

***CITY OF LAFAYETTE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019***

Mayor

Marie Sproul

Council Members

Wade Witherspoon, President

Chris Harper

Christine Brungardt

Kayla Paulsen

Sheila Neuman

G. Douglas Cook

City Administrator

Preston Polasek

Council members receive mail at the City's address

City of Lafayette
486 Third Street
Lafayette, Oregon 97127

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Lafayette
486 Third Street
Lafayette, Oregon 97127

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in the notes to the financial statements. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, Oregon as of June 30, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Basis of Accounting

We draw attention to the notes of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Presentation

During the year ended June 30, 2019, the City combined related proprietary funds into two operating funds, Water Operations and Sewer Operations. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The supplemental information and management's discussion and analysis are presented for purposes of additional analysis and are not required parts of the basic financial statements.


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

Management's discussion and analysis has 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 such information.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 27, 2019, on our consideration of the City's 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.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By 

Ryan T. Pasquarella, A Shareholder
December 27, 2019

CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

As management of the City of Lafayette, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019.

Financial Highlights

Following are the financial highlights of the City for the FYE June 30, 2019:

	June 30,		change
	2019	2018	
Net position	\$ 9,719,389	\$ 4,707,048	\$ 5,012,341
Change in net position	5,012,341	220,308	4,792,033
Governmental net position	7,324,807	2,358,884	4,965,923
Proprietary net position	2,394,582	2,348,164	46,418
Change in governmental net position	4,965,923	127,545	4,838,378
Change in proprietary net position	46,418	92,763	(46,345)

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview and analysis is to explain the changes in the financial position of the City of Lafayette and why they occurred. The City's detailed information is provided in the *audited financial statements* with an independent auditor's opinion similar to a private-sector business.

This discussion and analysis is intended to serve as an introduction to the City of Lafayette's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Position (Modified Cash Basis). This presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. 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 (Modified Cash Basis). The *statement of activities* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position.

The City reports on the modified cash basis of accounting.

Fund financial statements. The *fund financial statements* provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City of Lafayette as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lafayette, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary (enterprise) funds.

Governmental funds. The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the individual funds, as well as on balances 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Enterprise funds. The City of Lafayette charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in Enterprise funds. The City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information*, including this management's discussion and analysis, combining statements for non-major funds, and the schedules of revenues, expenditures / expenses and changes in fund balance-budget and actual for all City funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of Lafayette, assets exceeded liabilities by \$9,719,389 at June 30, 2019.

The *Net Position - Restricted* represent resources that are subject to external restrictions on their use, such as debt service or construction.

The *Net Position - Unrestricted* may be used to meet the City's ongoing obligations to citizens and creditors.

City of Lafayette
Statements of Net Position (Modified Cash Basis)
June 30,

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Cash and cash equivalents	\$ 7,324,807	\$ 2,394,582	\$ 9,719,389	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048
Liabilities:	-	-	-	-	-	-
Net Position:						
Restricted	1,000,910	1,025,435	2,026,345	1,156,245	1,105,625	2,261,870
Unrestricted	6,323,897	1,369,147	7,693,044	1,202,639	1,242,539	2,445,178
Total Net Position	\$ 7,324,807	\$ 2,394,582	\$ 9,719,389	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048

City of Lafayette
Statements of Activities (Modified Cash Basis)
Year Ended June 30,

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 77,851	\$ 2,034,981	\$ 2,112,832	\$ 83,063	\$ 1,974,856	\$ 2,057,919
Operating grants	414,392	-	414,392	314,219	-	314,219
Capital grants	43,382	52,698	96,080	56,197	43,995	100,192
General Revenues						
Property taxes	772,144	-	772,144	730,184	-	730,184
Franchise taxes	156,325	-	156,325	160,210	-	160,210
Intergovernmental	180,230	-	180,230	185,355	-	185,355
Miscellaneous	96,410	59,698	156,108	52,947	37,677	90,624
<i>Total Revenues</i>	1,740,734	2,147,377	3,888,111	1,582,175	2,056,528	3,638,703
Expenses						
General government	699,344	-	699,344	615,581	-	615,581
Court and police	342,158	-	342,158	330,835	-	330,835
Community services and development	108,217	-	108,217	115,309	-	115,309
Fire	201,473	-	201,473	220,528	-	220,528
Parks	269,677	-	269,677	133,388	-	133,388
Streets	661,386	-	661,386	177,317	-	177,317
Interest on long-term debt	3,632	-	3,632	5,384	-	5,384
Water	-	1,069,712	1,069,712	-	874,522	874,522
Sewer	-	873,395	873,395	-	945,531	945,531
<i>Total Expenses</i>	2,285,887	1,943,107	4,228,994	1,598,342	1,820,053	3,418,395
Issuance of debt (net)	5,353,224	-	5,353,224	-	-	-
Transfers	157,852	(157,852)	-	143,712	(143,712)	-
Change in net position	4,965,923	46,418	5,012,341	127,545	92,763	220,308
Net position, beginning of year	2,358,884	2,348,164	4,707,048	2,231,339	2,255,401	4,486,740
Net position, end of year	\$ 7,324,807	\$ 2,394,582	\$ 9,719,389	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048

GOVERNMENTAL ACTIVITIES

The cost for all governmental activities was \$2,285,887 this year. However, our taxpayers only paid \$772,144 in property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$77,851 this year, or 3%.

The City's governmental net position increased by \$4,965,923 during the year.

BUSINESS-TYPE ACTIVITIES

The cost for all business-type activities was \$1,943,107 this year. These costs are paid by utility service fees, system development charges and other utility related income.

