

***CITY OF LAFAYETTE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2015***

Mayor

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

Council Members

Marie Sproul, President
1282 3rd 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

Larry Pritchett
1282 3rd Street
Lafayette, Oregon 97127

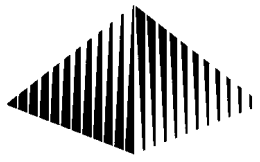
Laura Erickson
1020 Monroe Street
Lafayette, Oregon 97127

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, 2015, 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, 2015, 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.

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.

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 17, 2015, 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 17, 2015

CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015.

Financial Highlights

Following are the financial highlights of the City for the FYE June 30, 2015:

	<u>June 30,</u>		<u>change</u>
	<u>2015</u>	<u>2014</u>	
Net position	\$ 4,467,631	\$ 4,235,067	\$ 232,564
Change in net position	232,564	292,804	(60,240)
Governmental net position	2,374,053	2,236,506	137,547
Proprietary net position	2,093,578	1,998,561	95,017
Change in governmental net position	137,547	445,161	(307,614)
Change in proprietary net position	95,017	(152,357)	247,374

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 \$4,467,631 at June 30, 2015.

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,

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Cash and cash equivalents	\$ 2,379,846	\$ 2,093,578	\$ 4,473,424	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067
Liabilities:						
Payroll withholdings	5,793	-	5,793	-	-	-
Net Position:						
Restricted	706,710	672,342	1,379,052	712,532	504,568	1,217,100
Unrestricted	1,667,343	1,421,236	3,088,579	1,523,974	1,493,993	3,017,967
Total Net Position	\$ 2,374,053	\$ 2,093,578	\$ 4,467,631	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067

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

	2015			2014		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 223,439	\$ 1,702,580	\$ 1,926,019	\$ 200,115	\$ 1,669,198	\$ 1,869,313
Operating grants	224,742	-	224,742	215,432	-	215,432
Capital grants	326,703	165,924	492,627	170,748	169,695	340,443
General Revenues						
Taxes and assessments	594,607	-	594,607	580,949	-	580,949
Franchise taxes	143,401	-	143,401	136,215	-	136,215
Intergovernmental	93,029	-	93,029	89,061	-	89,061
Miscellaneous	26,741	9,848	36,589	24,365	10,636	35,001
<i>Total Revenues</i>	1,632,662	1,878,352	3,511,014	1,416,885	1,849,529	3,266,414
Expenses						
General government	269,979	-	269,979	255,735	-	255,735
Court and police	285,846	-	285,846	277,183	-	277,183
Community services and development	192,253	-	192,253	173,403	-	173,403
Fire	152,176	-	152,176	124,786	-	124,786
Parks	79,412	-	79,412	76,300	-	76,300
Streets	604,168	-	604,168	148,574	-	148,574
Water	-	864,362	864,362	-	1,097,142	1,097,142
Sewer	-	830,254	830,254	-	820,487	820,487
<i>Total Expenses</i>	1,583,834	1,694,616	3,278,450	1,055,981	1,917,629	2,973,610
Transfers	88,719	(88,719)	-	84,257	(84,257)	-
Change in net position	137,547	95,017	232,564	445,161	(152,357)	292,804
Net position, beginning of year	2,236,506	1,998,561	4,235,067	1,791,345	2,150,918	3,942,263
Net position, end of year	\$ 2,374,053	\$ 2,093,578	\$ 4,467,631	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067

GOVERNMENTAL ACTIVITIES

The cost for all governmental activities was \$1,583,834 this year. However, our taxpayers only paid \$594,607 in property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$223,439 this year, or 14%.

The City's governmental net position increased by \$137,547 during the year.

BUSINESS-TYPE ACTIVITIES

The cost for all business-type activities was \$1,694,616 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 \$95,017 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 \$1,070,883 at year end. The fund balance increased by \$49,381 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 118% of total General Fund expenditures. The increase in fund balance 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 \$89,096 during the current fiscal year due to significant capital outlay.

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 fund balance increased \$41,632 during the current fiscal year due to transfers in.

Street SDC Projects. This fund accounts for the collection and spending of street system development charges. The fund balance increased by \$57,294 due to collections in excess of capital outlay.

Enterprise Funds

Sewer Fund. This fund accounts for the operation of the City's sewer activity. The fund balance decreased by \$102,578 due primarily to transfers out to fund debt service. 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 increased by \$42,416 as transfers in were in excess of the scheduled debt payments.

Sewer SDC Projects. This fund accounts for the collection and spending of Sewer SDC revenues. The fund balance increased by \$97,312 due to minimal expenses.

Water Fund. This fund accounts for the City's water activity. Fund balance decreased by \$11,997 due primarily to transfers out to fund debt service. Operating revenues were sufficient to cover operating expenses.

Water Debt Service Fund. This fund records debt service payments on water-related debt. Fund balance increased by \$1,752 in the current year, as transfers in were slightly more than the required debt payments.

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 debt of \$3,912,133 at year end. Net revenues of the utility operations and SDC’s received from new development are pledged to the payment of the debt.

The City’s total debt decreased by \$539,627 during the current year due to scheduled repayments.

State statues limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The City had no outstanding general obligation debt.

