

*CITY OF LAFAYETTE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013*

Mayor

Chris Heisler
1407 N. Madison St.
Lafayette, Oregon 97127

Council Members

Chris Pagella, President
446 E. 16th Street
Lafayette, Oregon 97127

G. Douglas Cook
1159 N. Jefferson Street
Lafayette, Oregon 97127

Chris Harper
241 E. 16th Street
Lafayette, Oregon 97127

Mark Joy
1225 N. Jefferson Street
Lafayette, Oregon 97127

Matt Smith
1233 Joel's Place
Lafayette, Oregon 97127

Marie Sproul
1282 3rd Street #1
Lafayette, Oregon 97127

City Administrator

Preston Polasek
486 3rd Street
Lafayette, Oregon 97127

CITY OF LAFAYETTE, OREGON

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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, 2013, 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, 2013, and the respective changes in modified cash basis financial position 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.

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.

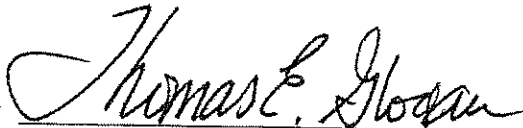
Basis of Accounting

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.

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 30, 2013, 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 
Thomas E. Glogau, A Shareholder
December 30, 2013

CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013.

Financial Highlights

Following are the financial highlights of the City for the FYE June 30, 2013:

	June 30,		change
	2013	2012	
Net position	\$ 3,942,263	\$ 3,853,919	\$ 88,344
Change in net position	88,344	(48,470)	136,814
Governmental net position	1,791,345	1,667,898	123,447
Proprietary net position	2,150,918	2,186,021	(35,103)
Change in governmental net position	123,447	209,138	(85,691)
Change in proprietary net position	(35,103)	(257,608)	222,505

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 supplementary 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 \$3,942,263 at June 30, 2013.

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,

	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Cash and cash equivalents	\$ 1,795,119	\$ 2,150,918	\$ 3,946,037	\$ 1,670,448	\$ 2,186,021	\$ 3,856,469
Liabilities:						
Payroll withholdings	3,774	-	3,774	2,550	-	2,550
Net Position:						
Restricted	445,684	227,891	673,575	504,018	94,489	598,507
Unrestricted	1,345,661	1,923,027	3,268,688	1,163,880	2,091,532	3,255,412
Total Net Position	\$ 1,791,345	\$ 2,150,918	\$ 3,942,263	\$ 1,667,898	\$ 2,186,021	\$ 3,853,919

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

	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 104,754	\$ 1,501,365	\$ 1,606,119	\$ 81,336	\$ 1,485,385	\$ 1,566,721
Operating grants	355,599	-	355,599	222,140	-	222,140
Capital grants	101,184	100,562	201,746	63,240	62,850	126,090
General Revenues						
Taxes and assessments	570,090	-	570,090	577,614	-	577,614
Franchise taxes	131,976	-	131,976	131,693	-	131,693
Intergovernmental	86,350	-	86,350	83,029	-	83,029
Proceeds from issuance of debt	-	-	-	-	3,229,318	3,229,318
Miscellaneous	47,814	11,240	59,054	21,547	11,258	32,805
<i>Total Revenues</i>	<u>1,397,767</u>	<u>1,613,167</u>	<u>3,010,934</u>	<u>1,180,599</u>	<u>4,788,811</u>	<u>5,969,410</u>
Expenses						
General government	288,182	-	288,182	288,596	-	288,596
Court and police	268,274	-	268,274	270,516	-	270,516
Community services and development	126,625	-	126,625	102,196	-	102,196
Fire	113,834	-	113,834	84,091	-	84,091
Parks	50,993	-	50,993	59,746	-	59,746
Streets	506,132	-	506,132	216,691	-	216,691
Water	-	796,366	796,366	-	933,255	933,255
Sewer	-	772,184	772,184	-	4,062,789	4,062,789
<i>Total Expenses</i>	<u>1,354,040</u>	<u>1,568,550</u>	<u>2,922,590</u>	<u>1,021,836</u>	<u>4,996,044</u>	<u>6,017,880</u>
Transfers	79,720	(79,720)	-	50,375	(50,375)	-
Change in net position	123,447	(35,103)	88,344	209,138	(257,608)	(48,470)
Net position, beginning of year	1,667,898	2,186,021	3,853,919	1,458,760	2,443,629	3,902,389
Net position, end of year	\$ 1,791,345	\$ 2,150,918	\$ 3,942,263	\$ 1,667,898	\$ 2,186,021	\$ 3,853,919

GOVERNMENTAL ACTIVITIES

The cost for all *governmental* activities was \$1,354,040 this year. However, our taxpayers only paid \$570,090 in property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$104,754 this year, or 8%.

The City's governmental net position increased by \$123,447 during the year.

BUSINESS-TYPE ACTIVITIES

The cost for all *business-type* activities was \$1,568,550 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 decreased by \$35,103 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.

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$873,627 at year end. The fund balance increased by \$163,486 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 117% of total General Fund expenditures. The increase was due to administration, planning, and parks expenditures less 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 \$160,375 during the current fiscal year due to budgeted capital outlay in excess of revenues.

Fire Capital Projects Fund. The Fire Capital Projects Fund accounts for funds used for fire-related capital projects. Expenditures have been committed by the City for these projects and are primarily funded by transfers from the General Fund. The only other activity in the fund during the current year was investment income and a transfer in.

