\$ 50,020	\$ 2,663,980	\$ 50,770
Water Revenue Bond #2	5,286,000	-	87,537	5,198,463	89,288
Wastewater Revenue Bond #1	-	5,000,000	-	5,000,000	82,800
Wastewater Revenue Bond #2	-	8,000,000	-	8,000,000	147,000
Total Bonds Payable	<u>8,000,000</u>	<u>13,000,000</u>	<u>137,557</u>	<u>20,862,443</u>	<u>369,858</u>
Direct borrowings:					
DEQ Wastewater Improvement Loan	500,000	-	-	500,000	-
RD Wastewater Loan - USDA/DEQ - In Drawdown	12,869,795	130,205	13,000,000	-	-
FFC Refunding, Series 2024 (FIB)	1,082,225	-	134,271	947,954	142,254
Business Oregon Sewer Loan	481,271	268,729	-	750,000	-
Business Oregon Water Loan	900,000	150,000	-	1,050,000	-
Total notes from direct borrowings	<u>15,833,291</u>	<u>548,934</u>	<u>13,134,271</u>	<u>3,247,954</u>	<u>142,254</u>
Total business-type long-term debt	<u>\$ 23,833,291</u>	<u>\$ 13,548,934</u>	<u>\$ 13,271,828</u>	<u>\$ 24,110,397</u>	<u>\$ 512,112</u>

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Debt service to maturity requirements for governmental activities are as follows:

Certificate of Participation, Series 2011

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 30,000	\$ 12,908	\$ 42,908
2027	30,000	11,333	41,333
2028	30,000	9,548	39,548
2029	30,000	7,553	37,553
2030	30,000	5,558	35,558
2031-2033	65,000	4,560	69,560
Total	\$ <u>215,000</u>	\$ <u>51,460</u>	\$ <u>266,460</u>

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Debt service to maturity requirements for business-type activities are as follows:

Water Revenue Bond #2			
Year Ending June 30,	Principal	Interest	Total
2026	89,288	103,969	193,257
2027	91,073	102,184	193,257
2028	92,895	100,362	193,257
2029	94,753	98,504	193,257
2030	96,648	96,609	193,257
2031-2035	513,019	453,266	966,285
2036-2040	566,414	399,871	966,285
2041-2045	625,367	340,918	966,285
2046-2050	690,456	275,829	966,285
2051-2055	762,319	203,966	966,285
2056-2060	841,662	124,623	966,285
2061-2064	734,569	37,051	771,620
Total	<u>\$ 5,198,463</u>	<u>\$ 2,337,152</u>	<u>\$ 7,535,615</u>

Water Revenue Bond #1			
Year Ending June 30,	Principal	Interest	Total
2026	50,770	39,960	90,730
2027	51,532	39,198	90,730
2028	52,305	38,425	90,730
2029	53,089	37,641	90,730
2030	53,886	36,844	90,730
2031-2035	281,798	171,852	453,650
2036-2040	303,577	150,073	453,650
2041-2045	327,038	126,612	453,650
2046-2050	352,313	101,337	453,650
2051-2055	379,541	74,109	453,650
2056-2060	408,874	44,776	453,650
2061-2064	349,256	13,184	362,440
Total	<u>\$ 2,663,980</u>	<u>\$ 874,010</u>	<u>\$ 3,537,990</u>

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Wastewater Revenue Bond #1

Year Ending June 30,	Principal	Interest	Total
2026	82,800	100,000	182,800
2027	84,456	98,344	182,800
2028	86,145	96,655	182,800
2029	87,868	94,932	182,800
2030	89,625	93,175	182,800
2031-2035	475,742	438,258	914,000
2036-2040	525,258	388,742	914,000
2041-2045	579,927	334,073	914,000
2046-2050	640,287	273,713	914,000
2051-2055	706,928	207,072	914,000
2056-2060	780,506	133,494	914,000
2061-2065	860,457	52,259	912,716
Total	<u>\$ 5,000,000</u>	<u>\$ 2,310,716</u>	<u>\$ 7,310,716</u>

Wastewater Revenue Bond #2

Year Ending June 30,	Principal	Interest	Total
2026	147,440	120,000	267,440
2027	149,652	117,788	267,440
2028	151,896	115,544	267,440
2029	154,175	113,265	267,440
2030	156,487	110,953	267,440
2031-2035	818,359	518,841	1,337,200
2036-2040	881,605	455,595	1,337,200
2041-2045	949,739	387,461	1,337,200
2046-2050	1,023,139	314,061	1,337,200
2051-2055	1,102,211	234,989	1,337,200
2056-2060	1,187,394	149,806	1,337,200
2061-2065	1,277,903	58,039	1,335,942
Total	<u>\$ 8,000,000</u>	<u>\$ 2,696,342</u>	<u>\$ 10,696,342</u>

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Note 6: Deferred Compensation and Defined Contribution Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees with at least three months of continuous employment, permits them to defer a portion of their salary until future years. The City also offers its employees retirement benefits under Internal Revenue Code Section 401 (a). The Plan, available to all City employees with at least three months of continuous employment and upon completion of 1,000 hours of service, provides for employer contributions up to 6% of employee wages.

The assets for both of these plans are held in trust for the exclusive benefit of the Plan participants and their beneficiaries. The plans are administered by AIG. The assets cannot be diverted for any other purpose. The City has little administrative involvement and does not perform the investing functions for these plans.

Employer contributions to the plan for the year ended June 30, 2025 were \$53,171. Employee contributions to the plan were \$26,127.