The City's business-type net position increased by \$46,418 this year.

FINANCIAL ANALYSIS OF THE CITY OF LAFAYETTE FUNDS

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

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$6,028,687 at year end. The fund balance increased by \$5,373,038 during the current fiscal year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 413% of total General Fund expenditures. The increase in fund balance was more than what had been budgeted.

Street Fund. The Street Fund accounts for the use of gas tax revenues. Expenditures are restricted to street-related projects and costs, plus debt service on street-related debt. The fund balance decreased \$111,801 during the current fiscal year as operating expenses increased from the prior year and gas tax revenue increased.

Street SDC Projects. This fund accounts for the collection and spending of street system development charges. The fund balance decreased by \$198,422 due to capital outlay in excess of collections.

Enterprise Funds

Water Operations. This fund accounts for the City's water activity. Fund balance increased by \$4,838 due primarily to lower capital improvement expenses. Operating revenues were sufficient to cover operating expenses.

Sewer Operations. This fund accounts for the operation of the City's sewer activity. The fund balance increased by \$41,580 due primarily to capital improvement expenses. Operating revenues were sufficient to cover operating expenses.

BUDGETARY HIGHLIGHTS

There were no changes to the General Fund budget during the year.

DEBT ADMINISTRATION

The City had total debt of \$6,861,462 at year end. Net revenues of the utility operations and SDC's received from new development are pledged to the payment of the debt. Governmental debt consisted of \$5,275,324 and business-type debt was \$1,586,138 at June 30, 2019.

The City's total debt increased by \$4,520,843 during the current year due to GO Bonds issued for a new Fire Station less scheduled payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation.

**City of Lafayette
Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Loans	\$ 5,275,324	\$ 148,854	\$ 346,138	\$ 371,765	\$ 5,621,462	\$ 520,619
Revenue bonds	-	-	1,240,000	1,820,000	1,240,000	1,820,000
Total	\$ 5,275,324	\$ 148,854	\$ 1,586,138	\$ 2,191,765	\$ 6,861,462	\$ 2,340,619

Additional information on the City's debt can be found in the notes to the basic financial statements.

FISCAL YEAR 2019-20 BUDGET AND RATES

During the preparation of the budget for the 2019-20 fiscal year, we examined the long-term impacts of the local economy in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FYE 2020 budget:

- The City's permanent tax rate of \$3.4857 per thousand will be levied.
- The base for property taxes was estimated to grow by the standard 3%.
- Interest rates on investments will be less than 2%.
- Employee health insurance costs will continue to increase.

FUTURE ECONOMIC FACTORS FOR THE CITY OF LAFAYETTE

The City will continue the established practice of placing money into cash reserves for public works vehicles and equipment, as well as for fire capital equipment, which will provide funding for replacement and purchases, as they become necessary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Preston Polasek
 City Administrator
 City of Lafayette
 486 Third Street
 Lafayette, Oregon 97127

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 7,324,807	\$ 2,394,582	\$ 9,719,389
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for:			
Utility deposits	-	26,808	26,808
Debt service	-	247,750	247,750
Capital acquisitions	825,662	750,877	1,576,539
Streets	133,027	-	133,027
Community development	42,221	-	42,221
Unrestricted	6,323,897	1,369,147	7,693,044
<i>Total Net Position</i>	<u>\$ 7,324,807</u>	<u>\$ 2,394,582</u>	<u>\$ 9,719,389</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAFAYETTE, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2019

	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expenses) Revenues and Changes in Net Position</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 699,344	\$ -	\$ 115,800	\$ -	\$ (583,544)	\$ -	\$ (583,544)
Court and police	342,158	17,704	-	-	(324,454)	-	(324,454)
Community services and development	108,217	60,147	-	-	(48,070)	-	(48,070)
Fire	201,473	-	-	-	(201,473)	-	(201,473)
Parks	269,677	-	-	4,055	(265,622)	-	(265,622)
Streets	661,386	-	298,592	39,327	(323,467)	-	(323,467)
Interest on long-term debt	3,632	-	-	-	(3,632)	-	(3,632)
<i>Total Governmental activities</i>	<i>2,285,887</i>	<i>77,851</i>	<i>414,392</i>	<i>43,382</i>	<i>(1,750,262)</i>	<i>-</i>	<i>(1,750,262)</i>
Business-type activities:							
Water	1,069,712	1,110,733	-	26,658	-	67,679	67,679
Sewer	873,395	924,248	-	26,040	-	76,893	76,893
<i>Total Business-type activities</i>	<i>1,943,107</i>	<i>2,034,981</i>	<i>-</i>	<i>52,698</i>	<i>-</i>	<i>144,572</i>	<i>144,572</i>
<i>Total Activities</i>	<i>\$ 4,228,994</i>	<i>\$ 2,112,832</i>	<i>\$ 414,392</i>	<i>\$ 96,080</i>	<i>(1,750,262)</i>	<i>144,572</i>	<i>(1,605,690)</i>
General Revenues:							
Property taxes					772,144	-	772,144
Franchise taxes					156,325	-	156,325
Intergovernmental					180,230	-	180,230
Miscellaneous					96,410	59,698	156,108
<i>Total General Revenues</i>					<i>1,205,109</i>	<i>59,698</i>	<i>1,264,807</i>
Issuance of debt (net)					5,353,224	-	5,353,224
Transfers					157,852	(157,852)	-
Change in net position					4,965,923	46,418	5,012,341
Net position - beginning of year					2,358,884	2,348,164	4,707,048
Net position - end of year					<u>\$ 7,324,807</u>	<u>\$ 2,394,582</u>	<u>\$ 9,719,389</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAFAYETTE, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2019