Sewer Fund. This fund accounts for the operation of the City's sewer activity. The fund balance decreased by \$77,064 due primarily to transfers out. Operating revenues were sufficient to cover operating expenses.

Sewer Debt Service Fund. This fund is used to make debt service payments on sewer-related debt. Fund balance decreased by \$47,301 as transfers in were less than the scheduled debt payments.

Water Fund. This fund accounts for the City's water activity. Fund balance decreased by \$11,002 due primarily to transfers out. Operating revenues were sufficient to cover operating expenses.

Water Debt Service Fund. This fund records debt service payments on water-related debt. Fund balance decreased by \$903 in the current year.

BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for all funds. There were no changes to the General Fund budget during the year.

DEBT ADMINISTRATION

The City had total outstanding long-term debt of \$4,981,143 at year end. Net revenues of the utility operations and SDC's received from new development are pledged to the payment of the debt. Additional information on the City's debt can be found in the notes to the annual financial report.

FISCAL YEAR 2013-14 BUDGET AND RATES

During the preparation of the budget for the 2013-14 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 2014 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

Continuing the established practice of placing money into cash reserves for public works vehicles and equipment, as well as for fire capital equipment, 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, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 1,795,119	\$ 2,150,918	\$ 3,946,037
LIABILITIES			
Payroll withholdings	3,774	-	3,774
NET POSITION			
Restricted for:			
Utility deposits	-	32,235	32,235
Capital outlay	262,164	195,656	457,820
Streets	135,477	-	135,477
Community development	48,043	-	48,043
Unrestricted	1,345,661	1,923,027	3,268,688
 <i>Total Net Position</i>	 <u>\$ 1,791,345</u>	 <u>\$ 2,150,918</u>	 <u>\$ 3,942,263</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, 2013

<i>FUNCTIONS/PROGRAMS</i>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<i>Governmental activities:</i>				
General government	\$ 288,182	\$ -	\$ 2,325	\$ -
Court and police	268,274	25,788	9,127	-
Community services and development	126,625	78,966	-	-
Fire	113,834	-	-	-
Parks	50,993	-	-	12,976
Streets	506,132	-	344,147	88,208
<i>Total Governmental activities</i>	<u>1,354,040</u>	<u>104,754</u>	<u>355,599</u>	<u>101,184</u>
<i>Business-type activities:</i>				
Water	796,366	761,312	-	41,041
Sewer	772,184	740,053	-	59,521
<i>Total Business-type activities</i>	<u>1,568,550</u>	<u>1,501,365</u>	<u>-</u>	<u>100,562</u>
<i>Total Activities</i>	<u>\$ 2,922,590</u>	<u>\$ 1,606,119</u>	<u>\$ 355,599</u>	<u>\$ 201,746</u>
<i>General Revenues:</i>				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Transfers</i>				
<i>Change in net position</i>				
<i>Net position - beginning of year</i>				
<i>Net position - end of year</i>				

*Net (Expenses) Revenues
and Changes in Net Position*

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (285,857)	\$ -	\$ (285,857)
(233,359)	-	(233,359)
(47,659)	-	(47,659)
(113,834)	-	(113,834)
(38,017)	-	(38,017)
(73,777)	-	(73,777)
(792,503)	-	(792,503)
-	5,987	5,987
-	27,390	27,390
-	33,377	33,377
(792,503)	33,377	(759,126)
570,090	-	570,090
131,976	-	131,976
86,350	-	86,350
47,814	11,240	59,054
836,230	11,240	847,470
79,720	(79,720)	-
123,447	(35,103)	88,344
1,667,898	2,186,021	3,853,919
\$ 1,791,345	\$ 2,150,918	\$ 3,942,263

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

CITY OF LAFAYETTE, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Special Revenue</u> <u>Street</u>	<u>Capital Projects</u> <u>Fire Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 877,401	\$ 135,477	\$ 267,761
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Payroll withholdings	\$ 3,774	\$ -	\$ -
<i>Fund Balance:</i>			
Restricted for:			
Capital outlay	-	-	-
Streets	-	135,477	-
Community development	-	-	-
Committed to:			
Capital outlay	-	-	267,761
Community development	-	-	-
Unassigned	873,627	-	-
<i>Total Fund Balance</i>	<u>873,627</u>	<u>135,477</u>	<u>267,761</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 877,401</u>	<u>\$ 135,477</u>	<u>\$ 267,761</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 514,480	\$ 1,795,119
-	3,774
262,164	262,164
-	135,477
48,043	48,043
188,542	456,303
15,731	15,731
-	873,627
514,480	1,791,345
\$ 514,480	\$ 1,795,119

