

**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

**2012-2013**  
**FINANCIAL REPORT**

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**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

2012-2013  
**FINANCIAL REPORT**

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Ken Mulenex, Mayor	December 31, 2014
Stu Martinez, President	December 31, 2014
Karen Ward	December 31, 2014
Greg Jones	December 31, 2016
Kathy Agan	December 31, 2016

All Council members receive mail at the address listed below.

**ADMINISTRATION**

**City Hall**  
**P.O. Box 3055**  
**La Pine, Oregon 97739**

**Rick Allen**  
**Interim City Manager**

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**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

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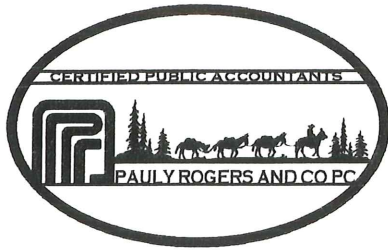
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May 19, 2014

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of La Pine  
Deschutes County, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of La Pine, Deschutes County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of La Pine, as of June 30, 2013, and the respective changes in financial position and budgetary comparisons for the general fund and major special revenue funds, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

The City adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

The City adopted the provisions of GASB Statement No. 69, Government Combinations and Disposals of Government Operations for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, 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 records used to prepare the 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

The listing of council members containing their term expiration dates, located before the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



## Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated May 19, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Roy R. Rogers, CPA  
PAULY, ROGERS AND CO., P.C.

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# City of La Pine

PO Box 2460, La Pine, OR 97739, 541-536-1432  
www.ci.la-pine.or.us, info@ci.la-pine.or.us

**Mayor**  
Ken Mullenex  
**City Council**  
Stu Martinez  
Kathy Agan  
Greg Jones  
Karen Ward

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

As management of the City of La Pine (City), we offer readers this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2013. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standard Board (GASB). This report should be read in conjunction with the basic financial statements and notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- As of the beginning of the fiscal year, the City of La Pine assumed all assets, liabilities, and took over operations of the La Pine Water District, the La Pine Special Sewer District, and the La Pine Cemetery District. The total net position transferred in to the City from the three districts was approximately \$5.8 million. The primary reason for the transfer of operations was to provide more efficient operations.
- Excluding the transfer of operations, the City's total net position increased approximately \$185,000. Approximately \$100,000 of the increase is related to adjustment to decrease the City's debt balance due to the U.S. Department of Agriculture. The remaining increase is the net result of the activities in the various funds.
- The City recognized approximately \$230,000 in property tax revenue in 2013, which is a 3.8% increase from the prior year.

### **DISCUSSION OF THE BASIC 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 themselves.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Government-Wide Financial Statements**

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the City's finances and are made up of the following two statements: the *Statement of Net Position* and the *Statement of Activities*. Both of these statements are prepared using accounting methods similar to those used by private-sector businesses, which use the economic resources measurement focus and the accrual basis of accounting.

- The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- 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 reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absents).

Both of the government-wide financial statements differentiate functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include the general fund (including cemetery), streets, and tourism. The business-type activities (*proprietary fund type*) of the City include the water and sewer operations.

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013.

### **Measurement Focus and Basis of Accounting**

Governmental financial reporting is characterized as having two distinct objectives for its financial reporting. These objectives are categorized as governmental activities which are supported by levying taxes and business-type (proprietary) activities which are supported by charges for services. The measurement focus for each of these activities are uniquely different, both the governmental-wide financial statements and the business-type activities focus on the changes in economic resources similar to private-sector businesses. The objective of the proprietary fund operating statement is to answer the question, "*What transactions and events have incurred that increase or decrease the fund's total economic resources during the period?*" Therefore, both the Governmental-wide and the proprietary funds financial statements are based on full accrual accounting.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Accrual accounting measures the effects of transactions, events, and interfund activities when they occur, regardless of the timing of the related cash flows. The measurement focus for governmental funds however, is to view changes in current financial resources. The objective is to answer the question, "*What are the transactions or events of the current period that have increased or decreased the resources available for spending in the near future?*"

Governmental funds use modified accrual accounting in which revenues are not recognized until they are measurable and available, and expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when the liability is first incurred.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or functions. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: governmental funds and proprietary funds. Fund financial statements focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. These statements tell how governmental services such as the general fund (including cemetery), streets, and tourism were financed in the short term as well as what remains for future spending. Unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. However, this information does not encompass the additional long-term focus of the government-wide statements. Therefore, both the governmental funds financial statements are followed by a reconciliation that explains the relationship or differences between governmental funds and the governmental-wide financial statements.

The City maintains four individual governmental funds. Of these individual funds, the City considers three funds to be *major governmental funds*. These three major governmental funds - represented individually in the balance sheet and the statement of revenues, expenditures, and changes in fund balances - consist of the General Fund, Street Fund, and Tourism Fund. The remaining fund is the Cemetery Fund, which is considered a non-major governmental fund and is combined with the General Fund in the balance sheet and the statement of revenues, expenditures, and changes in fund balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As part of required supplementary information, budgetary comparison statements are presented for the reader's information. These statements compare the original adopted budget along with the final adjusted budget to the year-end actual activities.

**Proprietary Funds** are similar to business-type activities which utilize full accrual accounting. The City maintains one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the City's Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations.

The financial statements also include notes that provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 13 of this report.

In addition to the basic financial statements and the accompanying notes, additional pertinent information for the reader, referred to as *Required Supplementary Information* (RSI). The RSI can be found in this report following the notes to the basic financial statements. This section includes a schedule of expenditures and appropriations in compliance with ORS Chapter 294, as well as budgetary comparisons for the City's major governmental funds.

### **CONDENSED COMPARATIVE DATA AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

#### **Net Position**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of La Pine, combined net position on June 30, 2013 was approximately \$9.6 million, a \$6.0 million increase from June 30, 2012. The transfers of the La Pine Water District, the La Pine Special Sewer District, and the La Pine Cemetery District to the City account for approximately \$5.8 million of the increase. Approximately \$100,000 of the increase is related to adjustment to decrease the City's debt balance due to the U.S. Department of Agriculture. The remaining increase is the net result of the activities in the various funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 1**  
**CITY OF LA PINE**  
**STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current and other assets	835,543	\$ 689,860	\$ 3,673,498	\$ -	\$4,509,041	\$ 689,860
Capital assets	3,349,542	3,468,431	5,717,638	-	9,067,180	3,468,431
<b>Total Assets</b>	<b>4,185,085</b>	<b>4,158,291</b>	<b>9,391,136</b>	<b>-</b>	<b>13,576,221</b>	<b>4,158,291</b>
<b>Liabilities:</b>						
Current liabilities	66,144	91,095	218,908	1,954	285,052	93,049
Non-current liabilities	475,000	495,000	3,266,750	-	3,741,750	495,000
<b>Total Liabilities</b>	<b>541,144</b>	<b>586,095</b>	<b>3,485,658</b>	<b>1,954</b>	<b>4,026,802</b>	<b>588,049</b>
<b>Net position:</b>						
Net Investment in Capital Assets	2,854,542	2,958,431	2,349,928	-	5,204,470	2,958,431
Restricted	326,719	280,977	1,973,276	-	2,299,995	280,977
Unrestricted	462,680	332,788	1,582,274	(1,954)	2,044,954	330,834
<b>Total Net Position</b>	<b>\$ 3,643,941</b>	<b>\$ 3,572,196</b>	<b>\$ 5,905,478</b>	<b>\$ (1,954)</b>	<b>\$9,549,419</b>	<b>\$3,570,242</b>

Note: The capital assets reflected within (Table 1) are stated net of accumulated depreciation.