Note 7: Compensated Absences

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, for the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes a single recognition and measurement model for all types of compensated absences, including vacation, sick leave, paid time off, holidays, parental leave, bereavement leave, and certain types of sabbatical leave. The Statement requires that a liability for compensated absences be recognized for leave that has been earned based on services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the pay or salary rates in effect as of the financial statement date and includes salary-related payments directly and incrementally associated with payments for compensated absences.

The City's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits, subject to certain limitations. The liability for compensated absences is reported in the government-wide financial statements. In governmental funds, only the portion of the liability that is expected to be liquidated with expendable available financial resources is reported. As of June 30, 2025, no part of the liability was recognized in the governmental fund statements.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

The following table summarizes the changes in the District's compensated absences liability for the year ended June 30, 2025:

	<u>June 30, 2024</u>	<u>Net Change</u>	<u>June 30, 2025</u>
Governmental activities	\$ 25,938	\$ 12,335	\$ 38,273
Water fund	10,494	9,021	19,515
Sewer fund	10,494	8,070	18,564
	<u>\$ 46,926</u>	<u>\$ 29,426</u>	<u>\$ 76,352</u>

Note 8: Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

Note 9: Risk Management

There is exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

In 1981 the League of Oregon Cities joined together with the Association of Oregon Counties to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. An annual premium is paid to CCIS for general insurance coverage and to SAIF for workers' compensation insurance coverage. CCIS and SAIF are self-sustaining through member premiums.

The City has obtained commercial insurance for risks of loss, including employee health and accident insurance, and for errors and omissions insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF LA PINE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2025

Note 10: Interfund Transfers

Interfund transfers for the year ended June 30, 2025, were as follows:

Fund	Transfers Out	Transfers In
General Fund	480,000	400,000
Streets Fund	250,000	325,000
Community Development Fund	-	155,000
SDC Fund	136,833	-
Sewer Fund	318,408	-
Water Fund	1,113,987	-
Debt Reserve Fund	-	734,228
Capital Reserve Fund	-	285,000
Water & Sewer Reserve Fund	-	400,000
Total	<u>\$ 2,299,228</u>	<u>\$ 2,299,228</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LA PINE
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
Revenues:				
Property taxes and assessments	\$ 457,500	\$ 457,500	\$ 495,511	\$ 38,011
Transient room tax	56,000	56,000	63,277	7,277
Charges for service	-	-	-	-
State revenue sharing	85,000	85,000	215,544	130,544
Franchise taxes	105,075	105,075	134,942	29,867
Licenses, permits and fees	16,375	16,375	8,625	(7,750)
Investment revenue	25,000	25,000	167,040	142,040
Grants	-	-	-	-
Rents	42,000	42,000	35,314	(6,686)
Miscellaneous revenue	2,500	2,500	29,589	27,089
Total revenues	789,450	789,450	1,149,842	360,392
Expenditures:				
General administration	1,104,897	1,104,897	711,478	(393,419)
Debt service	42,908	42,908	42,908	-
Contingency	400,000	400,000	-	(400,000)
Total expenditures	1,547,805	1,547,805	754,386	(793,419)
Other financing sources (uses):				
Operating transfers in	554,750	554,750	400,000	(154,750)
Operating transfers out	(480,000)	(480,000)	(480,000)	-
Total other financing sources (uses)	(480,000)	(480,000)	(80,000)	(154,750)
Net change in fund balance	(1,238,355)	(1,238,355)	315,456	999,061
Fund balance -July 1, 2024	2,870,326	2,870,326	2,976,530	106,204
Fund balance - June 30, 2025	\$ 1,631,971	\$ 1,631,971	\$ 3,291,986	\$ 1,105,265
Reconciliation to governmental fund balance				
Cemetery fund balance			60,014	
General fund balance			\$ 3,352,000	

CITY OF LA PINE
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
State gas funds	\$ 195,000	\$ 195,000	\$ 232,777	\$ 37,777
Grant revenue	450,000	450,000	-	(450,000)
Franchise fees	223,150	223,150	308,097	84,947
Investment revenue	15,000	15,000	71,846	56,846
Other revenue	<u>2,000</u>	<u>2,000</u>	<u>4,876</u>	<u>2,876</u>
Total revenues	<u>883,150</u>	<u>883,150</u>	<u>617,596</u>	<u>(270,430)</u>
Expenditures:				
Streets program	1,536,825	1,536,825	365,628	(1,171,197)
Capital outlay	-	-	330,848	330,848
Contingency	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total expenditures	<u>1,736,825</u>	<u>1,736,825</u>	<u>696,476</u>	<u>(1,040,349)</u>
Other financing sources (uses):				
Operating transfers in	325,000	325,000	325,000	-
Operating transfers out	<u>(261,750)</u>	<u>(261,750)</u>	<u>(250,000)</u>	<u>(11,750)</u>
Total other financing sources (uses)	<u>(261,750)</u>	<u>(261,750)</u>	<u>(250,000)</u>	<u>(11,750)</u>
Net change in fund balance	<u>(853,675)</u>	<u>(853,675)</u>	<u>(3,880)</u>	<u>1,094,919</u>
Fund balance - July 1, 2024	<u>1,681,883</u>	<u>1,681,883</u>	<u>1,883,004</u>	<u>523,458</u>
Fund balance - June 30, 2025	\$ <u>828,208</u>	\$ <u>828,208</u>	\$ <u>1,879,124</u>	\$ <u>1,618,377</u>