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, 2013

	<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Projects</u>
REVENUES			
Taxes and assessments	\$ 570,090	\$ -	\$ -
Fines and forfeitures	25,788	-	-
Licenses and permits	171,379	-	-
Charges for services	-	-	-
Intergovernmental	97,801	344,147	-
Miscellaneous	31,682	7,035	1,235
<i>Total Revenues</i>	896,740	351,182	1,235
EXPENDITURES			
Current			
General government	227,945	-	-
Court and police	268,274	-	-
Community services and development	84,353	-	-
Fire	113,834	-	-
Parks	50,993	-	-
Streets	-	122,994	-
Capital outlay	-	383,138	-
<i>Total Expenditures</i>	745,399	506,132	-
REVENUES OVER (UNDER) EXPENDITURES	151,341	(154,950)	1,235
OTHER FINANCING SOURCES (USES)			
Transfers in	66,145	-	35,000
Transfers out	(54,000)	(5,425)	-
<i>Total Other Financing Sources (Uses)</i>	12,145	(5,425)	35,000
NET CHANGE IN FUND BALANCE	163,486	(160,375)	36,235
FUND BALANCE, beginning of year	710,141	295,852	231,526
FUND BALANCE, end of year	\$ 873,627	\$ 135,477	\$ 267,761

<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 570,090
-	25,788
125,275	296,654
15,472	15,472
-	441,948
7,863	47,815
148,610	1,397,767
8,946	236,891
-	268,274
42,272	126,625
-	113,834
-	50,993
-	122,994
51,291	434,429
102,509	1,354,040
46,101	43,727
38,000	139,145
-	(59,425)
38,000	79,720
84,101	123,447
430,379	1,667,898
\$ 514,480	\$ 1,791,345

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, 2013

	<u>Sewer Fund</u>	<u>Sewer Debt Service</u>	<u>Water</u>
ASSETS			
Cash and cash equivalents	\$ 816,731	\$ 393,271	\$ 465,099
LIABILITIES	-	-	-
FUND NET POSITION:			
Restricted for:			
Utility deposits	16,118	-	16,117
Capital outlay	-	-	-
Unrestricted	800,613	393,271	448,982
<i>Total Fund Net Position</i>	<u>\$ 816,731</u>	<u>\$ 393,271</u>	<u>\$ 465,099</u>

<i>Water Debt Service</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 280,161	\$ 195,656	\$ 2,150,918
-	-	-
-	-	32,235
-	195,656	195,656
280,161	-	1,923,027
<u>\$ 280,161</u>	<u>\$ 195,656</u>	<u>\$ 2,150,918</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, 2013**

	<u>Sewer Fund</u>	<u>Sewer Debt Service</u>	<u>Water</u>
OPERATING REVENUES			
Charges for services	\$ 740,053	\$ -	\$ 755,678
Miscellaneous	-	-	5,634
<i>Total Operating Revenues</i>	<u>740,053</u>	<u>-</u>	<u>761,312</u>
OPERATING EXPENSES			
Personal services	237,861	-	254,072
Materials and services	131,040	-	229,289
<i>Total Operating Expenses</i>	<u>368,901</u>	<u>-</u>	<u>483,361</u>
OPERATING INCOME	371,152	-	277,951
NONOPERATING REVENUES (EXPENSES)			
Noncapital Financing Revenues (Expenses)			
Transfers in	-	351,542	60,000
Transfers out	(450,521)	-	(319,683)
<i>Total Noncapital Financing Revenues (Expenses)</i>	<u>(450,521)</u>	<u>351,542</u>	<u>(259,683)</u>
Capital Financing Revenues (Expenses)			
Capital contributions	-	-	-
Capital outlay	(3,026)	-	(32,294)
Debt service			
Principal	-	(310,000)	-
Interest	-	(90,256)	-
<i>Total Capital Financing Revenues (Expenses)</i>	<u>(3,026)</u>	<u>(400,256)</u>	<u>(32,294)</u>
Investing Revenues			
Interest revenue	5,331	1,413	3,024
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(448,216)</u>	<u>(47,301)</u>	<u>(288,953)</u>
CHANGE IN FUND NET POSITION	(77,064)	(47,301)	(11,002)
FUND NET POSITION, beginning of year	893,795	440,572	476,101
FUND NET POSITION, end of year	<u>\$ 816,731</u>	<u>\$ 393,271</u>	<u>\$ 465,099</u>

<i>Water Debt Service</i>	<i>Other Business-type Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 1,495,731
-	-	5,634
-	-	1,501,365
-	-	491,933
-	-	360,329
-	-	852,262
-	-	649,103
278,942	-	690,484
-	-	(770,204)
278,942	-	(79,720)
-	100,562	100,562
-	-	(35,320)
(209,142)	-	(519,142)
(71,570)	-	(161,826)
(280,712)	100,562	(615,726)
867	605	11,240
(903)	101,167	(684,206)
(903)	101,167	(35,103)
281,064	94,489	2,186,021
<u>\$ 280,161</u>	<u>\$ 195,656</u>	<u>\$ 2,150,918</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.

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 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, police protection, and culture and recreation.

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.

Fire Capital Equipment Fund

This fund accounts for funds used for fire-related capital projects.

The City reports the following nonmajor governmental funds:

Community Center Fund

This fund accounts for Community Center operations.

Refundable Deposits/Pass-through Fees Fund

This fund accounts for refundable deposits and pass through fees.

Street SDC Projects Fund

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

Parks SDC Projects Fund

This fund accounts for revenues from SDC charges which are designated for the construction of parks.

City Hall Building Fund

This fund accounts for funds set aside for the City Hall building and repairs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vehicle and Equipment Replacement Fund

This fund accounts for the purchase of equipment.

The City reports the following major enterprise funds:

Sewer Fund

This fund accounts for the operation of the City's sewer system.

Sewer Debt Service Fund

This fund was established during the 2003-04 fiscal year to set aside money as a debt service reserve.