The City's net position is made up of three components: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position includes amounts that are subject to constraints that are either externally imposed by outside agencies, for example banks or grant agencies, or imposed by law through constitutional provisions or enabling legislation. During the fiscal year, total restricted net position increased by approximately \$2.0 million. This increase was primarily related to debt reserves and SDC fund balances transferred to the City from the La Pine Water District and the La Pine Special Sewer District.

The largest component of the City's \$5.2 million net position is net investments in capital assets (*e.g., land, buildings, improvements, equipment, infrastructure and construction in progress*). The City uses these capital assets to provide services to 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Change in Net Position**

**Table 2**  
**CITY OF LA PINE**  
**CHANGE IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues/Tranfers:</b>						
Program Revenues	\$ 21,161	\$ 54,185	\$ 1,063,693	\$ -	\$1,084,854	\$ 54,185
Property taxes	230,109	221,744	-	-	230,109	221,744
Shared revenue	218,013	135,629	-	-	218,013	135,629
Other general revenues	223,678	293,624	34,054	-	257,732	293,624
Transfers	-	(6,226)	-	6,226	-	-
<b>Total Revenues/Transfers</b>	<b>692,961</b>	<b>698,956</b>	<b>1,097,747</b>	<b>6,226</b>	<b>1,790,708</b>	<b>705,182</b>
<b>Expenses:</b>						
General	428,358	460,923	-	-	428,358	460,923
Streets	189,389	53,277	-	-	189,389	53,277
Capital outlay and debt service	20,766	43,487	-	-	20,766	43,487
Water/Sewer	-	-	1,066,915	8,180	1,066,915	8,180
<b>Total Expenses</b>	<b>638,513</b>	<b>557,687</b>	<b>1,066,915</b>	<b>8,180</b>	<b>1,705,428</b>	<b>565,867</b>
<b>Debt Principal Adjustment</b>	-	-	99,991	-	99,991	-
<b>Transfer of Operations</b>	17,297	-	5,776,609	-	5,793,906	-
<b>Change in Net position</b>	71,745	141,269	5,907,432	(1,954)	5,979,177	139,315
<b>Net position - beginning</b>	663,826	522,557	(1,954)	-	661,872	522,557
<b>Prior Period Adjustment</b>	2,908,370	-	-	-	2,908,370	-
<b>Net position - ending</b>	<b>\$3,643,941</b>	<b>\$ 663,826</b>	<b>\$ 5,905,478</b>	<b>\$ (1,954)</b>	<b>\$9,549,419</b>	<b>\$ 661,872</b>

***Governmental Activities***

Governmental activities represent 38.2% of the City's total net position. Excluding the transfer of the districts and the prior period adjustment related to capital assets, the governmental activities net position increased slightly by approximately \$50,000 in 2013. Property taxes and shared revenues increased from the prior year, while franchise fees and other revenues decreased.

***Business-Type Activities***

Business-type activities represent 61.8% of the City's total net position. These business-type activities consist of the Water and Sewer operations and capital projects, which were transferred from the La Pine Water District and La Pine Special Sewer District at the beginning of the current fiscal year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

**ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balance spending recourses. Such information is useful in assessing the City's financing requirements. In particular, the unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Table 3**  
**CITY OF LA PINE**  
**SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**

<b>Fiscal Year 2012-13</b>	<b>General Fund</b>	<b>Street Fund</b>	<b>Tourism Fund</b>	<b>City Hall Improvement Fund</b>	<b>Total</b>
Total revenues	\$ 522,027	\$ 99,602	\$ 74,950	\$ -	\$ 696,579
Total expenditures	392,154	82,949	63,488	-	538,591
Revenues over/(under) expenditures	129,873	16,653	11,462	-	157,988
Special Items	17,297	-	-	-	17,297
Net change in fund balance	147,170	16,653	11,462	-	175,285
Fund balance - beginning	306,532	280,977	-	-	587,509
Fund balance (deficit) - Ending	\$ 453,702	\$ 297,630	\$ 11,462	\$ -	\$ 762,794
<b>Fiscal Year 2011-12</b>	<b>General Fund</b>	<b>Street Fund</b>	<b>Tourism Fund</b>	<b>City Hall Improvement Fund</b>	<b>Total</b>
Total revenues	\$ 535,099	\$ 91,179	\$ 81,690	\$ -	\$ 707,968
Total expenditures	429,512	52,155	58,230	265,399	805,296
Revenues over/(under) expenditures	105,587	39,024	23,460	(265,399)	(97,328)
Total other financing sources/(uses)	(155,760)	65,330	(23,460)	107,664	(6,226)
Net change in fund balance	(50,173)	104,354	-	(157,735)	(103,554)
Fund balance - beginning	356,705	176,623	-	157,735	691,063
Fund balance (deficit) - Ending	\$ 306,532	\$ 280,977	\$ -	\$ -	\$ 587,509

As of fiscal year ended 2012, the City's governmental funds reported a combined ending fund balance of approximately \$588,000. During the current fiscal year, the ending fund balance for the General Fund increased approximately \$147,000, primarily due to an excess of property taxes and franchise fees over expenditures. The total increase in fund balance for Total Governmental Funds was approximately \$175,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **ANALYSIS OF BUDGETARY VARIATIONS**

The City adopted the operating budget for the fiscal year 2012-13 budget on June 13, 2012 in the amount of \$4,325,335. The General Fund and other major governmental funds budgetary comparisons can be found in the Required Supplementary Information section starting on page 28. Budgetary comparisons for the Cemetery Fund, Water Fund, and Sewer Fund can be found on pages 32-34.

While certain expenditure categories were over-budget, total expenditures in all funds, separately and in total, were substantially lower than budgeted.

### **CAPITAL ASSETS**

The Capital assets of the City are those assets that are used in the performance of the City's functions including infrastructures assets. Capital Assets include buildings, equipment, land, roads, water/sewer systems, and construction in progress.

Capital activity for the fiscal year ended June 30, 2013 was minimal, with the exception of the assets that transferred to the City from the La Pine Water District and La Pine Special Sewer District.

### **LONG-TERM DEBT**

The City did not issue new debt in the current fiscal year and made approximately \$268,000 in debt service payments. The principal balance of long-term debt also decreased approximately \$100,000 as the result of a principal adjustment on the City's debt balance due to the U.S. Department of Agriculture.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Economic and other factors considered in developing the FY 2013-14 budget include:

- The City has been assessing property taxes at a rate \$1.90 compared to their maximum permanent rate of \$1.98/thousand. For FY 2013-14, the rate was raised to \$1.93/thousand in order to balance the budget.
- The City in partnership with Deschutes County expects to contract with Economic Development for Central Oregon (EDCO) for a new position that will be assigned to the La Pine and Sunriver areas to manage industrial, business and commercial development in the area.
- The City will assume responsibility for local community development services from Deschutes County in the FY 2013-14 fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)**

- The City continues to set aside funds for future capital, including reserves for maintenance, repairs and improvements to City Hall, city streets, and water and sewer infrastructure.
- Substantial capital and other operating projects are expected in FY 2013-14, including:
  - Website redesign
  - Complete integration of the City's accounting system
  - City Hall sound system
  - Sidewalk/streetscape in front of City Hall
  - Street lighting
  - Right of Way clearing in the Cagle subdivision

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of La Pine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of La Pine, Attention: City Manager, P.O. Box 2460, La Pine, Oregon 97739; (541) 536-1432; or visit the City's website at [www.ci.la-pine.or.us](http://www.ci.la-pine.or.us).