CITY OF LA PINE
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
INDUSTRIAL AND ECONOMIC DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Industrial site leases	\$ 2,500	\$ 2,500	\$ 24,650	\$ 22,150
Industrial site sales & options	15,000	15,000	130,234	115,234
Luncheon sponsorship	12,000	12,000	31,859	19,859
Investment income	6,000	6,000	89,701	83,701
Deschutes County annual support	29,771	29,771	-	(29,771)
Grants	-	-	208,190	208,190
Sled annual dues	12,000	12,000	-	(12,000)
Total revenues	<u>77,271</u>	<u>77,271</u>	<u>484,634</u>	<u>407,363</u>
Expenditures:				
Economic development	1,720,900	1,720,900	92,722	(1,628,178)
Capital outlay	-	-	88,190	88,190
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total expenditures	<u>1,770,900</u>	<u>1,770,900</u>	<u>180,912</u>	<u>(1,589,988)</u>
Other financing sources (uses):				
Operating transfers out	<u>(31,750)</u>	<u>(31,750)</u>	<u>-</u>	<u>31,750</u>
Total other financing sources (uses)	<u>(31,750)</u>	<u>(31,750)</u>	<u>-</u>	<u>31,750</u>
Net change in fund balance	<u>(1,725,379)</u>	<u>(1,725,379)</u>	<u>303,722</u>	<u>1,997,351</u>
Fund balance - July 1, 2024	1,924,327	1,924,327	514,294	(1,410,033)
Fund balance - June 30, 2025	\$ <u>198,948</u>	\$ <u>198,948</u>	\$ <u>818,016</u>	\$ <u>587,318</u>

CITY OF LA PINE
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Planning fees	\$ 85,000	\$ 85,000	\$ 241,912	\$ 156,912
Grant revenue	45,000	45,000	-	(45,000)
Interest income	6,000	6,000	23,169	17,169
Total revenues	<u>136,000</u>	<u>136,000</u>	<u>265,081</u>	<u>129,081</u>
Expenditures:				
Community development program	468,627	468,627	352,853	(115,774)
Capital outlay	199,700	199,700	78,032	(121,668)
Contingency	-	-	-	-
Total expenditures	<u>668,327</u>	<u>668,327</u>	<u>430,885</u>	<u>(237,442)</u>
Other financing sources (uses):				
Operating transfers in	155,000	155,000	155,000	-
Operating transfers out	<u>(38,750)</u>	<u>(38,750)</u>	<u>-</u>	<u>38,750</u>
Total other financing sources (uses)	<u>116,250</u>	<u>116,250</u>	<u>155,000</u>	<u>38,750</u>
Net change in fund balance	<u>(493,577)</u>	<u>(493,577)</u>	<u>(10,804)</u>	<u>366,523</u>
Fund balance - July 1, 2024	<u>510,293</u>	<u>510,293</u>	<u>597,433</u>	<u>87,140</u>
Fund balance - June 30, 2025	<u>\$ 16,716</u>	<u>\$ 16,716</u>	<u>\$ 586,629</u>	<u>\$ (143,770)</u>

CITY OF LA PINE
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
TOURISM FUND
YEAR ENDED JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Motel tax revenue	\$ 100,000	\$ 100,000	\$ 147,629	\$ 47,629
Investment revenue	<u>3,500</u>	<u>3,500</u>	<u>18,417</u>	<u>14,917</u>
Total revenues	<u>103,500</u>	<u>103,500</u>	<u>166,046</u>	<u>62,546</u>
Expenditures:				
Tourism program	200,650	200,650	91,763	(108,887)
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total expenditures	<u>250,650</u>	<u>250,650</u>	<u>91,763</u>	<u>(158,887)</u>
Other financing sources (uses):				
Operating transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net change in fund balance	(122,150)	(122,150)	74,283	221,433
Fund balance -July 1, 2024	<u>360,557</u>	<u>360,557</u>	<u>401,170</u>	<u>40,613</u>
Fund balance - June 30, 2025	<u>\$ 238,407</u>	<u>\$ 238,407</u>	<u>\$ 475,453</u>	<u>\$ 262,046</u>

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

CITY OF LA PINE
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
URBAN RENEWAL AGENCY
YEAR ENDED JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 312,000	\$ 312,000	\$ 371,742	\$ 59,742
Investment revenue	<u>5,000</u>	<u>5,000</u>	<u>45,241</u>	<u>40,241</u>
Total revenues	<u>317,000</u>	<u>317,000</u>	<u>416,983</u>	<u>99,983</u>
Expenditures				
Materials and services	201,388	201,388	91,030	(110,358)
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>48,103</u>	<u>(201,897)</u>
Total expenditures	<u>451,388</u>	<u>451,388</u>	<u>139,133</u>	<u>(312,255)</u>
Net change in fund balance	(134,388)	(134,388)	277,850	412,238
Fund balance - beginning of year	<u>815,421</u>	<u>815,421</u>	<u>857,866</u>	<u>35,548</u>
Fund balance - end of year	\$ <u>681,033</u>	\$ <u>681,033</u>	\$ <u>1,135,716</u>	\$ <u>447,786</u>