Water Fund

This fund accounts for the operation of the City's water system.

Water Debt Service Fund

This fund was established during the 2003-04 fiscal year to set aside money as a debt service reserve.

The City reports the following nonmajor enterprise funds:

Sewer SDC Projects Fund

This fund accounts for the collection and use of the improvement fee portion of sewer system development charge revenues.

Water SDC Projects Fund

This fund accounts for the collection and use of the improvement fee portion of water system development charge revenues.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

- 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, capital assets such as property and equipment, and 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013. 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 on the government-wide Statement of Net Position or the Enterprise Fund Statements of Fund Net Position.

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.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	258,954	258,954
Investments		
Local Government Investment Pool	3,686,583	3,686,583
	<u>\$ 3,946,037</u>	<u>\$ 3,946,037</u>

Deposits

The book balance of the City's bank deposits (checking account) was \$258,954 and the bank balance was \$361,688 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 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, 2013, \$111,688 of the City's bank balances were covered by the PFCP.

CASH AND CASH EQUIVALENTS (Continued)

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, 2013, 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. 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, 2013

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>Business-type activities:</i>	<i>Outstanding July 1, 2012</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2013</i>	<i>Due Within One Year</i>
Safe Drinking Water Revolving Fund loan, issued 2003, annual installments of \$6,096 including interest at 1% through 2024	\$ 63,198	\$ -	\$ (5,464)	\$ 57,734	\$ 5,518
City of Dayton (OECD) passthrough), issued in 2004, annual installments of \$23,249 including interest at 1% through 2034	457,087	-	(18,678)	438,409	18,865
Water System Revenue Refunding Bonds, issued May, 2011, in varying annual installments plus interest at 3.5% through 2021	1,855,000	-	(185,000)	1,670,000	185,000
Sewer System Revenue Refunding Bonds, issued May, 2012, in varying annual installments plus interest at 2.00% to 3.25% through 2021	3,125,000	-	(310,000)	2,815,000	320,000
	<u>\$ 5,500,285</u>	<u>\$ -</u>	<u>\$ (519,142)</u>	<u>\$ 4,981,143</u>	<u>\$ 529,383</u>

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 529,383	\$ 145,057	\$ 674,440
2015	539,627	131,926	671,553
2016	559,873	116,739	676,612
2017	575,123	100,215	675,338
2018	585,373	82,955	668,328
2019-2023	1,950,723	124,308	2,075,031
2024-2028	106,296	9,949	116,245
2029-2033	111,720	4,525	116,245
2034	23,025	229	23,254
	<u>\$ 4,981,143</u>	<u>\$ 715,901</u>	<u>\$ 5,697,044</u>

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2013 were 9.55%, 5.16% and 7.87% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2011, 2012, and 2013 were \$26,511, \$57,975 and \$58,926, respectively, which equaled the required contribution for the year.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 66,145	\$ 54,000
Street	-	5,425
Fire Capital Projects	35,000	-
Community Center	11,000	-
City Hall Building	15,000	-
Vehicle and Equipment Replacement	12,000	-
Sewer	-	450,521
Sewer Debt	351,542	-
Water	60,000	319,683
Water Debt	278,942	-
	<u>\$ 829,629</u>	<u>\$ 829,629</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.

NEW PRONOUNCEMENTS

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34." This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement was implemented in the current year.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement was implemented in the current year.

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement was implemented in the current year.

The City will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for fiscal years beginning after December 15, 2012.

GASB Statement No. 68 “Accounting and Reporting for Pension Plans - an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement is effective for fiscal years beginning after June 15, 2013.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits expenditures of a fund in excess of Council approved appropriations.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2013 occurred as follows:

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>
<i>Sewer</i>					
Transfers out	\$ 449,027	\$	450,521	\$ (1,494)
<i>Water</i>					
Transfers out	318,507		319,683	(1,176)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 30, 2013, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF LAFAYETTE, OREGON

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

JUNE 30, 2013

	<i>Special Revenue</i>		
	<i>Community Center</i>	<i>Refundable Deposits/Pass- Through Fees</i>	<i>Street SDC Projects</i>
ASSETS			
Cash and cash equivalents	\$ 15,731	\$ 48,043	\$ 193,723
 LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>	\$ -	\$ -	\$ -
 <i>Fund Balance:</i>			
Restricted for:			
Capital outlay	-	-	193,723
Community development	-	48,043	-
Committed to:			
Capital outlay	-	-	-
Community development	15,731	-	-
 <i>Total Fund Balance</i>	<u>15,731</u>	<u>48,043</u>	<u>193,723</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 15,731</u>	<u>\$ 48,043</u>	<u>\$ 193,723</u>

Capital Projects

<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
\$ 68,441	\$ 146,435	\$ 42,107	\$ 514,480
-	-	-	-
68,441	-	-	262,164
-	-	-	48,043
-	146,435	42,107	188,542
-	-	-	15,731
68,441	146,435	42,107	514,480
\$ 68,441	\$ 146,435	\$ 42,107	\$ 514,480