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**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

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**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**STATEMENT OF NET POSITION  
June 30, 2013**

ASSETS	GOVERNMENTAL	BUSINESS TYPE	TOTAL
Cash	\$ 412,321	\$ 1,618,828	\$ 2,031,149
Restricted Cash	326,719	1,973,276	2,299,995
Accounts Receivable	65,164	70,464	135,628
Property Taxes Receivable	10,493	-	10,493
Other Receivables	-	3,810	3,810
Inventory	-	7,120	7,120
Bond Issue Costs	20,846	-	20,846
Capital Assets - Nondepreciable	297,728	648,680	946,408
Capital Assets, Depreciable, Net of Depreciation	3,051,814	5,068,958	8,120,772
<b>Total Assets</b>	<b>4,185,085</b>	<b>9,391,136</b>	<b>13,576,221</b>
<b>LIABILITIES</b>			
Accounts Payable	31,841	12,481	44,322
Deposits Payable		16,700	16,700
Payroll Liabilities	12,313	10,500	22,813
Deferred Revenue	-	5,472	5,472
Accrued Interest	1,990	65,177	67,167
Compensated Absences	-	7,618	7,618
Non Current Liabilities:			
Due within one year	20,000	80,960	100,960
Due in more than one year	475,000	3,286,750	3,761,750
<b>Total Liabilities</b>	<b>541,144</b>	<b>3,485,658</b>	<b>4,026,802</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,854,542	2,349,928	5,204,470
Restricted for:			
Highways and Streets	297,630	-	297,630
Tourism	11,462	-	11,462
Cemetery Maintenance	17,627	-	17,627
System Development Charges		1,557,345	1,557,345
Debt Service	-	415,931	415,931
Unrestricted	462,680	1,582,274	2,044,954
<b>Total Net Position</b>	<b>\$ 3,643,941</b>	<b>\$ 5,905,478</b>	<b>\$ 9,549,419</b>

See accompanying notes to basic financial statements

CITY OF LA PINE  
DESCHUTES COUNTY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<u>Governmental Activities</u>						
General	\$ 428,358	\$ 16,161	\$ 5,000	\$ (407,197)	\$ -	\$ (407,197)
Highways and Streets	189,389	-	-	(189,389)	-	(189,389)
Debt Service	20,766	-	-	(20,766)	-	(20,766)
Total Governmental Activities	<u>638,513</u>	<u>16,161</u>	<u>5,000</u>	<u>(617,352)</u>	<u>-</u>	<u>(617,352)</u>
<u>Business-Type Activities</u>						
Water	657,408	550,272	-	-	(107,136)	(107,136)
Sewer	409,507	513,421	-	-	103,914	103,914
Total Business-Type Activities	<u>1,066,915</u>	<u>1,063,693</u>	<u>-</u>	<u>-</u>	<u>(3,222)</u>	<u>(3,222)</u>
Total Primary Government	<u>\$ 1,705,428</u>	<u>\$ 1,079,854</u>	<u>\$ 5,000</u>	<u>(617,352)</u>	<u>(3,222)</u>	<u>(620,574)</u>
General Revenues						
Property Taxes, Levied for General Purposes				230,109	-	230,109
Sewer Liens				-	6,298	6,298
Franchise Fees				125,682	-	125,682
Motel Tax				74,950	-	74,950
Shared Revenue				218,013	-	218,013
Interest and Miscellaneous				23,046	27,756	50,802
Total General Revenues				<u>671,800</u>	<u>34,054</u>	<u>705,854</u>
Special Item: Debt Principal Adjustment				-	99,991	99,991
Special Item: Transfer of Operations				<u>17,297</u>	<u>5,776,609</u>	<u>5,793,906</u>
Changes in Net Position				71,745	5,907,432	5,979,177
Net Position - Beginning				663,826	(1,954)	661,872
Prior Period Adjustment				<u>2,908,370</u>	<u>-</u>	<u>2,908,370</u>
Net Position - Ending				<u>\$ 3,643,941</u>	<u>\$ 5,905,478</u>	<u>\$ 9,549,419</u>

See accompanying notes to basic financial statements



**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013**

	GENERAL FUND	STREET FUND	TOURISM FUND	TOTAL
<b>ASSETS</b>				
Cash and Investments	\$ 427,326	\$ 300,252	\$ 11,462	\$ 739,040
Accounts Receivable	57,146	8,018	-	65,164
Taxes Receivable	10,493	-	-	10,493
<b>Total Assets</b>	<b>\$ 494,965</b>	<b>\$ 308,270</b>	<b>\$ 11,462</b>	<b>\$ 814,697</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 21,333	\$ 10,508	\$ -	\$ 31,841
Payroll Liabilities	12,181	132	-	12,313
Unearned Revenue	7,749	-	-	7,749
<b>Total Liabilities</b>	<b>41,263</b>	<b>10,640</b>	<b>-</b>	<b>51,903</b>
<b>FUND BALANCE</b>				
Fund Balances				
Restricted for:				
Highways and Streets	-	297,630	-	297,630
Tourism	-	-	11,462	11,462
Cemetery Maintenance	17,627	-	-	17,627
Unassigned	436,075	-	-	436,075
<b>Total Fund Balances</b>	<b>453,702</b>	<b>297,630</b>	<b>11,462</b>	<b>762,794</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 494,965</b>	<b>\$ 308,270</b>	<b>\$ 11,462</b>	<b>\$ 814,697</b>

See accompanying notes to basic financial statements

**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**June 30, 2013**

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Total Fund Balances - Governmental Funds	\$ 762,794
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.</p>	
Capital Assets, net	3,349,542
<p>Property taxes not collected within sixty days after year-end are not considered current financial resources and are, therefore, not reported in the funds.</p>	
	7,749
<p>Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.</p>	
Loan Payable	(495,000)
<p>The bond issue costs are not reported as an asset in the governmental funds.</p>	
	20,846
<p>Accrued interest is not due and payable in the current period and therefore is not reported in the funds.</p>	
Accrued Interest	<u>(1,990)</u>
Net Position	<u><u>\$ 3,643,941</u></u>

See accompanying notes to basic financial statements

**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

	GENERAL FUND	STREET FUND	TOURISM FUND	TOTAL
<b>REVENUES</b>				
Property Taxes	\$ 233,727	\$ -	\$ -	\$ 233,727
Licenses & Permits	700	-	-	700
Intergovernmental Revenues	59,291	99,233	74,950	233,474
Franchise Fees	200,632	-	-	200,632
Interest & Investment Income	312	369	-	681
Miscellaneous	27,365	-	-	27,365
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	522,027	99,602	74,950	696,579
<b>EXPENDITURES</b>				
Current				
General Government	392,154	-	-	392,154
Highways and Streets	-	54,139	-	54,139
Tourism	-	-	63,488	63,488
Capital Outlay	-	28,810	-	28,810
Debt Service	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	392,154	82,949	63,488	538,591
Special Item: Transfer of Operations	17,297	-	-	17,297
Net Change in Fund Balance	147,170	16,653	11,462	175,285
Beginning Fund Balance	306,532	280,977	0	587,509
	<hr/>	<hr/>	<hr/>	<hr/>
Ending Fund Balance	\$ 453,702	\$ 297,630	\$ 11,462	\$ 762,794

See accompanying notes to basic financial statements

CITY OF LA PINE  
DESCHUTES COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE TO STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

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Net Change in Fund Balances - Governmental Funds \$ 175,285

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized Additions	\$ 28,810	
Depreciation Expense	<u>(147,699)</u>	
Net Adjustment		(118,889)

Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (1,158)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

Loan Payable	\$ 15,000	
Interest Payable	<u>5,125</u>	
Net Adjustment		20,125

Governmental funds do not record property taxes receivable as revenue unless they are collected within sixty days of year-end since they do not provide current financial resources. However, in the government-wide statements, all taxes receivable are recorded as revenue. (3,618)

Change in Net Position \$ 71,745

See accompanying notes to basic financial statements

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
June 30, 2013**

	WATER FUND	SEWER FUND	TOTAL
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 589,408	\$ 1,029,420	\$ 1,618,828
Restricted Cash	1,044,484	928,792	1,973,276
Accounts Receivable, Net	52,721	17,743	70,464
Other Receivables	-	3,810	3,810
Inventory	7,120	-	7,120
Total Current Assets	<u>1,693,733</u>	<u>1,979,765</u>	<u>3,673,498</u>
<b>Noncurrent Assets:</b>			
Capital Assets, Nondepreciable	37,000	611,680	648,680
Capital Assets, Depreciable, net	3,207,729	1,861,229	5,068,958
Total Assets	<u>\$ 4,938,462</u>	<u>\$ 4,452,674</u>	<u>\$ 9,391,136</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 9,946	\$ 2,535	\$ 12,481
Deposits Payable	16,700	-	16,700
Payroll Liabilities	7,200	3,300	10,500
Compensated Absences	3,809	3,809	7,618
Deferred Revenue	-	5,472	5,472
Accrued Interest	65,177	-	65,177
Notes Payable, Current Portion	80,960	-	80,960
Total Current Liabilities	<u>183,792</u>	<u>15,116</u>	<u>198,908</u>
<b>Noncurrent Liabilities:</b>			
Notes Payable	<u>2,480,008</u>	<u>806,742</u>	<u>3,286,750</u>
Total Liabilities	<u>2,663,800</u>	<u>821,858</u>	<u>3,485,658</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	683,761	1,666,167	2,349,928
Restricted	1,044,484	928,792	1,973,276
Unrestricted	<u>546,417</u>	<u>1,035,857</u>	<u>1,582,274</u>
Total Net Position	<u>2,274,662</u>	<u>3,630,816</u>	<u>5,905,478</u>
Total Liabilities and Net Position	<u>\$ 4,938,462</u>	<u>\$ 4,452,674</u>	<u>\$ 9,391,136</u>

See accompanying notes to basic financial statements

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
For the Year Ended June 30, 2013**

	WATER FUND	SEWER FUND	TOTAL
Operating Revenues			
Sewer Liens	\$ -	\$ 6,298	\$ 6,298
Service Fees	547,462	496,321	1,043,783
SDC Charges	2,810	17,100	19,910
Rental Income	-	10,944	10,944
Other Income	2,131	12,607	14,738
Total Operating Revenues	<u>552,403</u>	<u>543,270</u>	<u>1,095,673</u>
Operating Expenses			
Personal Services	155,434	127,648	283,082
Materials and Services	75,376	79,530	154,906
Depreciation	309,764	165,605	475,369
Total Operating Expenses	<u>540,574</u>	<u>372,783</u>	<u>913,357</u>
Operating Income	11,829	170,487	182,316
Nonoperating Revenues (Expenses)			
Interest Revenue	-	2,074	2,074
Interest Expense	(116,834)	(36,724)	(153,558)
Total Nonoperating Revenues (Expenses)	(116,834)	(34,650)	(151,484)
Special Item: Debt Principal Adjustment	99,991	-	99,991
Special Item: Transfer of Operations	<u>2,281,630</u>	<u>3,494,979</u>	<u>5,776,609</u>
Change in Net Position	2,276,616	3,630,816	5,907,432
Total Net Position - Beginning	<u>(1,954)</u>	<u>-</u>	<u>(1,954)</u>
Total Net Position - Ending	<u>\$ 2,274,662</u>	<u>\$ 3,630,816</u>	<u>\$ 5,905,478</u>

See accompanying notes to basic financial statements

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS  
For the Year Ended June 30, 2013**

	WATER FUND	SEWER FUND	TOTAL
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 572,313	\$ 636,087	\$ 1,208,400
Payments to Suppliers	(72,311)	(75,086)	(147,397)
Payments to Employees	(170,429)	(124,512)	(294,941)
Net Cash From Operations	<u>329,573</u>	<u>436,489</u>	<u>766,062</u>
Cash Flows From Capital and Related Financing Activities:			
Debt Principal Payments	(73,175)	(74,100)	(147,275)
Interest Payments	(120,329)	-	(120,329)
Transfer of Cash from LaPine Water District	1,497,823	-	1,497,823
Transfer of Cash from LaPine Sewer District	-	1,593,749	1,593,749
Net Cash (Used) By Capital and Related Financing Activities	<u>1,304,319</u>	<u>1,519,649</u>	<u>2,823,968</u>
Cash Flows From Investing Activities			
Interest Received	-	2,074	2,074
Net Cash (Used) By Investing Activities	<u>-</u>	<u>2,074</u>	<u>2,074</u>
Net Increase In Cash and Investments	1,633,892	1,958,212	3,592,104
Cash and Investments at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Investments at End of Year	<u>\$ 1,633,892</u>	<u>\$ 1,958,212</u>	<u>\$ 3,592,104</u>
Reconciliation of Cash Flows From Operating Activities to Operating Income			
Operating Income	\$ 11,829	\$ 170,487	\$ 182,316
Adjustments			
Depreciation/Amortization	309,764	165,605	475,369
(Increase), Decrease in Accounts Receivable	20,238	92,657	112,895
(Increase), Decrease in Prepaid Expense	7,384	7,790	15,174
Increase, (Decrease) in Accounts Payable	(4,319)	(3,346)	(7,665)
Increase, (Decrease) in Payroll Liabilities	(18,804)	(673)	(19,477)
Increase, (Decrease) in Deferred Revenue		160	160
Increase, (Decrease) in Compensated Absences	3,809	3,809	7,618
Increase, (Decrease) in Customer Deposits	(328)	-	(328)
Net Cash From Operations	<u>\$ 329,573</u>	<u>\$ 436,489</u>	<u>\$ 766,062</u>

See accompanying notes to basic financial statements

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**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. THE FINANCIAL REPORTING ENTITY**

The City of La Pine, Oregon (the "City") is governed by an elected mayor and an elected four member council who comprise the City Council. Administrative officials are appointed by the council. The daily functioning is under the supervision of the City Manager. As required by the Generally Accepted Accounting Principles, all activities of the City have been included in these financial statements.

The basic financial statements include all financial activities, organizations, and functions for which the City Council has financial accountability as defined by GASB Statement No. 61. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No organizational units meet the criteria for inclusion as a component unit.

**B. BASIC FINANCIAL STATEMENTS**

*The Basic financial statements* are presented at both the governmental-wide and fund financial level. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, there are governmental and proprietary type funds. Major funds are reported as separate columns in the fund financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF PRESENTATION**

The financial transactions are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

There are stated minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

There are the following major governmental funds:

*General Fund* - The General Fund is utilized to account for all operations that are not accounted for in another fund. Grants, property taxes, and interest on cash and investments are its principle sources of revenue. Administration and insurance are the major expenditures of the fund.

*Street Fund* - The fund is utilized to account for the revenue and expenditures of the street fund. Highway monies from the State of Oregon are recorded in this fund as well as expenditures restricted to the improvement of streets in La Pine.