		<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Street</u>	<u>Street SDC Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 6,028,687	\$ 133,027	\$ 517,391	\$ 645,702	\$ 7,324,807
LIABILITIES AND FUND BALANCE					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:					
Restricted for:					
Capital acquisitions	-	-	517,391	42,800	560,191
Streets	-	133,027	-	-	133,027
Community development	-	-	-	42,221	42,221
Committed to:					
Capital acquisitions	-	-	-	560,681	560,681
Unassigned	6,028,687	-	-	-	6,028,687
Total Fund Balance	6,028,687	133,027	517,391	645,702	7,324,807
Total Liabilities and Fund Balance	\$ 6,028,687	\$ 133,027	\$ 517,391	\$ 645,702	\$ 7,324,807

The accompanying notes are an integral part of the financial statements.

CITY OF LAFAYETTE, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
		<u>Street</u>	<u>Street SDC Projects</u>	<u>Governmental Funds</u>	
REVENUES					
Taxes and assessments	\$ 772,144	\$ -	\$ -	\$ -	\$ 772,144
Fines and forfeitures	17,704	-	-	-	17,704
Licenses and permits	188,701	-	39,327	23,614	251,642
Charges for services	-	-	-	8,214	8,214
Intergovernmental	255,230	298,592	-	-	553,822
Miscellaneous	95,009	7,161	14,558	20,480	137,208
<i>Total Revenues</i>	1,328,788	305,753	53,885	52,308	1,740,734
EXPENDITURES					
General government	648,086	-	-	-	648,086
Court and police	342,158	-	-	-	342,158
Community services and development	74,110	-	-	34,107	108,217
Fire	179,202	-	-	-	179,202
Parks	154,745	-	-	-	154,745
Streets	-	175,718	-	-	175,718
Debt payments					
Principal	-	-	-	73,530	73,530
Interest	-	-	-	3,632	3,632
Capital acquisitions	-	233,361	252,307	114,931	600,599
<i>Total Expenditures</i>	1,398,301	409,079	252,307	226,200	2,285,887
REVENUES OVER (UNDER) EXPENDITURES	(69,513)	(103,326)	(198,422)	(173,892)	(545,153)
OTHER FINANCING SOURCES (USES)					
Transfers in	147,327	-	-	77,000	224,327
Transfers out	(58,000)	(8,475)	-	-	(66,475)
Issuance of debt	5,200,000	-	-	-	5,200,000
Bond premium	215,125	-	-	-	215,125
Debt issuance costs	(61,901)	-	-	-	(61,901)
<i>Total Other Financing Sources (Uses)</i>	5,442,551	(8,475)	-	77,000	5,511,076
NET CHANGE IN FUND BALANCE	5,373,038	(111,801)	(198,422)	(96,892)	4,965,923
FUND BALANCE, beginning of year	655,649	244,828	715,813	742,594	2,358,884
FUND BALANCE, end of year	\$ 6,028,687	\$ 133,027	\$ 517,391	\$ 645,702	\$ 7,324,807

The accompanying notes are an integral part of the financial statements.

CITY OF LAFAYETTE, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - ENTERPRISE FUNDS

JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 849,681	\$ 1,544,901	\$ 2,394,582
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for:			
Utility deposits	13,404	13,404	26,808
Debt payments	-	247,750	247,750
Capital acquisitions	119,869	631,008	750,877
Unrestricted	716,408	652,739	1,369,147
<i>Total Fund Net Position</i>	<u>\$ 849,681</u>	<u>\$ 1,544,901</u>	<u>\$ 2,394,582</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAFAYETTE, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) - ENTERPRISE FUNDS****YEAR ENDED JUNE 30, 2019**

	Water Operations	Sewer Operations	Total
OPERATING REVENUES			
Charges for services	\$ 1,109,303	\$ 898,514	\$ 2,007,817
Miscellaneous	1,538	25,732	27,270
<i>Total Operating Revenues</i>	1,110,841	924,246	2,035,087
OPERATING EXPENSES			
Personnel services	232,874	260,648	493,522
Materials and services	320,077	161,824	481,901
<i>Total Operating Expenses</i>	552,951	422,472	975,423
OPERATING INCOME	557,890	501,774	1,059,664
NONOPERATING ITEMS			
Interest revenue	22,103	37,489	59,592
Capital acquisitions	(253,993)	(44,971)	(298,964)
Debt payments			
Principal	(240,627)	(365,000)	(605,627)
Interest	(32,593)	(30,500)	(63,093)
<i>Total Nonoperating Items</i>	(505,110)	(402,982)	(908,092)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	52,780	98,792	151,572
Capital contributions	26,658	26,040	52,698
Transfers in	274,170	393,750	667,920
Transfers out	(303,995)	(421,775)	(725,770)
Internal franchise fees	(44,775)	(55,227)	(100,002)
CHANGE IN FUND NET POSITION	4,838	41,580	46,418
FUND BALANCE, beginning of year	844,843	1,503,321	2,348,164
FUND BALANCE, end of year	\$ 849,681	\$ 1,544,901	\$ 2,394,582

The accompanying notes are an integral part of the financial statements.