CITY OF LA PINE
COMBINING BALANCE SHEET
GENERAL AND CEMETERY FUNDS
YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 3,287,371	\$ 64,514	\$ 3,351,885
Receivables:			
Business license	10,160	-	10,160
Other receivables	80,230	-	80,230
Lease receivable	142,339	-	142,339
Property tax	10,372	-	10,372
Prepaid expenses	714	-	714
Total assets	<u>3,531,186</u>	<u>64,514</u>	<u>3,595,700</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:			
Liabilities:			
Accounts payable	68,853.00	-	68,853
Payroll payable	816	-	816
Deposits payable	-	4,500	4,500
Unearned revenue	21,900	-	21,900
Total liabilities	<u>91,569</u>	<u>4,500</u>	<u>96,069</u>
Deferred inflows of resources:			
Delinquent property tax revenue	5,292	-	5,292
Unearned lease payments	142,339	-	142,339
Total deferred inflows of resources	<u>147,631</u>	<u>-</u>	<u>147,631</u>
Fund Balances:			
Nonspendable	714	-	714
Committed for:			
Cemetery maintenance	-	60,014	60,014
Appropriated ending fund balance	683,605	-	683,605
Unassigned	2,575,857	-	2,575,857
Total fund balances	<u>3,260,176</u>	<u>60,014</u>	<u>3,320,190</u>
Total liabilities, deferred inflows of resources & fund balances	<u>\$ 3,499,376</u>	<u>\$ 64,514</u>	<u>\$ 3,563,890</u>

CITY OF LA PINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE
GENERAL AND CEMETERY FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Cemetery Fund	Totals
Revenues:			
Property taxes and assessments	\$ 495,511	\$ -	\$ 495,511
Transient room tax	63,277	-	63,277
Intergovernmental	215,544	-	215,544
Franchise taxes	134,942	-	134,942
Licenses, permits and fees	8,625	-	8,625
Charges for services	-	900	900
Investment revenue	167,040	2,550	169,590
Miscellaneous revenue	64,903	-	64,903
Total revenues	<u>1,149,842</u>	<u>3,450</u>	<u>1,153,292</u>
Expenditures:			
Current operating:			
General government	635,138	141	635,279
Cemetery services	-	3,468	3,468
Debt services	42,908	-	42,908
Capital outlay	76,340	-	76,340
Total expenditures	<u>754,386</u>	<u>3,609</u>	<u>757,995</u>
Excess (deficiency) of			
Revenues over expenditures	395,456	(159)	395,297
Other Financing Sources (Uses):			
Operating transfer in	400,000	-	400,000
Operating transfer (out)	<u>(480,000)</u>	<u>-</u>	<u>(480,000)</u>
Total other financing			
Sources (uses)	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Change in fund balance	315,456	(159)	315,297
Fund balance, July 1, 2024	<u>2,976,530</u>	<u>60,173</u>	<u>3,036,703</u>
Fund balance - June 30, 2025	\$ <u>3,291,986</u>	\$ <u>60,014</u>	\$ <u>3,352,000</u>

CITY OF LA PINE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Budget</u>			<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Cemetery plot sales	\$ 1,200	\$ 1,200	\$ 900	\$ (300)
Interest income	700	700	2,550	1,850
Total revenues	<u>1,900</u>	<u>1,900</u>	<u>3,450</u>	<u>1,550</u>
Expenditures:				
Cemetery program	29,100	29,100	3,609	(25,491)
Contingency	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total expenditures	<u>34,100</u>	<u>34,100</u>	<u>3,609</u>	<u>(30,491)</u>
Excess (deficiency) of Revenues Over expenditures	<u>(32,200)</u>	<u>(32,200)</u>	<u>(159)</u>	<u>32,041</u>
Other financing sources (uses):				
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(32,200)</u>	<u>(32,200)</u>	<u>(159)</u>	<u>32,041</u>
Fund balance - July 1, 2024	<u>42,013</u>	<u>42,013</u>	<u>60,173</u>	<u>32,041</u>
Fund balance - June 30, 2025	<u>\$ 9,813</u>	<u>\$ 9,813</u>	<u>\$ 60,014</u>	<u>\$ 64,082</u>

SUPPLEMENTARY INFORMATION

PROPRIETARY FUNDS

CITY OF LA PINE
COMBINING STATEMENT OF NET POSITION
WATER AND DEBT RESERVE FUND
JUNE 30, 2025

	Water Fund	Debt Reserve Fund	Total Water Funds
ASSETS:			
Current assets:			
Cash and investments	\$ 2,139,667	\$ -	\$ 2,139,667
Accounts receivable, net	117,142	-	117,142
Inventory	94,571	-	94,571
Prepaid expense	714	-	714
Total current assets	2,352,094	-	2,352,094
Non-current assets:			
Restricted cash	-	972,567	972,567
Capital assets:			
Land	33,500	-	33,500
Intangible assets	24,514	-	24,514
Construction in progress	-	-	-
Infrastructure	24,848,771	-	24,848,771
Buildings & improvements	219,953	-	219,953
Equipment & vehicles	212,601	-	212,601
Other capital assets	22,500	-	22,500
Less: accumulated depreciation	(5,942,448)	-	(5,942,448)
Total capital assets	19,419,391	-	19,419,391
Total assets	21,771,485	972,567	22,744,052
LIABILITIES:			
Current liabilities:			
Accounts payable	11,455	-	11,455
Interest payable	41,720	-	41,720
Compensated absences	19,515	-	19,515
Customer deposits	56,685	-	56,685
Payroll liabilities	2,480	-	2,480
Current portion of long-term obligations	282,312	-	282,312
Total current liabilities	414,167	-	414,167
Long-term obligations:			
Long-term debt, net of current portion	9,578,086	-	9,578,086
Total long-term liabilities	9,578,086	-	9,578,086
Total liabilities	9,992,253	-	9,992,253
NET POSITION:			
Net investment in capital assets	9,558,993	-	9,558,993
Restricted for:			
Debt service	-	972,567	972,567
Unrestricted	2,220,239	-	2,220,239
Total net position	\$ 11,779,232	\$ 972,567	\$ 12,751,799

CITY OF LA PINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
WATER AND DEBT RESERVE FUND
June 30, 2025