*Tourism Fund* - The tourism fund contains monies from the Transient Room Tax (TRT). Seventy percent of these monies are given to the La Pine Chamber of Commerce for purposes of promoting tourism and the economic vitality of the greater La Pine region. The remaining 30 percent of the money obtained from the TRT are deposited in the City's General Fund.

There are the following major enterprise funds:

*Water Fund* - This fund is used to account for operations of the water system. Revenue is derived from charges for services to water users and expenses account for the costs of operation.

*Sewer Fund* - This fund is used to account for operations of the sewage disposal system. The primary revenue source is fees for service.

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

Government-wide Financial Statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on equity or net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash inflows and outflows.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

Governmental Funds Financial Statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, franchise fees, licenses and permits, and interest associated with the current financial period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received.

Certain revenues, including hotel/motel tax, are not accrued.

An unearned revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable unearned revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable unearned revenue is eliminated. Unearned revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant moneys are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the City are recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' reconciliation is provided to explain the differences between the fund based financial statements and the government-wide presentation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Restricted resources are first applied when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. ASSETS, LIABILITIES, AND EQUITY**

**Cash**

A common cash pool is maintained. Earnings on pooled cash are credited to each fund monthly based on the average daily balance of each participating fund.

Pooled cash has the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

**Receivables and Payables**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue since uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the government-wide statement of net position. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Receivables in enterprise funds are stated net of an allowance for uncollectables.

**Inventories**

Inventories purchased are valued at cost (first-in, first-out method). Inventory is recorded as expenditures when received rather than as consumed in the governmental funds. Supply balances on hand at year end are not considered material by management.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Capital Assets (Continued)**

Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	50 years
Improvements other than buildings	10-50 years
Machinery and equipment	5-20 years
Vehicles	5-20 years
Utility systems	50
Infrastructure – streets	40

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

**Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund-type financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF LA PINE  
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Net Position**

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Assets – consists of all other assets that are not included in the other categories previously mentioned.

**F. FUND BALANCE**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. FUND BALANCE (CONTINUED)**

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There were no nonspendable, committed or assigned balances at year end.

**G. 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 future periods and so will not be recognized as an outflow of resources (expenditure) until then.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**H. BUDGETARY INFORMATION**

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294-Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

Each April, the City Budget Officer submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). All funds are required to be budgeted for. The budget is prepared for each fund on the modified accrual basis of accounting. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and function. Information on the past year's actual receipts and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the function group level (i.e., personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of year-end.

The Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the function group, but cannot make changes to the function groups themselves,

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. BUDGETARY INFORMATION (CONTINUED)**

which is the legal level of control. During the fiscal year ending June 30, 2013, the City Council adopted no supplemental budget.

Expenditure budgets are made at the following levels for each fund:

LEVEL OF CONTROL

Personal Services  
Materials and Services  
Capital Outlay  
Contingency  
Transfer to Other Funds

Disbursements of the various funds were within authorized appropriations except in the General Fund, where debt service was over-expended by \$39,733; in the Street Fund where capital outlay was over-expended by \$28,810; in the Tourism Fund where materials and services was over-expended by \$12,738; in the Water Fund where debt service was over expended by \$193,504 and in the Sewer Fund where debt service was over expended by \$74,100. Total expenditures for each fund, and for all funds in total, were within total appropriated amounts. Refer to page 28 for a Schedule of Expenditures and Appropriations in Compliance with Oregon Revised Statutes Chapter 294.

**2. TRANSFER OF OPERATIONS**

On July 1, 2012 the City of La Pine assumed all assets, liabilities, and took over operations of the La Pine Water District, the La Pine Special Sewer District, and the La Pine Cemetery District. The primary reason for the transfer of operations is to provide more efficient operations using community resources. The balances transferred were as follows:

	<u>Water District</u>	<u>Special Sewer District</u>	<u>Cemetery District</u>	<u>Total</u>
<b>ASSETS</b>				
Current and Other Assets	\$ 1,585,286	\$ 1,715,749	\$ 17,297	\$ 3,318,332
Capital Assets, Net	3,554,491	2,064,584	-	5,619,075
Total Assets	<u>5,139,777</u>	<u>3,780,333</u>	<u>17,297</u>	<u>8,937,407</u>
<b>LIABILITIES</b>				
Current and Other Liabilities	124,013	15,166	-	139,179
Noncurrent Liabilities	<u>2,734,134</u>	<u>844,117</u>	<u>-</u>	<u>3,578,251</u>
Total Liabilities	<u>2,858,147</u>	<u>859,283</u>	<u>-</u>	<u>3,717,430</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	820,357	1,794,397	-	2,614,754
Restricted	1,041,298	985,792	-	2,027,090
Unrestricted	<u>419,975</u>	<u>714,790</u>	<u>17,297</u>	<u>1,152,062</u>
Total Net Position	<u>\$ 2,281,630</u>	<u>\$ 3,494,979</u>	<u>\$ 17,297</u>	<u>\$ 5,793,906</u>



**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. CASH**

Cash balances are maintained in a common pooled account. Interest income is allocated monthly based on each fund's average cash balance.

Cash is comprised of the following at June 30, 2013:

Demand Deposits	\$ 4,100,960
Savings and Money Market	230,184
Total	<u>\$ 4,331,144</u>

**Deposits**

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$4,326,126, of which \$291,335 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

**Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2013, none of the bank balance was exposed to custodial credit risk because it was either insured by the FDIC or is covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer.

**Investments**

The investment policy is to follow the State statutes governing cash management. Oregon Revised Statutes authorize investing in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others.

**Interest Rate Risk**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City manages exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to levels required by State statute.

**Credit Risk**

The Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from U.S. Government Agencies. The investments in U.S. Government Agencies were rated AAA by Standard & Poor's and AAA by Moody's Investor Service. The State Pool is unrated.

Oregon Revised Statutes require banker's acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

**Concentration of Credit Risk**

There were no investments as of June 30, 2013.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

**GOVERNMENTAL**

	<u>JUNE 30, 2012</u>	Adjustments - <u>Prior Period</u>	<u>Additions</u>	<u>Deletions</u>	<u>JUNE 30, 2013</u>
<b>Capital Assets</b>					
Land & Land Improvements	\$ 81,968	\$ 196,950	\$ -	\$ -	\$ 278,918
Buildings & Improvements	466,259	-	-	-	466,259
Infrastructure	-	5,400,000	10,000	-	5,410,000
Equipment & Furniture	15,621	-	-	-	15,621
Intangibles	16,975	(16,975)	-	-	-
Construction in Progress	<u>-</u>	<u>-</u>	<u>18,810</u>	<u>-</u>	<u>18,810</u>
Total Capital Assets	580,823	5,579,975	28,810	-	6,189,608
<b>Accumulated Depreciation</b>					
Buildings & Improvements	14,243	-	9,325	-	23,568
Infrastructure	-	2,675,000	135,250	-	2,810,250
Equipment & Furniture	3,124	-	3,124	-	6,248
Intangibles	<u>3,395</u>	<u>(3,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	20,762	2,671,605	147,699	-	2,840,066
<b>Total Net Capital Assets</b>	<u>\$ 560,061</u>				<u>\$ 3,349,542</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Government	\$ 12,449
Highways & Streets	<u>135,250</u>
Total depreciation expense, governmental activities	<u>\$ 147,699</u>

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for business- type activities for the year ended June 30, 2013 was as follows:

**BUSINESS-TYPE**

	<u>JUNE 30, 2012</u>	Adjustments - Transfer of Operations	<u>Additions</u>	<u>Deletions</u>	<u>JUNE 30, 2013</u>
<b>Capital Assets</b>					
Land & Land Improvements	\$ -	\$ 648,680	\$ -	\$ -	\$ 648,680
Water/Sewer system	-	10,301,229	-	-	10,301,229
Building	-	380,075	-	-	380,075
Equipment	-	447,411	-	-	447,411
Master plan	-	50,699	-	-	50,699
Total Capital Assets	-	11,828,094	-	-	11,828,094
<b>Accumulated Depreciation</b>					
Water/Sewer System	-	5,175,022	422,243	-	5,597,263
Building	-	110,453	15,275	-	125,728
Equipment	-	337,953	35,316	-	373,269
Master Plan	-	11,661	2,535	-	14,196
Total Accumulated Depreciation	-	5,635,089	475,369	-	6,110,456
<b>Total Net Capital Assets</b>	<u>\$ -</u>				<u>\$ 5,717,638</u>

Depreciation Expense was charged to the business-type funds as follows:

Water Fund	\$ 309,764
Sewer Fund	165,605
	<u>\$ 475,369</u>

**5. LONG TERM OBLIGATIONS**

The table below presents current year changes in long-term obligations, and the current portions due for each issue.