CITY OF LAFAYETTE, OREGON**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,110,841	\$ 924,246	\$ 2,035,087
Cash paid to employees and others for salaries and benefits	(232,874)	(260,648)	(493,522)
Cash paid to suppliers and others	(320,077)	(161,824)	(481,901)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>557,890</u>	<u>501,774</u>	<u>1,059,664</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	274,170	393,750	667,920
Transfers out	(303,995)	(421,775)	(725,770)
Internal franchise fees	(44,775)	(55,227)	(100,002)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	<u>(74,600)</u>	<u>(83,252)</u>	<u>(157,852)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(253,993)	(44,971)	(298,964)
Interest paid on debt	(32,593)	(30,500)	(63,093)
Principal paid on debt	(240,627)	(365,000)	(605,627)
Capital contributions	26,658	26,040	52,698
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(500,555)</u>	<u>(414,431)</u>	<u>(914,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	22,103	37,489	59,592
<i>Increase (Decrease) in Cash and Investments</i>	<u>4,838</u>	<u>41,580</u>	<u>46,418</u>
CASH AND INVESTMENTS, Beginning of year	<u>844,843</u>	<u>1,503,321</u>	<u>2,348,164</u>
CASH AND INVESTMENTS, End of year	<u><u>\$ 849,681</u></u>	<u><u>\$ 1,544,901</u></u>	<u><u>\$ 2,394,582</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	<u><u>\$ 557,890</u></u>	<u><u>\$ 501,774</u></u>	<u><u>\$ 1,059,664</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lafayette, Oregon is governed by an elected mayor and up to six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of the City Administrator. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 City as an 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 (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents all the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components: 1) restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and 2) unrestricted, the amount available for ongoing City activities.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenditures 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, enterprise, or fiduciary. Currently, the City has governmental (general, special revenue and capital projects funds) and enterprise type funds. Major individual funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

The reporting model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

General Fund

This is the City's primary operating fund. It accounts for all the financial operations of the City, except those required to be accounted for in another fund. Principal sources of revenues are property taxes, licenses and permits, and state shared revenues. Primary expenditures are for general government, court and police, community services and development, fire, parks and streets.

Street Fund

This fund satisfies the requirements of ORS 366.815 to account for funds distributed by the State Highway Division. Expenditures are for construction and maintenance of public streets and street lighting.

Street SDC Projects Fund

This fund accounts for revenues from system development charges which are designated for the construction of streets.

The City reports the following major enterprise operations:

Water Operations

This accounts for the operations, maintenance, and capital construction projects for the water system, which is funded through utility fees, construction fees, and debt proceeds.

Sewer Operations

This accounts for the operations, maintenance, and capital construction projects for the wastewater system, which is funded through utility fees, construction fees and debt proceeds.

Fund Balance

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

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

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

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The enterprise funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures as of and for the year ended June 30, 2019. Actual results may differ from such estimates.

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, and the State Treasurer's Local Government Investment Pool, among others.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported in the financial statements.

CITY OF LAFAYETTE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures / expenses when paid.

Accrued Compensated Absences

Accumulated unpaid vacation pay is accrued, but not recorded. Earned but unpaid sick pay is recorded as an expenditure when paid.

Budgets and Budgetary Accounting

The City adopts the budget on a functions basis (personal services, materials and services, capital outlay, debt service and transfers), therefore, cash expenditures of a fund may not legally exceed that fund’s functional appropriations. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2019:

Cash	
Cash on hand	\$ 500
Deposits with financial institutions	(87,495)
Investments	
Local Government Investment Pool	9,806,384
	<hr/>
	\$ 9,719,389
	<hr/> <hr/>

Deposits

The book balance of the City’s bank deposits (checking account) was \$(87,495) and the bank balance was \$235,330 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City’s deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Deposits (Continued)

they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2019, none of the City's bank balances was covered by the PFCP.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2019, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

<i>Governmental activities:</i>	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
General Obligation Bonds, issued in June 2019	\$ -	\$ 5,200,000	\$ -	\$ 5,200,000	\$ -
Fire truck lease, issued July 2015	148,854	-	(73,530)	75,324	75,324
	<u>\$ 148,854</u>	<u>\$ 5,200,000</u>	<u>\$ (73,530)</u>	<u>\$ 5,275,324</u>	<u>\$ 75,324</u>

<i>Business-type activities:</i>	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
Safe Drinking Water Revolving Fund loan	\$ 29,586	\$ -	\$ (5,800)	\$ 23,786	\$ 5,857
City of Dayton (OECD passthrough)	342,179	-	(19,827)	322,352	20,025
Water System Revenue Refunding Bonds	685,000	-	(215,000)	470,000	230,000
Sewer System Revenue Refunding Bonds	1,135,000	-	(365,000)	770,000	380,000
	<u>\$ 2,191,765</u>	<u>\$ -</u>	<u>\$ (605,627)</u>	<u>\$ 1,586,138</u>	<u>\$ 635,882</u>

Notes from Direct Borrowings – Governmental Activities

General Obligation Bonds Series 2019: On June 4, 2019 the City issued bonds directly to a bank in the amount of \$5,200,000 with interest from 3.0% to 5.0%. Bond interest is payable semiannually, while principal is due annually beginning in June 2023 through June 2049. The bonds are unsecured, and the City has levied an ad valorem tax to service payments due. Amounts due are not subject to acceleration in the event of default.

Fire Truck Lease: On July 15, 2015, the City entered into a lease/purchase agreement with Municipal Leasing Credit Corporation for a fire truck. The lease bears interest of 2.4402% and principal is due annually. The final payment is scheduled for to be paid in fiscal year 2020. The lease is secured by the vehicle. In the event of default, the lender may declare all amounts immediately due and payable or may take possession of the vehicle.