	Water Fund	Debt Reserve Fund	Total Water Funds
OPERATING REVENUES:			
Charges for services & fees	\$ 1,147,756	\$ -	\$ 1,147,756
Miscellaneous & other income	26,033	-	26,033
Total revenues	<u>1,173,789</u>	<u>-</u>	<u>1,173,789</u>
OPERATING EXPENSES:			
Personnel services	440,880	-	440,880
Materials and supplies	258,236	-	258,236
Depreciation expense	74,859	-	74,859
Total operating expenses	<u>773,975</u>	<u>-</u>	<u>773,975</u>
Income (loss) from operations	399,814	-	399,814
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental - grants	3,069,991	-	3,069,991
Investment revenue	84,681	38,444	123,125
Interest expense	(215,680)	-	(215,680)
Total non-operating revenue (expense)	<u>2,938,992</u>	<u>38,444</u>	<u>2,977,436</u>
Income before transfers	3,338,806	38,444	3,377,250
Other financing sources (uses):			
Transfers from other funds	-	734,228	734,228
Transfers (to) other funds	(1,113,987)	-	(1,113,987)
Changes in net position	<u>2,224,819</u>	<u>772,672</u>	<u>2,997,491</u>
Beginning net position balance	<u>9,554,413</u>	<u>199,895</u>	<u>9,754,308</u>
Net position - June 30, 2025	<u>\$ 11,779,232</u>	<u>\$ 972,567</u>	<u>\$ 12,751,799</u>

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
WATER FUND
June 30, 2025

	<u>Budget</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Basis</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Charges for services	\$ 1,041,000	\$ 1,041,000	\$ 1,147,756	\$ 106,756
Investment revenue	10,000	10,000	84,681	74,681
Other revenue	1,500	1,500	26,033	24,533
Total revenues	1,052,500	1,052,500	1,258,470	205,970
Expenditures:				
Water utility services program	\$ 2,734,649	\$ 4,352,354	3,199,003	(1,153,351)
Debt service	500,000	500,000	487,508	(12,492)
Contingency	300,000	300,000	-	(300,000)
Total expenditures	3,534,649	5,152,354	3,686,511	(1,465,843)
Other financing sources (uses):				
Transfers	(1,387,737)	(1,387,737)	(1,113,987)	(273,750)
Interim financing	1,547,526	3,165,231	3,219,991	(54,760)
Total other financing sources (uses)	159,789	1,777,494	2,106,004	(328,510)
Net change in fund balance	(2,322,360)	(2,322,360)	(322,037)	2,000,323
Fund balance - July 1, 2024	3,251,078	3,251,078	9,554,413	1,325,430
Fund balance - June 30, 2025	<u>\$ 928,718</u>	<u>\$ 928,718</u>	<u>\$ 9,232,376</u>	<u>\$ 3,325,753</u>
Reconciliation to generally accepted accounting principles basis ending net position:				
Debt repayment - principal			271,828	
Capital asset additions			2,499,887	
Depreciation expense			(74,859)	
Proceeds from debt			(150,000)	
Net position			<u>\$ 11,779,232</u>	

CITY OF LA PINE
COMBINING STATEMENT OF NET POSITION
SEWER AND CAPITAL RESERVE FUND
JUNE 30, 2025

	Sewer Fund	Capital Reserve Fund	Total Sewer Funds
ASSETS:			
Current assets:			
Cash and investments	2,301,119	296,729	\$ 2,597,848
Accounts receivable, net	121,248	-	121,248
Inventory	17,259	-	17,259
Prepaid expense	714	-	714
Total current assets	2,440,340	296,729	2,737,069
Capital assets:			
Land	845,752	-	845,752
Intangible assets	-	-	-
Construction in progress	151,835	-	151,835
Infrastructure	29,169,996	-	29,169,996
Buildings & improvements	156,312	-	156,312
Equipment & vehicles	570,647	-	570,647
Other capital assets	20,500	-	20,500
Less: accumulated depreciation	(5,113,416)	-	(5,113,416)
Total capital assets	25,801,626	-	25,801,626
Total assets	28,241,966	296,729	28,538,695
LIABILITIES:			
Current liabilities:			
Accounts payable	152,232	-	152,232
Interest payable	161,584	-	161,584
Compensated absences	18,564	-	18,564
Customer deposits	-	-	-
Payroll liabilities	2,418	-	2,418
Current portion of long-term obligations	282,312	-	282,312
Total current liabilities	617,110	-	617,110
Long-term obligations:			
Long-term debt, net of current portion	14,019,501	-	14,019,501
Total long-term liabilities	14,019,501	-	14,019,501
Total liabilities	14,636,611	-	14,636,611
NET POSITION:			
Net investment in capital assets	11,551,625	-	11,551,625
Restricted for:			
Capital projects	-	296,729	296,729
Unrestricted	2,105,542	-	2,105,542
Total net position	\$ 13,657,167	\$ 296,729	\$ 13,953,896