	<u>Beginning Balance</u>	Adjustments - Transfer of Operations	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>						
Loans Payable	\$ 510,000	\$ -	\$ -	\$ 15,000	\$ 495,000	\$ 20,000
Total Governmental Activities	<u>\$ 510,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 495,000</u>	<u>\$ 20,000</u>
<b>Proprietary Activities</b>						
Deschutes County Note (Water)	\$ -	\$ 60,000	\$ -	\$ -	\$ 60,000	\$ -
Deschutes County Note (Sewer)	-	844,117	36,725	74,100	806,742	-
Revenue Bond 2003	-	2,391,877	-	165,913	2,225,964	73,380
Revenue Bond 2005	-	282,258	-	7,253	275,005	7,580
Total Proprietary Activities	<u>\$ -</u>	<u>\$ 3,578,252</u>	<u>\$ 36,725</u>	<u>\$ 247,266</u>	<u>\$ 3,367,711</u>	<u>\$ 80,960</u>

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. LONG TERM OBLIGATIONS (CONTINUED)**

**Loans Payable**

On March 15, 2011, a Certificate of Participation was issued for \$520,000 to purchase a new City Hall Building. Terms of this loan calls for repayment over a 20-year period with interest rates ranging from 3-5.7%.

Annual debt service requirements to maturity for this note are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 44,208	\$ 20,000	\$ 24,208
2014-2015	43,608	20,000	23,608
2015-2016	43,008	20,000	23,008
2016-2017	42,270	20,000	22,270
2017-2018	41,395	20,000	21,395
2018-2023	211,663	120,000	91,663
2023-2028	215,823	160,000	55,823
2028-2031	125,115	115,000	10,115
Totals	<u>\$ 767,090</u>	<u>\$ 495,000</u>	<u>\$ 272,090</u>

**Revenue Bond, Series 2003**

The La Pine Water District, which transferred in to the City as described in Note 2, issued a revenue bond in 2003 in the amount of \$2,826,500 that was purchased by the U.S. Department of Agriculture, Rural Development Department. The bond is payable in annual installments of \$173,548, including interest at 4.5% per annum. The bond matures November 24, 2032. The bond requires the City to accumulate \$17,355 per year for ten years up to \$173,548 in a reserve account.

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 173,548	\$ 73,380	\$ 100,168
2014-2015	173,548	76,682	96,866
2015-2016	173,548	80,132	93,416
2016-2017	173,548	83,738	89,810
2017-2018	173,548	87,507	86,041
2018-2023	867,740	500,266	367,474
2023-2028	867,740	623,422	244,318
2028-2033	791,680	700,837	90,843
Totals	<u>\$ 3,394,900</u>	<u>\$ 2,225,964</u>	<u>\$ 1,168,936</u>

During the current year, an error made on the part of the lender resulted in a \$99,991 principal adjustment to decrease the balance of the loan. This adjustment is reported as a Special Item in the current year in the basic financial statements.

**Revenue Bond, Series 2005**

The La Pine Water District, which transferred in to the City as described in Note 2, issued a second revenue bond in 2005 in the amount of \$325,000 that was purchased by the U.S. Department of Agriculture, Rural Development Department. The bond is payable in annual installments of \$19,955 including interest at 4.5% per annum. The bond matures February 24, 2035. The bond requires the City to accumulate \$1,996 per year for ten years up to \$19,955 in a reserve account.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. LONG TERM OBLIGATIONS (CONTINUED)**

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 19,955	\$ 7,580	\$ 12,375
2014-2015	19,955	7,921	12,034
2015-2016	19,955	8,277	11,678
2016-2017	19,955	8,650	11,305
2017-2018	19,955	9,039	10,916
2018-2023	99,775	51,675	48,100
2023-2028	99,776	64,398	35,378
2028-2033	99,775	80,250	19,525
2033-2035	39,742	37,215	2,527
Totals	<u>\$ 438,843</u>	<u>\$ 275,005</u>	<u>\$ 163,838</u>

**Deschutes County Notes Payable**

The District has a non-interest bearing note payable to Deschutes County in the amount of \$60,000 for water system research that the county paid for on behalf of the District. Although, there are no repayment terms on this note, the County does not expect to receive payment within the next year.

On March 15, 2004, the District entered into an Intergovernmental Agreement with Deschutes County. This agreement required the District to expand its sewer system in order to provide services to the new Crescent Creek subdivision. As part of the agreement, the County agreed to loan the District up to \$1,130,350 to fund its sewer system expansion.

The loan accrues interest at a rate of 4.5% per annum. The District repays the loan with System Development Charges (SDCs) that are collected in the Crescent Creek subdivision. The agreement requires that all SDCs collected from Crescent Creek be used for payment of the loan, until the loan is paid in full. No other loan payments are required. The loan terminates in fifty years, even if the loan is not paid in full at that time. The balance on the loan as of June 30, 2013, was \$806,742.

**6. OPERATING LEASES**

A lease agreement was entered into on October 22, 2011 for a copier. Terms of the lease call for payments over a 5-year period and payments at \$160 a month. At June 30, 2013, the future lease payments totaled \$6,400.

At June 30, 2013, the approximate minimum future payments under this lease are as follows:

2013-14	\$ 1,920
2014-15	1,920
2015-16	1,920
2016-17	<u>640</u>
Total	<u>\$ 6,400</u>

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLAN**

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 after three months of continuous employment, provides for employer contributions up to 6% of employee wages. Total benefits paid for the year ended June 30, 2013 were approximately \$22,745.

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 will not be diverted for any other purpose. The City has little administrative involvement and does not perform the investing functions for these plans.

**8. OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the City does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 45 is applicable to the City due only to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

*Funding Policy.* Although the City does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The City will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification. Since the existing coverage is through a multiple-employer plan, given the City's small size in relation to the other employers, the City's rate is not affected by the age of its participants in the Plan. Therefore, there is no implicit benefit considered by management to be earned by current employees. As a result, the City does not report a liability for any potential accrued liability under GASB Statement 45.

**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. The City is a member of City/County Insurance Services (CCIS), a public entity risk pool operating as a common risk management and insurance program for participating Oregon cities and counties. An annual premium is paid to CCIS for general insurance coverage and for workers compensation insurance coverage. The agreement with CCIS will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Commercial coverage is purchased for employee health and accident insurance and for errors and omissions insurance. Settled claims have not exceeded this commercial coverage for any of the past three years.