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2013**

	<i>Special Revenue</i>	
	<i>Community Center</i>	<i>Refundable Deposits/Pass-Through Fees</i>
REVENUES		
Licenses and permits	\$ -	\$ 24,091
Charges for services	-	15,472
Miscellaneous	3,360	2,613
<i>Total Revenues</i>	3,360	42,176
EXPENDITURES		
Current		
General government	8,412	-
Community services and development	-	42,272
Capital outlay	9,209	-
<i>Total Expenditures</i>	17,621	42,272
REVENUES OVER (UNDER) EXPENDITURES	(14,261)	(96)
OTHER FINANCING SOURCES (USES)		
Transfers in	11,000	-
NET CHANGE IN FUND BALANCE	(3,261)	(96)
FUND BALANCE, beginning of year	18,992	48,139
FUND BALANCE, end of year	\$ 15,731	\$ 48,043

Capital Projects

<i>Street SDC Projects</i>	<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
\$ 88,208	\$ 12,976	\$ -	\$ -	\$ 125,275
-	-	-	-	15,472
647	305	742	196	7,863
88,855	13,281	742	196	148,610
-	-	534	-	8,946
-	-	-	-	42,272
-	-	11,141	30,941	51,291
-	-	11,675	30,941	102,509
88,855	13,281	(10,933)	(30,745)	46,101
-	-	15,000	12,000	38,000
88,855	13,281	4,067	(18,745)	84,101
104,868	55,160	142,368	60,852	430,379
\$ 193,723	\$ 68,441	\$ 146,435	\$ 42,107	\$ 514,480

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 580,000	\$ 580,000	\$ 570,090	\$ (9,910)
Fines and forfeitures	25,000	25,000	25,788	788
Licenses and permits	147,093	147,093	171,379	24,286
Intergovernmental	135,409	135,409	97,801	(37,608)
Miscellaneous	1,000	1,000	31,682	30,682
<i>Total Revenues</i>	888,502	888,502	896,740	8,238
EXPENDITURES				
Administration	333,791	333,791	227,945	105,846
Planning	100,068	100,068	48,524	51,544
Building inspection	43,461	43,461	35,829	7,632
Municipal court	25,843	25,843	23,458	2,385
Law enforcement	245,622	245,622	244,816	806
Parks	107,891	107,891	50,993	56,898
Fire	147,604	147,604	113,834	33,770
Contingency	358,664	358,664	-	358,664
<i>Total Expenditures</i>	1,362,944	1,362,944	745,399	617,545
REVENUES OVER (UNDER) EXPENDITURES	(474,442)	(474,442)	151,341	625,783
OTHER FINANCING SOURCES (USES)				
Transfers in	63,475	63,475	66,145	2,670
Transfers out	(54,000)	(54,000)	(54,000)	-
<i>Total Other Financing Sources and Uses</i>	9,475	9,475	12,145	2,670
NET CHANGE IN FUND BALANCE	(464,967)	(464,967)	163,486	628,453
FUND BALANCE, beginning of year	464,967	464,967	710,141	245,174
FUND BALANCE, end of year	\$ -	\$ -	\$ 873,627	\$ 873,627

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 409,889	\$ 409,889	\$ 344,147	\$ (65,742)
Miscellaneous	9,000	9,000	7,034	(1,966)
<i>Total Revenues</i>	418,889	418,889	351,181	(67,708)
EXPENDITURES				
Personal services	45,313	45,313	38,502	6,811
Materials and services	150,100	150,100	84,491	65,609
Capital outlay	479,535	479,535	383,138	96,397
<i>Total Expenditures</i>	674,948	674,948	506,131	168,817
REVENUES OVER (UNDER) EXPENDITURES	(256,059)	(256,059)	(154,950)	101,109
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,425)	(5,425)	(5,425)	-
NET CHANGE IN FUND BALANCE	(261,484)	(261,484)	(160,375)	101,109
FUND BALANCE, beginning of year	261,484	261,484	295,852	34,368
FUND BALANCE, end of year	\$ -	\$ -	\$ 135,477	\$ 135,477

CITY OF LAFAYETTE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - FIRE CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 1,235	\$ 735
EXPENDITURES				
Capital outlay	266,875	266,875	-	266,875
REVENUES OVER (UNDER) EXPENDITURES	(266,375)	(266,375)	1,235	267,610
OTHER FINANCING SOURCES (USES)				
Transfers in	35,000	35,000	35,000	-
NET CHANGE IN FUND BALANCE	(231,375)	(231,375)	36,235	267,610
FUND BALANCE, beginning of year	231,375	231,375	231,526	151
FUND BALANCE, end of year	\$ -	\$ -	\$ 267,761	\$ 267,761

CITY OF LAFAYETTE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - COMMUNITY CENTER FUND****YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,600	\$ 3,600	\$ 3,359	\$ (241)
EXPENDITURES				
Materials and services	11,600	11,600	8,411	3,189
Capital outlay	20,000	20,000	9,209	10,791
<i>Total Expenditures</i>	<u>31,600</u>	<u>31,600</u>	<u>17,620</u>	<u>13,980</u>
REVENUES OVER (UNDER) EXPENDITURES	(28,000)	(28,000)	(14,261)	13,739
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(17,000)	(17,000)	(3,261)	13,739
FUND BALANCE, beginning of year	<u>17,000</u>	<u>17,000</u>	<u>18,992</u>	<u>1,992</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,731</u>	<u>\$ 15,731</u>