CITY OF LA PINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
SEWER AND CAPITAL RESERVE FUND
JUNE 30, 2025

	Sewer Fund	Capital Reserve Fund	Total Sewer Funds
OPERATING REVENUES:			
Charges for services & fees	\$ 1,199,388	\$ -	\$ 1,199,388
Miscellaneous & other income	85,978	-	85,978
Total revenues	<u>1,285,366</u>	<u>-</u>	<u>1,285,366</u>
OPERATING EXPENSES:			
Personnel services	423,697	-	423,697
Materials and supplies	334,274	-	334,274
Depreciation expense	137,241	-	137,241
Total operating expenses	<u>895,212</u>	<u>-</u>	<u>895,212</u>
Income (loss) from operations	390,154	-	390,154
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental - grants	4,201,967	-	4,201,967
Investment revenue	86,581	11,729	98,310
Interest expense	(190,545)	-	(190,545)
Total non-operating revenue (expense)	<u>4,098,003</u>	<u>11,729</u>	<u>4,109,732</u>
Income before transfers	4,488,157	11,729	4,499,886
Other financing sources (uses):			
Transfers from other funds	-	285,000	285,000
Transfers (to) other funds	(318,407)	-	(318,407)
Changes in net position	<u>4,169,750</u>	<u>296,729</u>	<u>4,466,479</u>
Beginning net position balance	<u>9,487,417</u>	<u>-</u>	<u>9,487,417</u>
Net position - June 30, 2025	<u>\$ 13,657,167</u>	<u>\$ 296,729</u>	<u>\$ 13,953,896</u>

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SEWER FUND
JUNE 30, 2025

	<u>Budget</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Basis</u>	<u>Final Budget</u>
Revenues:				
Charges for services	\$ 1,117,500	\$ 1,117,500	\$ 1,199,388	\$ 81,888
Investment revenue	10,000	10,000	86,581	76,581
Other revenue	<u>500</u>	<u>500</u>	<u>85,978</u>	<u>85,478</u>
Total revenues	<u>1,128,000</u>	<u>1,128,000</u>	<u>1,371,947</u>	<u>243,947</u>
Expenditures:				
Sewer utility services program	4,468,383	8,470,267	4,708,294	(3,761,973)
Debt service	650,000	650,000	-	(650,000)
Contingency	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Total expenditures	<u>5,268,383</u>	<u>9,270,267</u>	<u>4,708,294</u>	<u>(4,561,973)</u>
Other financing sources (uses):				
Operating transfers out	(478,990)	(478,990)	(318,407)	160,583
Interim financing	<u>3,302,500</u>	<u>7,304,384</u>	<u>4,600,901</u>	<u>(2,703,483)</u>
Total other financing sources	<u>2,823,510</u>	<u>6,825,394</u>	<u>4,282,494</u>	<u>(2,542,900)</u>
Net change in fund balance	(1,316,873)	(1,316,873)	946,147	2,263,020
Fund balance - July 1, 2024	<u>1,635,428</u>	<u>1,635,428</u>	<u>9,487,417</u>	<u>7,851,989</u>
Fund balance - June 30, 2025	<u>\$ 318,555</u>	<u>\$ 318,555</u>	<u>\$ 10,433,564</u>	<u>\$ 10,115,009</u>
Reconciliation to generally accepted accounting principles basis ending net position:				
Capital asset additions			3,759,778	
Depreciation expense			(137,241)	
Proceeds from debt			<u>(398,934)</u>	
Net position			<u>\$ 13,657,167</u>	

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SDC FUND
JUNE 30, 2025

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
Revenues:				
SDC income - water	\$ 300,000	\$ 300,000	\$ 212,906	\$ (87,094)
SDC income - transportation	300,000	300,000	369,147	69,147
SDC income - sewer	300,000	300,000	359,803	59,803
SDC income -lift stations	20,000	20,000	31,330	11,330
Investment revenue	15,000	15,000	199,439	184,439
Total revenues	935,000	935,000	1,172,625	237,625
Expenditures:				
Materials and services	1,050,000	1,050,000	-	(1,050,000)
Capital outlay	1,500,000	1,500,000	-	(1,500,000)
Total expenditures	2,550,000	2,550,000	-	(1,500,000)
Other financing sources (uses):				
Operating transfers in	250,000	250,000	136,833	(113,167)
Net change in fund balance	(1,365,000)	1,185,000	1,035,792	1,624,458
Fund balance - July 1, 2024	4,665,141	4,665,141	4,271,476	936,708
Fund balance - June 30, 2025	\$ 3,300,141	\$ 5,850,141	\$ 5,307,268	\$ 2,561,166

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
WATER DEBT RESERVE FUND
JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Interest income	\$ <u>-</u>	\$ <u>-</u>	\$ <u>38,444</u>	\$ <u>38,444</u>
Total revenues	<u>-</u>	<u>-</u>	<u>38,444</u>	<u>38,444</u>
Other financing sources (uses):				
Operating transfers in	<u>734,227</u>	<u>734,227</u>	<u>734,228</u>	
Total other financing sources	<u>734,227</u>	<u>734,227</u>	<u>734,228</u>	<u>-</u>
Net change in fund balance	<u>734,227</u>	<u>734,227</u>	<u>772,672</u>	<u>38,445</u>
Fund balance - July 1, 2024	<u>193,503</u>	<u>193,503</u>	<u>199,895</u>	<u>-</u>
Fund balance - June 30, 2025	<u>\$ 927,730</u>	<u>\$ 927,730</u>	<u>\$ 972,567</u>	<u>\$ 38,445</u>

CITY OF LA PINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
WATER AND SEWER RESERVE FUND
JUNE 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Investment revenue	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 37,415</u>	\$ <u> 37,415</u>
Total revenues	<u> -</u>	<u> -</u>	<u> 37,415</u>	<u> 37,415</u>
Other financing sources (uses)				
Transfers in	<u> 400,000</u>	<u> 400,000</u>	<u> 400,000</u>	<u> -</u>
Net change in fund balance	400,000	400,000	437,415	37,415
Fund balance - July 1, 2024	<u> 452,670</u>	\$ <u> 452,670</u>	<u> 509,104</u>	<u> 56,434</u>
Fund balance - June 30, 2025	\$ <u> 852,670</u>	\$ <u> 852,670</u>	\$ <u> 946,519</u>	\$ <u> 93,849</u>



INDEPENDENT AUDITORS' REPORT

To the Governing Body
City of La Pine La Pine, Oregon

We have audited the basic financial statements of the City of La Pine as of and for the year ended June 30, 2025 and have issued our report thereon dated December 31, 2025. 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 City of La Pine's financial statements are free of material mis- statement, 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 and roads.**
- **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 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

We identified certain deficiencies we consider to be material weaknesses which we communicated to the governing body in our Report on Internal Control Over Financial Statement Reporting, dated December 31, 2025.