**10. PROPERTY TAX LIMITATION**

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. Local government taxes in the City currently do not exceed the \$10.00 rate limit; however, this

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**10. PROPERTY TAX LIMITATION (CONTINUED)**

limitation may affect the availability of future tax revenues for the City. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

**10. PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were made to the governmental activities for assets that weren't properly capitalized in prior years. These adjustments include \$196,950 for land under the La Pine Cemetery and \$2,908,370 for city roads, net of depreciation. Additionally, an adjustment was made to the governmental activities in the amount of \$13,580 for software that should not have been capitalized in prior years.

**11. ADJUSTMENT TO TRANSFER OF OPERATIONS**

A current year adjustment to the transfer of operations from the La Pine Sewer District was made to the Sewer Fund in the amount of \$573,930 for land that should have been capitalized in prior years.

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**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF LA PINE  
DESCHUTES COUNTY, OREGON

SCHEDULE OF EXPENDITURES AND APPROPRIATIONS  
 IN COMPLIANCE WITH OREGON REVISED STATUTES CHAPTER 294  
 For the Year Ended June 30, 2013

	ACTUAL	APPROPRIATION	VARIANCE POSITIVE (NEGATIVE)
<b>GENERAL FUND</b>			
Personal Services	\$ 145,645	\$ 166,250	\$ 20,605
Materials & Services	206,776	347,703	140,927
Debt Service	39,733	-	(39,733)
Transfer to Other Funds	-	126,615	126,615
Contingency	-	55,000	55,000
Total General Fund	<u>392,154</u>	<u>695,568</u>	<u>303,414</u>
<b>PUBLIC WORKS (STREETS)</b>			
Personal Services	18,171	23,750	5,579
Materials & Services	35,968	258,400	222,432
Capital Outlay	28,810	-	(28,810)
Total Public Works (Streets)	<u>82,949</u>	<u>282,150</u>	<u>199,201</u>
<b>TOURISM FUND</b>			
Materials & Services	63,488	50,750	(12,738)
Transfer to Other Funds	-	21,750	21,750
Total Tourism Fund	<u>63,488</u>	<u>72,500</u>	<u>9,012</u>
<b>WATER FUND</b>			
Personal Services	155,434	276,200	120,766
Materials & Services	75,376	221,440	146,064
Capital Outlay	-	283,000	283,000
Debt Service	193,504	-	(193,504)
Transfer to Other Funds	-	291,110	291,110
Contingency	-	300,000	300,000
Total Sewer Fund	<u>424,314</u>	<u>1,371,750</u>	<u>947,436</u>
<b>SEWER FUND</b>			
Personal Services	127,648	218,250	90,602
Materials & Services	79,530	426,700	347,170
Capital Outlay	-	263,100	263,100
Debt Service	74,100	-	(74,100)
Transfer to Other Funds	-	41,000	41,000
Contingency	-	270,000	270,000
Total Sewer Fund	<u>281,278</u>	<u>1,219,050</u>	<u>937,772</u>
<b>TOTAL - ALL FUNDS</b>	<u><u>\$ 1,244,183</u></u>	<u><u>\$ 3,641,018</u></u>	<u><u>\$ 2,396,835</u></u>

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET - BUDGETARY BASIS  
For the Year Ended June 30, 2013**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES</b>				
Property Taxes	\$ 225,999	\$ 225,999	\$ 233,727	\$ 7,728
Franchise Fees	185,000	185,000	200,632	15,632
Regulatory Fees	550	550	700	150
Recreation Related Grant	3,000	3,000	4,000	1,000
Land Use Grant (TAG)	1,000	1,000	1,000	-
Rental Income	14,185	14,185	16,161	1,976
SDC Transportation Income	5,000	5,000	-	(5,000)
Shared Revenue	36,000	36,000	54,291	18,291
Planning Fees	2,500	2,500	-	(2,500)
Interest	1,500	1,500	312	(1,188)
Miscellaneous	100	100	10,874	10,774
	<u>474,834</u>	<u>474,834</u>	<u>521,697</u>	<u>46,863</u>
<b>EXPENDITURES</b>				
Personal Services	166,250	166,250	145,645	20,605
Materials and Services	347,703	347,703	246,509	101,194
Contingency	55,000	55,000	-	55,000
	<u>568,953</u>	<u>568,953</u>	<u>392,154</u>	<u>176,799</u>
Excess of Revenues Over (Under) Expenditures	(94,119)	(94,119)	129,543	223,662
<b>Other Financing Sources, (Uses)</b>				
Transfers In	109,965	109,965	-	(109,965)
Transfers Out	(126,615)	(126,615)	-	126,615
	<u>(16,650)</u>	<u>(16,650)</u>	<u>-</u>	<u>16,650</u>
Net Change in Fund Balance	(110,769)	(110,769)	129,543	240,312
Beginning Fund Balance	<u>290,853</u>	<u>290,853</u>	<u>306,532</u>	<u>15,679</u>
Ending Fund Balance	<u>\$ 180,084</u>	<u>\$ 180,084</u>	436,075	<u>\$ 255,991</u>

Reconciliation to Governmental Fund Balance as required by GASB #54:  
Cemetery Fund

Total

17,627  
\$ 453,702

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET - BUDGETARY BASIS  
For the Year Ended June 30, 2013**

<u>STREET FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
TSP Grant	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Gas Funds	82,000	82,000	99,233	17,233
Interest and Miscellaneous	500	500	369	(131)
Total Revenues	<u>182,500</u>	<u>182,500</u>	<u>99,602</u>	<u>(82,898)</u>
<b>EXPENDITURES</b>				
Contract Services	122,500	122,500	53,456	69,044
City Improvements	25,000	25,000	7,017	17,983
Personal Services	23,750	23,750	18,171	5,579
Transportation System Plan Costs	100,000	100,000	4,305	95,695
Street Improvements	10,900	10,900	-	10,900
Capital Reserve Fund	129,233	129,233	-	129,233
Total Expenditures	<u>411,383</u>	<u>411,383</u>	<u>82,949</u>	<u>328,434</u>
Net Change in Fund Balance	(228,883)	(228,883)	16,653	245,536
Beginning Fund Balance	<u>303,883</u>	<u>303,883</u>	<u>280,977</u>	<u>(22,906)</u>
Ending Fund Balance	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 297,630</u>	<u>\$ 222,630</u>

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
 ACTUAL AND BUDGET - BUDGETARY BASIS  
 For the Year Ended June 30, 2013**

<u>TOURISM FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
TRT Receipts	\$ 72,500	\$ 72,500	\$ 74,950	\$ 2,450
Total Revenues	<u>72,500</u>	<u>72,500</u>	<u>74,950</u>	<u>2,450</u>
<b>EXPENDITURES</b>				
Community Distributions	<u>50,750</u>	<u>50,750</u>	<u>63,488</u>	<u>(12,738)</u>
Total Expenditures	<u>50,750</u>	<u>50,750</u>	<u>63,488</u>	<u>(12,738)</u>
Excess of Revenues Over (Under) Expenditures	21,750	21,750	11,462	(10,288)
<b>Other Financing Sources, (Uses)</b>				
Transfers Out	<u>(21,750)</u>	<u>(21,750)</u>	<u>-</u>	<u>21,750</u>
Total Other Financing Sources, (Uses)	<u>(21,750)</u>	<u>(21,750)</u>	<u>-</u>	<u>21,750</u>
Net Change in Fund Balance	-	-	11,462	11,462
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,462</u>	<u>\$ 11,462</u>

CITY OF LA PINE  
DESCHUTES COUNTY, OREGON  
SUPPLEMENTARY INFORMATION

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**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
 ACTUAL AND BUDGET - BUDGETARY BASIS  
 For the Year Ended June 30, 2013**

<u>CEMETERY FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Cemetery Plot Sales	\$ -	\$ -	\$ 330	\$ 330
Total Revenues	-	-	330	330
Special Item: Transfer of Operations	-	-	17,297	17,297
Net Change in Fund Balance	-	-	17,627	17,627
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,627</u>	<u>\$ 17,627</u>

Note: This fund's activities have been combined with General Fund activities in accordance with GASB #54 due to its financing resources being derived primarily from General Fund transfers.