CITY OF LAFAYETTE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Direct Placement General Obligation Bonds Payable – Governmental Activities (Continued)

Annual debt service requirements to maturity for bonds payable are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ -	\$ 181,611	\$ 181,611
2021	-	183,138	183,138
2022	-	183,138	183,138
2023	25,000	183,138	208,138
2024	35,000	182,174	217,174
2025-2029	305,000	883,088	1,188,088
2030-2034	585,000	790,938	1,375,938
2035-2039	950,000	643,938	1,593,938
2040-2044	1,370,000	477,588	1,847,588
2045-2049	1,930,000	226,638	2,156,638
	<u>\$ 5,200,000</u>	<u>\$ 3,935,385</u>	<u>\$ 9,135,385</u>

Annual debt service requirements for lease payable is as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 75,324	\$ 1,838	\$ 77,162

Direct borrowing – Business-type Activities

Safe Drinking Water Revolving Fund Loan: On June 26, 2003 the City entered into a loan agreement with the State of Oregon Economic and Community Development Department in the amount of \$110,000 to maintain clean drinking water. The loan bears interest at 1.0% and is to be repaid in annual installments through December 2022. The loan is unsecured and is a full faith and credit obligation. In the event of default, OBDD may declare all amounts immediately due and payable and pursue any remedies that are legally available.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Notes Payable – Business-type Activities (Continued)

City of Dayton (OECD): On December 1, 2012 the City entered into a loan agreement with the City of Dayton in the amount of \$3,383,000. The loan is repaid in annual installments of \$23,249 including interest at 1.0% through December 2033. The loan is secured by the equipment. In the event of default, the lender may exercise any remedy available at law in or in equity.

Water System Revenue Refunding Bonds: On May 25, 2011 the City issued bonds totaling \$2,035,000 at 3.5% interest to refund outstanding loans payable. Bond interest is payable semiannually, while principal is due annually through December 2020. The bonds are secured by the net revenues of the water system. The Water System Revenue Refunding bonds are subject to rate covenants and debt service reserve covenants. The City was in compliance with these covenants at June 30, 2019. In the event of default, the lender may exercise any remedy available at law in or in equity.

Sewer System Revenue Refunding Bonds: On May 1, 2012 the City issued bonds totaling \$3,125,000 at interest rates varying from 2.00% to 3.25% to refund outstanding loans payable. Bond interest is payable semiannually, while principal is due annually through December 2020. The bonds are secured by the net revenues of the wastewater system. In the event of default, the lender may exercise any remedy available at law in or in equity.

Annual debt service requirements for notes payable area as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 25,882	\$ 3,462	\$ 29,344
2021	26,142	3,202	29,344
2022	26,403	2,941	29,344
2023	26,670	2,674	29,344
2024	20,838	2,411	23,249
2025-2029	107,359	8,886	116,245
2030-2034	112,844	3,406	116,250
	<u>\$ 346,138</u>	<u>\$ 26,982</u>	<u>\$ 373,120</u>

CITY OF LAFAYETTE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Annual debt service requirements for revenue bonds payable area as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 610,000	\$ 36,600	\$ 646,600
2021	630,000	12,334	642,334
	<u>\$ 1,240,000</u>	<u>\$ 48,934</u>	<u>\$ 1,288,934</u>

PENSION PLAN

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2019 were 16.84% for Tier One/Tier Two employees, 11.04% for OPSRP general service employees, and 15.81% for OPSRP police/fire employees. The City's total contributions to PERS were \$70,674, for fiscal year ended June 30, 2019.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2019 were based on the December 31, 2016 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2019, the City reported a net pension liability of \$763,101 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on a December 31, 2016 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00504% as of the June 30, 2018 measurement date, compared to 0.00542% as of June 30, 2017.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.20%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.20%, 7.20%, and 8.20%.

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 1,275,286	\$ 763,101	\$ 340,334

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$30,627 for the year ended June 30, 2019. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other post-employment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by Citycounty Insurance Services (CIS), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2019 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 47,325	\$ 58,000
Street	-	8,475
Fire Capital Equipment	50,000	-
City Hall Building	15,000	-
Vehicle and Equipment Replacement	12,000	-
Sewer	-	421,775
Sewer Debt	393,750	-
Water	-	303,995
Water Debt	274,170	-
	<u>\$ 792,245</u>	<u>\$ 792,245</u>

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City’s financial position.

SUPPLEMENTAL INFORMATION

CITY OF LAFAYETTE, OREGON

COMBINING BALANCE SHEET (MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	<i>Special Revenue</i>	<i>Capital Projects</i>				<i>Total</i>
	<i>Refundable Deposits/Pass- Through Fees</i>	<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Fire Capital Equipment</i>	<i>Vehicle and Equipment Replacement</i>	
ASSETS						
Cash and cash equivalents	\$ 42,221	\$ 42,800	\$ 199,710	\$ 265,471	\$ 95,500	\$ 645,702
LIABILITIES AND FUND BALANCE						
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:						
Restricted for:						
Capital acquisitions	-	42,800	-	-	-	42,800
Community development	42,221	-	-	-	-	42,221
Committed to:						
Capital acquisitions	-	-	199,710	265,471	95,500	560,681
<i>Total Fund Balance</i>	42,221	42,800	199,710	265,471	95,500	645,702
Total Liabilities and Fund Balance	\$ 42,221	\$ 42,800	\$ 199,710	\$ 265,471	\$ 95,500	\$ 645,702