This report is intended solely for the information and use of the City Council and management of City of La Pine and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Respectfully,

A handwritten signature in black ink that reads "Brenda Bartlett". The signature is written in a cursive, flowing style.

Sensiba LLP
Bend, OR
December 31, 2025

CITY OF LA PINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor and Pass-through Agency</u>	<u>Assistance Listing Number</u>	<u>Pass-through Agency Number</u>	<u>Federal Expenditures</u>
US Environmental Protection Agency			
State of Oregon Business Development Department			
Capitalization Grants for Drinking Water State			
Revolving Funds	66.468		\$ 200,000
US Department of Agriculture			
State of Oregon Business Development Department			
Capitalization Grants for Drinking Water State			
Revolving Funds	10.760		5,962,177
Oregon Department of Administrative Services			
COVID-19 Coronavirus State and Local Fiscal			
Recovery Funds	21.027	8239	<u>286,588</u>
Total federal financial assistance			\$ <u>6,448,765</u>

CITY OF LA PINE
NOTES TO THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes federal awards activity of the City of La Pine (City) under programs of the federal government for the year ended June 30, 2025. The information presented in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported as federal loan proceeds are disbursed. For expenditures related to grant revenue, expenditures on the SEFA are reported in the year in which they are incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: LOAN PROGRAMS

The balance of federal loans as of June 30, 2025 was \$21,912,443.



INDEPENDENT AUDITOR'S REPORT

City Council and Management
City of La Pine, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Pine, Oregon (City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 31, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as items 2025-001 and 2025-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. No significant deficiencies were reported.

Report on Compliance and Other Matters

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

City of La Pine, Oregon's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Respectfully,

A handwritten signature in black ink that reads "Sensiba LLP". The signature is written in a cursive, flowing style.

Sensiba LLP
Bend, OR
December 31, 2025



INDEPENDENT AUDITOR'S REPORT

City Council and Management
City of La Pine, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of La Pine, Oregon (City)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully,

A handwritten signature in black ink that reads "Sensiba LLP". The signature is written in a cursive, flowing style.

Sensiba LLP
Bend, OR
December 31, 2025

CITY OF LA PINE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
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Internal control over financial reporting:

- | | |
|-----------------------------------|-----|
| • Material weaknesses identified? | Yes |
| • Significant deficiencies? | No |

Noncompliance material to the financial statements noted?	No
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Federal Awards

Internal control over major federal programs:

- | | |
|--|---------------|
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified? | None reported |

Type of auditor's report issued on compliance for major federal programs:	Unmodified
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Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
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Identification of major federal programs:

<u>Assistance Listing No.</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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CITY OF LA PINE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section II – Financial Statement Findings

Finding 2025-001

Criteria: Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition: During the course of our audit, we identified numerous material errors in the financial statement ending balances which required adjustment for the financial statements to be reasonably stated in all material respects.

Context: While the City has documented annual financial closing processes, the processes were not effective to prevent material misstatements in the year-end balances. In some instances, the City maintained proper support for reasonably stated account balances, but did not adjust its records to reflect that support. In other cases, adequate closing support was not prepared, and additional procedures were required to properly state the account balances.

Cause: The City's resources in the accounting and finance areas are limited due to the size of its staff and non-recurring transaction internal controls are much more time-intensive than those in place for recurring transactions.

Effect: Material misstatements in the City's financial statements were not prevented or detected.

Recommendation: The City should continue its efforts to improve its system of internal controls to include non-recurring, complex transactions to be analyzed and recorded at year end. We recommend the City review the list of proposed adjusting entries and compare to the annual checklist of transactions to consider segregating the closing procedures to include a preparer and reviewer before submission of the trial balance.

Views of Responsible Officials: The City agrees with this finding and intends to implement the auditors recommended course of action beginning January 2026.

Finding 2025-002

Criteria: Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition and context: Bank reconciliations contained unexplained and erroneous reconciling items, requiring adjustment to bank account balances. Several of the errors were simply mis-postings between bank accounts, however an audit adjustment of \$90,770 was proposed to correct a duplicate posting of interest expense that reduced cash erroneously.

CITY OF LA PINE, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Cause: Bank reconciliations were not properly reviewed and traced to the balances in the accounting system to identify errors.

Effect: Bank reconciliations included unsupported reconciling items resulting in potentially misstated cash balances.

Recommendation: We recommend a more robust bank reconciliation process be implemented, where reconciling items are supported and investigated if they are of unknown origin.

Views of Responsible Officials: The City agrees with this finding and intends to implement the auditors recommended course of action beginning January 2026.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Corrective Action Plan

Finding 2025-001

Description: The City's documented annual financial closing processes was not effective to prevent material misstatements in the year-end balances.

Cause: The City's resources in the accounting and finance areas are limited due to the size of its staff and non-recurring transaction internal controls require substantially more time to implement than those in place for recurring transactions.

Corrective Action: The City will implement internal controls over non-recurring, complex transactions prior to the next annual reporting date of June 30, 2026 to ensure balances are not materially misstated.