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

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

PASS-THROUGH FEES FUND

YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 10,500	\$ 10,500	\$ 24,091	\$ 13,591
Charges for services	15,000	15,000	15,472	472
Miscellaneous	1,200	1,200	2,612	1,412
<i>Total Revenues</i>	26,700	26,700	42,175	15,475
EXPENDITURES				
Materials and services	79,430	79,430	42,271	37,159
NET CHANGE IN FUND BALANCE	(52,730)	(52,730)	(96)	52,634
FUND BALANCE, beginning of year	52,730	52,730	48,139	(4,591)
FUND BALANCE, end of year	\$ -	\$ -	\$ 48,043	\$ 48,043

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, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 60,643	\$ 60,643	\$ 88,208	\$ 27,565
Miscellaneous	200	200	647	447
<i>Total Revenues</i>	60,843	60,843	88,855	28,012
EXPENDITURES				
Capital outlay	165,600	165,600	-	165,600
NET CHANGE IN FUND BALANCE	(104,757)	(104,757)	88,855	193,612
FUND BALANCE, beginning of year	104,757	104,757	104,868	111
FUND BALANCE, end of year	\$ -	\$ -	\$ 193,723	\$ 193,723

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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 8,921	\$ 8,921	\$ 12,976	\$ 4,055
Miscellaneous	100	100	305	205
<i>Total Revenues</i>	9,021	9,021	13,281	4,260
EXPENDITURES				
Capital outlay	64,121	64,121	-	64,121
NET CHANGE IN FUND BALANCE	(55,100)	(55,100)	13,281	68,381
FUND BALANCE, beginning of year	55,100	55,100	55,160	60
FUND BALANCE, end of year	\$ -	\$ -	\$ 68,441	\$ 68,441

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, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 741	\$ 241
EXPENDITURES				
Materials and services	40,000	15,000	533	14,467
Capital outlay	10,000	35,000	11,141	23,859
Contingency	100,674	100,674	-	100,674
<i>Total Expenditures</i>	<u>150,674</u>	<u>150,674</u>	<u>11,674</u>	<u>139,000</u>
REVENUES OVER (UNDER) EXPENDITURES	(150,174)	(150,174)	(10,933)	139,241
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(135,174)	(135,174)	4,067	139,241
FUND BALANCE, beginning of year	<u>135,174</u>	<u>135,174</u>	<u>142,368</u>	<u>7,194</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,435</u>	<u>\$ 146,435</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, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 196	\$ (304)
EXPENDITURES				
Capital outlay	38,311	38,311	30,941	7,370
REVENUES OVER (UNDER) EXPENDITURES	(37,811)	(37,811)	(30,745)	7,066
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	12,000	-
NET CHANGE IN FUND BALANCE	(25,811)	(25,811)	(18,745)	7,066
FUND BALANCE, beginning of year	25,811	25,811	60,852	35,041
FUND BALANCE, end of year	\$ -	\$ -	\$ 42,107	\$ 42,107

CITY OF LAFAYETTE, OREGON

**COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) –
NONMAJOR ENTERPRISE FUNDS**

JUNE 30, 2013

	<u>Sewer SDC Projects</u>	<u>Water SDC Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 115,613	\$ 80,043	\$ 195,656
LIABILITIES	-	-	-
FUND NET POSITION:			
Restricted for construction	<u>\$ 115,613</u>	<u>\$ 80,043</u>	<u>\$ 195,656</u>

CITY OF LAFAYETTE, OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

(MODIFIED CASH BASIS) – NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2013

	<i>Sewer SDC Projects</i>	<i>Water SDC Projects</i>	<i>Total</i>
OPERATING REVENUES	\$ -	\$ -	\$ -
OPERATING EXPENSES	-	-	-
OPERATING INCOME	-	-	-
NONOPERATING REVENUES (EXPENSES)			
<i>Capital Financing Revenues (Expenses)</i>			
Capital contributions	59,521	41,041	100,562
<i>Investing Revenues</i>			
Interest revenue	357	248	605
<i>Total Nonoperating Revenues (Expenses)</i>	59,878	41,289	101,167
CHANGE IN FUND NET POSITION	59,878	41,289	101,167
FUND NET POSITION, beginning of year	55,735	38,754	94,489
FUND NET POSITION, end of year	\$ 115,613	\$ 80,043	\$ 195,656

CITY OF LAFAYETTE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 647,977	\$ 647,977	\$ 740,053	\$ 92,076
Miscellaneous	1,000	1,000	5,331	4,331
<i>Total Revenues</i>	648,977	648,977	745,384	96,407
EXPENDITURES				
Personal services	256,209	256,209	237,861	18,348
Materials and services	258,400	258,400	131,040	127,360
Capital outlay	136,388	136,388	3,026	133,362
Contingency	344,954	344,954	-	344,954
<i>Total Expenditures</i>	995,951	995,951	371,927	624,024
REVENUES OVER (UNDER) EXPENDITURES	(346,974)	(346,974)	373,457	720,431
OTHER FINANCING SOURCES (USES)				
Transfers out	(449,027)	(449,027)	(450,521)	(1,494)
CHANGE IN FUND BALANCE	(796,001)	(796,001)	(77,064)	718,937
FUND BALANCE, beginning of year	796,001	796,001	893,795	97,794
FUND BALANCE, end of year	\$ -	\$ -	\$ 816,731	\$ 816,731