CITY OF LAFAYETTE, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	<i>Special Revenue</i>		<i>Capital Projects</i>			
	<i>Refundable Deposits/Pass-Through Fees</i>	<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Fire Capital Equipment</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
REVENUES						
Licenses and permits	\$ 19,559	\$ 4,055	\$ -	\$ -	\$ -	\$ 23,614
Charges for services	8,214	-	-	-	-	8,214
Miscellaneous	4,250	2,377	4,976	6,533	2,344	20,480
<i>Total Revenues</i>	32,023	6,432	4,976	6,533	2,344	52,308
EXPENDITURES						
Community services and development	34,107	-	-	-	-	34,107
Debt Service						
Principal	-	-	-	73,530	-	73,530
Interest	-	-	-	3,632	-	3,632
Capital acquisitions	-	114,931	-	-	-	114,931
<i>Total Expenditures</i>	34,107	114,931	-	77,162	-	226,200
REVENUES OVER (UNDER) EXPENDITURES	(2,084)	(108,499)	4,976	(70,629)	2,344	(173,892)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	15,000	50,000	12,000	77,000
NET CHANGE IN FUND BALANCE	(2,084)	(108,499)	19,976	(20,629)	14,344	(96,892)
FUND BALANCE, beginning of year	44,305	151,299	179,734	286,100	81,156	742,594
FUND BALANCE, end of year	\$ 42,221	\$ 42,800	\$ 199,710	\$ 265,471	\$ 95,500	\$ 645,702

CITY OF LAFAYETTE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 730,000	\$ 730,000	\$ 772,144	\$ 42,144
Fines and forfeitures	20,000	20,000	17,704	(2,296)
Licenses and permits	292,375	292,375	288,703	(3,672)
Intergovernmental	251,670	251,670	255,230	3,560
Miscellaneous	15,000	15,000	95,009	80,009
<i>Total Revenues</i>	<u>1,309,045</u>	<u>1,309,045</u>	<u>1,428,790</u>	<u>119,745</u>
EXPENDITURES				
Administration	973,409	973,409	648,086	325,323
Planning	163,840	163,840	41,794	122,046
Building inspection	41,893	41,893	32,316	9,577
Municipal court	24,059	24,059	17,879	6,180
Law enforcement	349,170	349,170	324,279	24,891
Parks	170,006	170,006	154,745	15,261
Fire	202,993	202,993	179,202	23,791
Contingency	500,000	500,000	-	500,000
<i>Total Expenditures</i>	<u>2,425,370</u>	<u>2,425,370</u>	<u>1,398,301</u>	<u>1,027,069</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,116,325)</u>	<u>(1,116,325)</u>	<u>30,489</u>	<u>1,146,814</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	47,325	47,325	47,325	-
Transfers out	(58,000)	(58,000)	(58,000)	-
Issuance of debt	500,000	500,000	5,200,000	4,700,000
Bond premium	-	-	215,125	215,125
Debt issuance costs	-	-	(61,901)	(61,901)
<i>Total Other Financing Sources (Uses)</i>	<u>489,325</u>	<u>489,325</u>	<u>5,342,549</u>	<u>4,853,224</u>
NET CHANGE IN FUND BALANCE	<u>(627,000)</u>	<u>(627,000)</u>	<u>5,373,038</u>	<u>6,000,038</u>
FUND BALANCE, beginning of year	<u>627,000</u>	<u>627,000</u>	<u>655,649</u>	<u>28,649</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,028,687</u>	<u>\$ 6,028,687</u>

CITY OF LAFAYETTE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET FUND****YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 340,000	\$ 340,000	\$ 298,592	\$ (41,408)
Miscellaneous	2,500	2,500	7,161	4,661
<i>Total Revenues</i>	342,500	342,500	305,753	(36,747)
EXPENDITURES				
Personnel services	75,125	75,125	66,136	8,989
Materials and services	149,600	149,600	109,582	40,018
Capital outlay	327,300	327,300	233,361	93,939
<i>Total Expenditures</i>	552,025	552,025	409,079	142,946
REVENUES OVER (UNDER) EXPENDITURES	(209,525)	(209,525)	(103,326)	106,199
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,475)	(8,475)	(8,475)	-
NET CHANGE IN FUND BALANCE	(218,000)	(218,000)	(111,801)	106,199
FUND BALANCE, beginning of year	218,000	218,000	244,828	26,828
FUND BALANCE, end of year	\$ -	\$ -	\$ 133,027	\$ 133,027

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 44,104	\$ 44,104	\$ 39,327	\$ (4,777)
Miscellaneous	5,000	5,000	14,558	9,558
<i>Total Revenues</i>	49,104	49,104	53,885	4,781
EXPENDITURES				
Capital outlay	375,000	375,000	252,307	122,693
NET CHANGE IN FUND BALANCE	(325,896)	(325,896)	(198,422)	127,474
FUND BALANCE, beginning of year	687,000	687,000	715,813	28,813
FUND BALANCE, end of year	\$ 361,104	\$ 361,104	\$ 517,391	\$ 156,287

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - REFUNDABLE DEPOSITS/

PASS-THROUGH FEES FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 37,500	\$ 37,500	\$ 19,559	\$ (17,941)
Charges for services	10,000	10,000	8,214	(1,786)
Miscellaneous	3,000	3,000	4,250	1,250
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	50,500	50,500	32,023	(18,477)
EXPENDITURES				
Materials and services	78,500	78,500	34,107	44,393
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(28,000)	(28,000)	(2,084)	25,916
FUND BALANCE, beginning of year	30,603	30,603	44,305	13,702
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 2,603	\$ 2,603	\$ 42,221	\$ 39,618
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARKS SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 6,488	\$ 6,488	\$ 4,055	\$ (2,433)
Miscellaneous	1,000	1,000	2,377	1,377
<i>Total Revenues</i>	7,488	7,488	6,432	(1,056)
EXPENDITURES				
Capital outlay	160,573	160,573	114,931	45,642
NET CHANGE IN FUND BALANCE	(153,085)	(153,085)	(108,499)	44,586
FUND BALANCE, beginning of year	153,085	153,085	151,299	(1,786)
FUND BALANCE, end of year	\$ -	\$ -	\$ 42,800	\$ 42,800