Responsible Party: Finance Director, Ashley Ivans

Timeline: Additional internal controls are expected to be operational prior to June 30, 2026.

Finding 2025-002

Description: The bank reconciliation review process did not include procedures to investigate unexplained and erroneous reconciling items and correct identified errors.

Cause: The City's Finance Director filled in as needed in the role of Public Works Director when the position remained unfilled during the year. Time constraints resulted in less time to identify and correct errors related to reconciling items on the bank reconciliation.

Corrective Action: The City has hired a Public Works Director and will direct resources to improving the bank reconciliation review process to include sufficient time to investigate and correct errors identified during the bank reconciliation process.

Responsible Party: Finance Director, Ashley Ivans

Timeline: Changes to this begin in January 2026.

Status of Prior Year Findings

Finding 2024-001

Description: The City has documented financial closing procedures for month and year end processes. During the planning of our audit, we noted not all significant account balances were addressed in the City's documented internal controls. During the course of our audit, we identified misstatements related primarily to non-recurring account balances. The City's internal control system related to recurring transactions was sufficient to prevent and detect misstatement.

Cause: The City's resources in the accounting and finance areas are limited due to the size of its staff and non-recurring transaction internal controls are much more time-intensive than those in place for recurring transactions.

Corrective Action: The City has begun segregating financing duties between the Finance Director, City Recorder and Administrative assistant. More specifically, the Administrative Assistant is responsible for reconciling and proposing journal entries, the Finance Director will then review the entries, and the City Recorder will enter them. Furthermore, the City has updated the year end checklist to recognize these additional steps in the year end closing process.

Responsible Party: Finance Director, Ashley Ivans

December 2025 Update: Transitions to this process are still underway as the department staff learn and understand journal entries and the accounting system. Currently, all entries that are not complex, or related to year end, are proposed by the City Recorder and entered by the Administrative Assistant. Complex entries are still proposed by the Finance Director and entered by the Administrative Assistant.

Finding 2024-002

Description: During the planning of our audit, we noted the City has documented processes for review of manual journal entries assigned to City Manager, but reviews did not appear to be done consistently and/or timely. The City Manager's responsibilities appear to leave little time for direct participation in the daily internal control processes related to review of accounting reconciliations and transactions.

Corrective Action: The Administrative Assistant is responsible for reconciling and proposing journal entries, the Finance Director will then review the entries, and the City Recorder will enter them. Monthly, the Finance Director will, as part of the monthly close, review the journal entries and reconcile those to the entry reports provided by the Administrative Assistant and City Recorder.

Responsible Party: Finance Director, Ashley Ivans

December 2025 Update: The City Recorder and Finance Director are responsible for proposing journal entries, as noted above. All entries are entered by the Administrative Assistant. All entries are reviewed by the Finance Director after entry.

Finding 2024-003

Description: The City's controls over bank account transfers do not incorporate preventative bank-level account controls. The City maintains multiple bank accounts, whereby transfers are made from one to the other based on the needs of the City for various activities. Initiation for transfers is performed by the Finance Director, who also has signatory authority over the various bank accounts, and access to the accounting system. City Manager reviews and approves transfers in a manual process.

Cause: The City's resources in the accounting and finance areas are limited due to the size of its staff.

Corrective Action: The City is exploring methods of dual approval at this time. The Finance Director is also being removed as a signing authority from all bank accounts. In the future, transfers will be proposed by the Finance Director to the City Manager. The City Manager will approve the transfers. Transfers will be initiated by the City Recorder or Administrative Assistant. The City Recorder, Administrative Assistant or Utility Billing Clerk will be responsible for secondary approval of those transactions.

Responsible Party: Finance Director, Ashley Ivans

December 2025 Update: The City currently utilizes dual approval. The Finance Director has also been removed as a signing authority. The process above is currently followed.

Finding 2024-004

Description: During the planning of our audit, we noted the City has documented processes for review of various payroll reconciliations and transactions assigned to City Manager, but noted the reviews were not consistently performed in a timely manner. We also noted the payroll system set up within the software was not consistently posting information to the general ledger, creating additional work for management to reconcile the payroll related accounts and transactions. During our testing of payroll, we noted several transactions and balances where management discovered errors in the software's calculations of various transactions and balances, resulting in significant manual adjustment to year end liabilities because the payroll module was not properly posting to the general ledger.

Causes: The City Manager's responsibilities appear to leave little time for direct participation in the daily internal control processes related to review of accounting reconciliations and transactions. An additional cause is the payroll accounting system's automatic posting to the general ledger appears to have set up issues with management needing to correct at year end with manual reconciliations and adjustments.

Corrective Action: The Administrative Assistant is responsible for processing payroll and the City Recorder is responsible for changes made to employee files and pay codes. The Finance Director will be responsible for reviewing payroll processing prior to check issuance. Any adjustments to personnel will be reviewed by the Finance Director prior to entry.

Responsible Party: Finance Director, Ashley Ivans

December 2025 Update: The process above is currently followed.

Finding 2024-005

Description: During the planning of our audit, we noted the City has documented processes for review of the bank account reconciliations, prepared by the Finance Director, assigned to City Manager, but we were unable to find documentation that the reviews were consistently conducted in a timely manner. The City Manager's responsibilities appear to leave little time for direct participation in the daily internal control processes related to review of accounting reconciliations and transactions.

Corrective Action: The Administrative Assistant is responsible for preparing the bank reconciliations, the Finance Director will then review reconciliations.

Responsible Party: Finance Director, Ashley Ivans

December 2025 Update: The City Recorder, rather than the Administrative Assistant prepares the reconciliations. Other than that the process above is currently followed.