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,400	\$ 1,400	\$ 1,413	\$ 13
EXPENDITURES				
Debt service				
Principal	310,000	310,000	310,000	-
Interest	90,256	90,256	90,256	-
<i>Total Expenditures</i>	400,256	400,256	400,256	-
REVENUES OVER (UNDER) EXPENDITURES	(398,856)	(398,856)	(398,843)	13
OTHER FINANCING SOURCES (USES)				
Transfers in	351,542	351,542	351,542	-
CHANGE IN FUND BALANCE	(47,314)	(47,314)	(47,301)	13
FUND BALANCE, beginning of year	440,918	440,918	440,572	26
FUND BALANCE, end of year	\$ 393,604	\$ 393,604	\$ 393,271	\$ (333)

CITY OF LAFAYETTE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2013

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 680,943	\$ 680,943	\$ 755,678	\$ 74,735
Miscellaneous	5,000	5,000	8,658	3,658
<i>Total Revenues</i>	685,943	685,943	764,336	78,393
EXPENDITURES				
Personal services	282,103	282,103	254,072	28,031
Materials and services	252,700	252,700	229,289	23,411
Capital outlay	339,379	339,379	32,294	307,085
<i>Total Expenditures</i>	874,182	874,182	515,655	358,527
REVENUES OVER (UNDER) EXPENDITURES	(188,239)	(188,239)	248,681	436,920
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
Transfers out	(318,507)	(318,507)	(319,683)	(1,176)
<i>Total Other Financing Sources and Uses</i>	(258,507)	(258,507)	(259,683)	(1,176)
CHANGE IN FUND BALANCE	(446,746)	(446,746)	(11,002)	435,744
FUND BALANCE, beginning of year	446,746	446,746	476,101	29,355
FUND BALANCE, end of year	\$ -	\$ -	\$ 465,099	\$ 465,099

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,400	\$ 1,400	\$ 867	\$ (533)
EXPENDITURES				
Debt service				
Principal	209,142	209,142	209,142	-
Interest	71,571	71,571	71,570	1
Contingency	280,713	280,713	-	280,713
<i>Total Expenditures</i>	<u>561,426</u>	<u>561,426</u>	<u>280,712</u>	<u>280,714</u>
REVENUES OVER (UNDER) EXPENDITURES	(560,026)	(560,026)	(279,845)	280,181
OTHER FINANCING SOURCES (USES)				
Transfers in	278,942	278,942	278,942	-
CHANGE IN FUND BALANCE	(281,084)	(281,084)	(903)	280,181
FUND BALANCE, beginning of year	281,084	281,084	281,064	(20)
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,161</u>	<u>\$ 280,161</u>

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 40,920	\$ 40,920	\$ 59,521	\$ 18,601
Investment earnings	100	100	357	257
<i>Total Revenues</i>	41,020	41,020	59,878	18,858
EXPENDITURES				
Materials and services	97,089	97,089	-	97,089
CHANGE IN FUND BALANCE	(56,069)	(56,069)	59,878	115,947
FUND BALANCE, beginning of year	56,069	56,069	55,735	(334)
FUND BALANCE, end of year	\$ -	\$ -	\$ 115,613	\$ 115,613

CITY OF LAFAYETTE, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 28,215	\$ 28,215	\$ 41,041	\$ 12,826
Investment earnings	100	100	248	148
<i>Total Revenues</i>	28,315	28,315	41,289	12,974
EXPENDITURES				
Materials and services	67,742	67,742	-	67,742
CHANGE IN FUND BALANCE	(39,427)	(39,427)	41,289	80,716
FUND BALANCE, beginning of year	39,427	39,427	38,754	(673)
FUND BALANCE, end of year	\$ -	\$ -	\$ 80,043	\$ 80,043

OTHER SCHEDULES

CITY OF LAFAYETTE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2013

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2012</u>	<u>2012-2013 Levy</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2013</u>
2012-13	\$ -	\$ 585,856	\$ 9	\$ (18,082)	\$ (540,595)	\$ 27,188
2011-12	26,460	-	-	(709)	(12,874)	12,877
2010-11	15,470	-	-	(241)	(6,973)	8,256
2009-10	8,239	-	-	(41)	(3,935)	4,263
2008-09	2,437	-	-	(40)	(1,459)	938
2007-08	885	-	-	(32)	(210)	643
2006-07	511	-	-	(2)	(72)	437
Prior years	1,466	-	-	(273)	(84)	1,109
Total	<u>\$ 55,468</u>	<u>\$ 585,856</u>	<u>\$ 9</u>	<u>\$ (19,420)</u>	<u>\$ (566,202)</u>	<u>\$ 55,711</u>

CITY OF LAFAYETTE, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2013

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
PRINCIPAL TRANSACTIONS			
Safe Drinking Water Revolving Loan	1%	2003	2023-24
City of Dayton	1%	2004	2033-34
2011 Water Revenue Refunding Bonds	3.49%	2011	2020-21
2012 Sewer Revenue Refunding Bonds	2% - 3.25%	2012	2020-21

	<u>Interest Rates</u>	<u>Date of Issue</u>
INTEREST TRANSACTIONS		
Safe Drinking Water Revolving Loan	1%	2003
City of Dayton	1%	2004
2011 Water Revenue Refunding Bonds	3.49%	2011
2012 Sewer Revenue Refunding Bonds	2% - 3.25%	2012