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - CITY HALL BUILDING FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 4,976	\$ 3,476
EXPENDITURES				
Capital outlay	195,850	195,850	-	195,850
REVENUES OVER (UNDER) EXPENDITURES	(194,350)	(194,350)	4,976	199,326
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(179,350)	(179,350)	19,976	199,326
FUND BALANCE, beginning of year	179,350	179,350	179,734	384
FUND BALANCE, end of year	\$ -	\$ -	\$ 199,710	\$ 199,710

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - FIRE CAPITAL EQUIPMENT FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,500	\$ 2,500	\$ 6,533	\$ 4,033
EXPENDITURES				
Debt Service				
Principal	73,530	73,530	73,530	-
Interest	3,632	3,632	3,632	-
Contingency	260,742	260,742	-	260,742
<i>Total Expenditures</i>	<u>337,904</u>	<u>337,904</u>	<u>77,162</u>	<u>260,742</u>
REVENUES OVER (UNDER) EXPENDITURES	(335,404)	(335,404)	(70,629)	264,775
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(285,404)	(285,404)	(20,629)	264,775
FUND BALANCE, beginning of year	<u>285,404</u>	<u>285,404</u>	<u>286,100</u>	<u>696</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,471</u>	<u>\$ 265,471</u>

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - VEHICLE AND EQUIPMENT REPLACEMENT FUND

YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 2,344	\$ 1,344
EXPENDITURES				
Contingency	94,000	94,000	-	94,000
REVENUES OVER (UNDER) EXPENDITURES	(93,000)	(93,000)	2,344	95,344
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	12,000	-
NET CHANGE IN FUND BALANCE	(81,000)	(81,000)	14,344	95,344
FUND BALANCE, beginning of year	81,000	81,000	81,156	156
FUND BALANCE, end of year	\$ -	\$ -	\$ 95,500	\$ 95,500

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - WATER OPERATIONS**

YEAR ENDED JUNE 30, 2019

	<u>Water</u>	<u>Water Debt Service</u>	<u>Water SDC Projects</u>	<u>Total Water Operations</u>
REVENUES				
Charges for services	\$ 1,109,303	\$ -	\$ -	\$ 1,109,303
Licenses and permits	-	-	26,658	26,658
Miscellaneous	1,430	-	108	1,538
Investment earnings	9,833	7,143	5,127	22,103
<i>Total Revenues</i>	<u>1,120,566</u>	<u>7,143</u>	<u>31,893</u>	<u>1,159,602</u>
EXPENDITURES				
Personnel services	232,874	-	-	232,874
Materials and services	364,852	-	-	364,852
Debt service				
Principal	-	240,627	-	240,627
Interest	-	32,593	-	32,593
Capital outlay	97,300	-	156,693	253,993
<i>Total Expenditures</i>	<u>695,026</u>	<u>273,220</u>	<u>156,693</u>	<u>1,124,939</u>
REVENUES OVER (UNDER) EXPENDITURES	425,540	(266,077)	(124,800)	34,663
OTHER FINANCING SOURCES (USES)				
Transfers in	-	274,170	-	274,170
Transfers out	(303,995)	-	-	(303,995)
<i>Total Other Financing Sources (Uses)</i>	<u>(303,995)</u>	<u>274,170</u>	<u>-</u>	<u>(29,825)</u>
CHANGE IN FUND BALANCE	<u>121,545</u>	<u>8,093</u>	<u>(124,800)</u>	<u>4,838</u>
FUND BALANCE, beginning of year	<u>354,363</u>	<u>245,811</u>	<u>244,669</u>	<u>844,843</u>
FUND BALANCE, end of year	<u>\$ 475,908</u>	<u>\$ 253,904</u>	<u>\$ 119,869</u>	<u>\$ 849,681</u>

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,125,500	\$ 1,125,500	\$ 1,109,303	\$ (16,197)
Miscellaneous	-	-	1,430	1,430
Investment earnings	5,000	5,000	9,833	4,833
<i>Total Revenues</i>	<u>1,130,500</u>	<u>1,130,500</u>	<u>1,120,566</u>	<u>(9,934)</u>
EXPENDITURES				
Personnel services	300,490	300,490	232,874	67,616
Materials and services	458,000	458,000	364,852	93,148
Capital outlay	185,000	185,000	97,300	87,700
Contingency	203,015	203,015	-	203,015
<i>Total Expenditures</i>	<u>1,146,505</u>	<u>1,146,505</u>	<u>695,026</u>	<u>451,479</u>
REVENUES OVER (UNDER) EXPENDITURES	(16,005)	(16,005)	425,540	441,545
OTHER FINANCING SOURCES (USES)				
Transfers out	(303,995)	(303,995)	(303,995)	-
CHANGE IN FUND BALANCE	(320,000)	(320,000)	121,545	441,545
FUND BALANCE, beginning of year	<u>320,000</u>	<u>320,000</u>	<u>354,363</u>	<u>34,363</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,908</u>	<u>\$ 475,908</u>