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET - BUDGETARY BASIS  
For the Year Ended June 30, 2013**

<u>WATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
BackFlow	\$ 15,000	\$ 15,000	\$ 10,918	\$ (4,082)
Capital Reserve Fund	300,000	300,000	-	(300,000)
Service Fees	591,800	591,800	536,544	(55,256)
SDC Fees	30,000	30,000	2,810	(27,190)
Interest	2,700	2,700	-	(2,700)
Miscellaneous	53,500	53,500	2,131	(51,369)
Total Revenues	<u>993,000</u>	<u>993,000</u>	<u>552,403</u>	<u>(440,597)</u>
<b>EXPENDITURES</b>				
Personal Services	276,200	276,200	151,625	124,575
Materials and Services	221,440	221,440	75,376	146,064
Capital Outlay	283,000	283,000	-	283,000
Total Expenditures	<u>780,640</u>	<u>780,640</u>	<u>227,001</u>	<u>553,639</u>
Excess of Revenues Over (Under) Expenditures	212,360	212,360	325,402	113,042
<b>Other Financing Sources, (Uses)</b>				
Transfers In	28,750	28,750	-	(28,750)
Transfers Out and Contingencies	(891,110)	(891,110)	193,504	697,606
Total Other Financing Sources, (Uses)	(862,360)	(862,360)	(193,504)	668,856
Special Item: Transfer of Operations	-	-	1,529,943	1,529,943
Net Change in Fund Balance	(650,000)	(650,000)	1,661,841	781,898
Beginning Fund Balance	650,000	650,000	(1,954)	(651,954)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,659,887	<u>\$ 1,659,887</u>
<b>Reconciliation to Statement of Net Position</b>				
Capital Assets			3,244,729	
Compensated Absences			(3,809)	
Accrued Interest			(65,177)	
Notes Payable			(2,560,968)	
GAAP Net Position			<u>\$ 2,274,662</u>	

**CITY OF LA PINE  
DESCHUTES COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET - BUDGETARY BASIS  
For the Year Ended June 30, 2013**

<u>SEWER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Sewer Liens	\$ -	\$ -	\$ 6,298	\$ 6,298
Service Fees	458,900	458,900	437,432	(21,468)
Septage Dumping	54,100	54,100	75,989	21,889
Crops	15,000	15,000	-	(15,000)
Tower Rent	11,200	11,200	10,944	(256)
Interest	4,200	4,200	2,074	(2,126)
Miscellaneous	1,900	1,900	12,607	10,707
Total Revenues	<u>545,300</u>	<u>545,300</u>	<u>545,344</u>	<u>44</u>
<b>EXPENDITURES</b>				
Personal Services	218,250	218,250	123,838	94,412
Materials and Services	426,700	426,700	79,530	347,170
Capital Outlay	263,100	263,100	-	263,100
Contingency	270,000	270,000	-	270,000
Total Expenditures	<u>1,178,050</u>	<u>1,178,050</u>	<u>203,368</u>	<u>974,682</u>
Excess of Revenues Over (Under) Expenditures	(632,750)	(632,750)	341,976	974,726
<b>Other Financing Sources, (Uses)</b>				
Transfers In	23,750	23,750	-	(23,750)
Transfers Out and Contingencies	(311,000)	(311,000)	74,100	236,900
Total Other Financing Sources, (Uses)	(287,250)	(287,250)	(74,100)	213,150
Special Item: Transfer of Operations	-	-	1,696,772	1,696,772
Net Change in Fund Balance	(920,000)	(920,000)	1,964,648	2,884,648
Beginning Fund Balance	650,000	650,000	-	(650,000)
Ending Fund Balance	<u>\$ (270,000)</u>	<u>\$ (270,000)</u>	1,964,648	<u>\$ 2,234,648</u>
<b>Reconciliation to Statement of Net Position</b>				
Long Term Receivable			3,810	
Capital Assets			2,472,909	
Compensated Absences			(3,809)	
Notes Payable			(806,742)	
GAAP Net Position			<u>\$ 3,630,816</u>	

CITY OF LA PINE  
DESCHUTES COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
 OF TAXES UNCOLLECTED  
 For The Year Ended June 30, 2013

<u>GENERAL FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/13
<u>General Fund:</u>						
CURRENT:						
2012-13	\$ 231,221	\$ 5,568	\$ (1,275)	\$ 85	\$ 218,976	\$ 5,487
PRIOR YEARS:						
2011-12	7,125	-	(156)	338	4,659	2,648
2010-11	3,967	-	(265)	437	2,515	1,624
2009-10	2,646	-	17	619	2,708	574
2008-09	1,117	-	63	394	1,428	146
2007-08 & Prior	133	-	(112)	5	12	14
Total Prior	14,988	-	(453)	1,793	11,322	5,006
Total All Years	<u>\$ 246,209</u>	<u>\$ 5,568</u>	<u>\$ (1,728)</u>	<u>\$ 1,878</u>	<u>\$ 230,298</u>	<u>\$ 10,493</u>

RECONCILIATION OF REVENUE:

	<u>Revenue</u>
Cash Collections by County Treasurer Above	\$ 230,298
Accrual of Receivables:	
June 30, 2012	(3,620)
June 30, 2013	2,744
Taxes in lieu	4,305
Total Fund Collections per Financial Statements	<u>\$ 233,727</u>

CITY OF LA PINE  
DESCHUTES COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
 OF TAXES UNCOLLECTED  
 For The Year Ended June 30, 2013

SEWER FUND

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/01/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/13
<u>Sewer Fund:</u>						
CURRENT:						
2012-13	\$ 7,048	\$ 170	\$ (50)	\$ 2	\$ 6,662	\$ 168
Total All Years	<u>\$ 7,048</u>	<u>\$ 170</u>	<u>\$ (50)</u>	<u>\$ 2</u>	<u>\$ 6,662</u>	<u>\$ 168</u>

RECONCILIATION OF REVENUE:

	<u>Revenue</u>
Cash Collections by County Treasurer Above	\$ 6,662
Taxes in lieu	<u>(364)</u>
Total Fund Collections per Financial Statements	<u>\$ 6,298</u>

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**CITY OF LA PINE**  
**DESCHUTES COUNTY, OREGON**

**Independent Auditors' Report Required by Oregon State Regulations**

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PAULY, ROGERS, AND CO., P.C.  
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May 19, 2014

### Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of La Pine, Oregon as of and for the year ended June 30, 2013, and have issued our report thereon dated May 19, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards related to internal control.

#### Compliance

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

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

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

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, except for the following:

1. Expenditures exceeded appropriations as noted on page 20.
2. Approved expenditure appropriation resolution for fiscal year 2013 did not match the approved budget document.

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

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated May 19, 2014.

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



Roy R. Rogers, CPA  
PAULY, ROGERS AND CO., P.C.



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May 19, 2014

To the Honorable Mayor and  
Members of the City Council  
City of La Pine, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of La Pine as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated May 19, 2014.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **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 internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roy R. Rogers, CPA  
PAULY, ROGERS AND CO., P.C.