<i>Outstanding July 1, 2012</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2013</i>
\$ 63,198	\$ (5,464)	\$ 57,734
457,087	(18,678)	438,409
1,855,000	(185,000)	1,670,000
3,125,000	(310,000)	2,815,000
<hr/>	<hr/>	<hr/>
\$ 5,500,285	\$ (519,142)	\$ 4,981,143
<hr/>	<hr/>	<hr/>

<i>Interest July 1, 2012</i>	<i>Interest Paid</i>	<i>Interest June 30, 2013</i>
\$ 3,855	\$ (632)	\$ 3,223
54,396	(4,571)	49,825
368,996	(66,368)	302,628
450,481	(90,256)	360,225
<hr/>	<hr/>	<hr/>
\$ 877,728	\$ (161,827)	\$ 715,901
<hr/>	<hr/>	<hr/>

CITY OF LAFAYETTE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS
JUNE 30, 2013

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Safe Drinking Water Revolving Loan</i>			<i>City of Dayton</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 5,518	\$ 577	\$ 6,095	\$ 18,865	\$ 4,384	\$ 23,249
2015	5,574	522	6,096	19,053	4,196	23,249
2016	5,629	466	6,095	19,244	4,005	23,249
2017	5,686	410	6,096	19,437	3,812	23,249
2018	5,742	353	6,095	19,631	3,618	23,249
2019	5,800	296	6,096	19,827	3,422	23,249
2020	5,857	238	6,095	20,025	3,224	23,249
2021	5,916	179	6,095	20,226	3,023	23,249
2022	5,975	120	6,095	20,428	2,821	23,249
2023	6,037	62	6,099	20,632	2,617	23,249
2024	-	-	-	20,838	2,411	23,249
2025	-	-	-	21,046	2,203	23,249
2026	-	-	-	21,257	1,992	23,249
2027	-	-	-	21,470	1,779	23,249
2028	-	-	-	21,685	1,564	23,249
2029	-	-	-	21,901	1,348	23,249
2030	-	-	-	22,121	1,128	23,249
2031	-	-	-	22,342	907	23,249
2032	-	-	-	22,565	684	23,249
2033	-	-	-	22,791	458	23,249
2034	-	-	-	23,025	229	23,254
	<u>\$ 57,734</u>	<u>\$ 3,223</u>	<u>\$ 60,957</u>	<u>\$ 438,409</u>	<u>\$ 49,825</u>	<u>\$ 488,234</u>

<i>2011 Water System Revenue Bonds</i>			<i>2012 Sewer System Revenue Bonds</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 185,000	\$ 61,746	\$ 246,746	\$ 320,000	\$ 78,350	\$ 398,350
190,000	56,121	246,121	325,000	71,087	396,087
200,000	50,268	250,268	335,000	62,000	397,000
205,000	44,193	249,193	345,000	51,800	396,800
205,000	37,684	242,684	355,000	41,300	396,300
215,000	28,875	243,875	365,000	30,500	395,500
230,000	17,750	247,750	380,000	18,850	398,850
240,000	5,993	245,993	390,000	6,338	396,338
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,670,000</u>	<u>\$ 302,628</u>	<u>\$ 1,972,628</u>	<u>\$ 2,815,000</u>	<u>\$ 360,225</u>	<u>\$ 3,175,225</u>

CITY OF LAFAYETTE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)
JUNE 30, 2013

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 529,383	\$ 145,057	\$ 674,440
2015	539,627	131,926	671,553
2016	559,873	116,739	676,612
2017	575,123	100,215	675,338
2018	585,373	82,955	668,328
2019	605,627	63,093	668,720
2020	635,882	40,062	675,944
2021	656,142	15,533	671,675
2022	26,403	2,941	29,344
2023	26,669	2,679	29,348
2024	20,838	2,411	23,249
2025	21,046	2,203	23,249
2026	21,257	1,992	23,249
2027	21,470	1,779	23,249
2028	21,685	1,564	23,249
2029	21,901	1,348	23,249
2030	22,121	1,128	23,249
2031	22,342	907	23,249
2032	22,565	684	23,249
2033	22,791	458	23,249
2034	23,025	229	23,254
	<u>\$ 4,981,143</u>	<u>\$ 715,901</u>	<u>\$ 5,697,044</u>



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, 2013, and have issued our report thereon dated December 30, 2013.

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 except as follows:

1. The City does not maintain historical cost and depreciation records for capital assets.
2. The City was unable to document compliance with ORS 279B for the purchase of a vehicle.
3. In the 2013-14 budget, transfers in did not equal transfers out.

4. Budgeted debt service payments in the 2013-14 budget were inadvertently taken from the 2012-13 amortization schedules.
5. The summary for "other borrowing" on the LB-1 contained errors.
6. Expenditures in excess of appropriations as described in the notes to the financial statements.

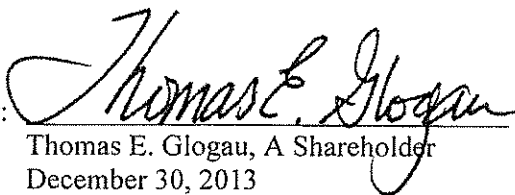
OAR 162-10-0230 - Internal Control

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.

Restriction 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: 
Thomas E. Glogau, A Shareholder
December 30, 2013