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Investment earnings	\$ 2,000	\$ 2,000	\$ 7,143	\$ 5,143
EXPENDITURES				
Debt service				
Principal	240,627	240,627	240,627	-
Interest	32,593	32,593	32,593	-
<i>Total Expenditures</i>	<u>273,220</u>	<u>273,220</u>	<u>273,220</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	(271,220)	(271,220)	(266,077)	5,143
OTHER FINANCING SOURCES (USES)				
Transfers in	274,170	274,170	274,170	-
CHANGE IN FUND BALANCE	2,950	2,950	8,093	5,143
FUND BALANCE, beginning of year	<u>244,800</u>	<u>244,800</u>	<u>245,811</u>	<u>1,011</u>
FUND BALANCE, end of year	<u>\$ 247,750</u>	<u>\$ 247,750</u>	<u>\$ 253,904</u>	<u>\$ 6,154</u>

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 795	\$ 795	\$ -	\$ (795)
Licenses and permits	44,016	44,016	26,658	(17,358)
Miscellaneous	-	-	108	108
Investment earnings	1,000	1,000	5,127	4,127
<i>Total Revenues</i>	45,811	45,811	31,893	(13,918)
EXPENDITURES				
Capital outlay	308,811	308,811	156,693	152,118
CHANGE IN FUND BALANCE	(263,000)	(263,000)	(124,800)	138,200
FUND BALANCE, beginning of year	263,000	263,000	244,669	(18,331)
FUND BALANCE, end of year	\$ -	\$ -	\$ 119,869	\$ 119,869

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - SEWER OPERATIONS**

YEAR ENDED JUNE 30, 2019

	<i>Sewer</i>	<i>Sewer Debt Service</i>	<i>Sewer SDC Projects</i>	<i>Total Sewer Operations</i>
REVENUES				
Charges for services	\$ 898,514	\$ -	\$ -	\$ 898,514
Licenses and permits	-	-	26,040	26,040
Miscellaneous	25,732	-	-	25,732
Investment earnings	10,429	11,354	15,706	37,489
<i>Total Revenues</i>	934,675	11,354	41,746	987,775
EXPENDITURES				
Personnel services	260,648	-	-	260,648
Materials and services	217,051	-	-	217,051
Debt service				
Principal	-	365,000	-	365,000
Interest	-	30,500	-	30,500
Capital outlay	44,971	-	-	44,971
<i>Total Expenditures</i>	522,670	395,500	-	918,170
REVENUES OVER (UNDER) EXPENDITURES	412,005	(384,146)	41,746	69,605
OTHER FINANCING SOURCES (USES)				
Transfers in	-	393,750	-	393,750
Transfers out	(421,775)	-	-	(421,775)
<i>Total Other Financing Sources and Uses</i>	(421,775)	393,750	-	(28,025)
CHANGE IN FUND BALANCE	(9,770)	9,604	41,746	41,580
FUND BALANCE, beginning of year	514,930	399,129	589,262	1,503,321
FUND BALANCE, end of year	\$ 505,160	\$ 408,733	\$ 631,008	\$ 1,544,901

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND

YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 927,000	\$ 927,000	\$ 898,514	\$ (28,486)
Miscellaneous	-	-	25,732	25,732
Investment earnings	8,000	8,000	10,429	2,429
<i>Total Revenues</i>	935,000	935,000	934,675	(325)
EXPENDITURES				
Personnel services	297,724	297,724	260,648	37,076
Materials and services	235,125	235,125	217,051	18,074
Capital outlay	452,776	452,776	44,971	407,805
<i>Total Expenditures</i>	985,625	985,625	522,670	462,955
REVENUES OVER (UNDER) EXPENDITURES	(50,625)	(50,625)	412,005	462,630
OTHER FINANCING SOURCES (USES)				
Transfers out	(421,775)	(421,775)	(421,775)	-
CHANGE IN FUND BALANCE	(472,400)	(472,400)	(9,770)	462,630
FUND BALANCE, beginning of year	472,400	472,400	514,930	42,530
FUND BALANCE, end of year	\$ -	\$ -	\$ 505,160	\$ 505,160

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Investment earnings	\$ 3,000	\$ 3,000	\$ 11,354	\$ 8,354
EXPENDITURES				
Debt service				
Principal	365,000	365,000	365,000	-
Interest	30,500	30,500	30,500	-
<i>Total Expenditures</i>	395,500	395,500	395,500	-
REVENUES OVER (UNDER) EXPENDITURES	(392,500)	(392,500)	(384,146)	8,354
OTHER FINANCING SOURCES (USES)				
Transfers in	393,750	393,750	393,750	-
CHANGE IN FUND BALANCE	1,250	1,250	9,604	8,354
FUND BALANCE, beginning of year	397,600	397,600	399,129	16,708
FUND BALANCE, end of year	\$ 398,850	\$ 398,850	\$ 408,733	\$ 25,062

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 29,760	\$ 29,760	\$ 26,040	\$ (3,720)
Investment earnings	6,000	6,000	15,706	9,706
<i>Total Revenues</i>	35,760	35,760	41,746	5,986
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	35,760	35,760	41,746	5,986
CHANGE IN FUND BALANCE	35,760	35,760	41,746	5,986
FUND BALANCE, beginning of year	585,350	585,350	589,262	3,912
FUND BALANCE, end of year	\$ 621,110	\$ 621,110	\$ 631,008	\$ 9,898

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and City Council
City of Lafayette
486 Third Street
Lafayette, Oregon 97127

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Lafayette, Oregon as of and for the year ended June 30, 2019, and have issued our report thereon dated December 27, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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.


Internal Control Over Financial Reporting

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

Restrictions on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, A Shareholder
December 27, 2019