City of Lafayette Outstanding Debt		
<u>Business-type Activities</u>		
	<u>2015</u>	<u>2014</u>
Loans	\$ 447,133	\$ 471,760
Revenue bonds	3,465,000	3,980,000
Total	\$ 3,912,133	\$ 4,451,760

Additional information on the City’s debt can be found in the notes to the annual financial report.

FISCAL YEAR 2015-16 BUDGET AND RATES

During the preparation of the budget for the 2015-16 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 2016 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, 2015

	<u><i>Governmental Activities</i></u>	<u><i>Business-type Activities</i></u>	<u><i>Totals</i></u>
ASSETS			
Cash and cash equivalents	\$ 2,379,846	\$ 2,093,578	\$ 4,473,424
LIABILITIES			
Payroll withholdings	5,793	-	5,793
NET POSITION			
Restricted for:			
Utility deposits	-	36,908	36,908
Debt service	-	203,500	203,500
Capital outlay	512,024	431,934	943,958
Streets	111,607	-	111,607
Community development	83,079	-	83,079
Unrestricted	1,667,343	1,421,236	3,088,579
<i>Total Net Position</i>	<u>\$ 2,374,053</u>	<u>\$ 2,093,578</u>	<u>\$ 4,467,631</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, 2015

	<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>
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 269,979	\$ 1,795	\$ -	\$ -
Court and police	285,846	30,889	8,950	-
Community services and development	192,253	137,139	275	-
Fire	152,176	-	-	-
Parks	79,412	-	-	21,410
Streets	604,168	53,616	215,517	305,293
<i>Total Governmental activities</i>	1,583,834	223,439	224,742	326,703
Business-type activities:				
Water	864,362	896,882	-	67,716
Sewer	830,254	805,698	-	98,208
<i>Total Business-type activities</i>	1,694,616	1,702,580	-	165,924
<i>Total Activities</i>	<u>\$ 3,278,450</u>	<u>\$ 1,926,019</u>	<u>\$ 224,742</u>	<u>\$ 492,627</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net position - beginning of year				
Net position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (268,184)	\$ -	\$ (268,184)
(246,007)	-	(246,007)
(54,839)	-	(54,839)
(152,176)	-	(152,176)
(58,002)	-	(58,002)
(29,742)	-	(29,742)
(808,950)	-	(808,950)
-	100,236	100,236
-	73,652	73,652
-	173,888	173,888
(808,950)	173,888	(635,062)
594,607	-	594,607
143,401	-	143,401
93,029	-	93,029
26,741	9,848	36,589
857,778	9,848	867,626
88,719	(88,719)	-
137,547	95,017	232,564
2,236,506	1,998,561	4,235,067
\$ 2,374,053	\$ 2,093,578	\$ 4,467,631

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

CITY OF LAFAYETTE, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<i>General</i>	<i>Special Revenue</i>	<i>Capital</i>
		<i>Street</i>	<i>Fire Capital Projects</i>
ASSETS			
Cash and cash equivalents	\$ 1,076,676	\$ 111,607	\$ 348,782
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 5,793	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital outlay	-	-	-
Streets	-	111,607	-
Community development	-	-	-
Committed to:			
Capital outlay	-	-	348,782
Community development	-	-	-
Unassigned	1,070,883	-	-
<i>Total Fund Balance</i>	1,070,883	111,607	348,782
<i>Total Liabilities and Fund Balance</i>	\$ 1,076,676	\$ 111,607	\$ 348,782

<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 399,406	\$ 443,375	\$ 2,379,846
\$ -	\$ -	\$ 5,793
399,406	112,618	512,024
-	-	111,607
-	83,079	83,079
-	222,272	571,054
-	25,406	25,406
-	-	1,070,883
399,406	443,375	2,374,053
\$ 399,406	\$ 443,375	\$ 2,379,846

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, 2015**

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Projects</u>
REVENUES			
Taxes and assessments	\$ 594,607	\$ -	\$ -
Fines and forfeitures	30,889	-	-
Licenses and permits	224,591	-	-
Charges for services	-	-	-
Intergovernmental	101,978	375,267	-
Miscellaneous	17,717	55,085	1,632
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	969,782	430,352	1,632
EXPENDITURES			
General government	262,397	-	-
Court and police	285,846	-	-
Community services and development	137,569	-	-
Fire	142,176	-	-
Parks	79,412	-	-
Streets	-	102,553	-
Capital acquisitions	-	411,615	10,000
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	907,400	514,168	10,000
REVENUES OVER (UNDER) EXPENDITURES	62,382	(83,816)	(8,368)
OTHER FINANCING SOURCES (USES)			
Transfers in	74,999	-	50,000
Transfers out	(88,000)	(5,280)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(13,001)	(5,280)	50,000
NET CHANGE IN FUND BALANCE	49,381	(89,096)	41,632
FUND BALANCE, beginning of year	1,021,502	200,703	307,150
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 1,070,883	\$ 111,607	\$ 348,782
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<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 594,607
-	-	30,889
145,543	67,139	437,273
-	10,220	10,220
-	-	477,245
1,751	6,243	82,428
147,294	83,602	1,632,662
-	7,582	269,979
-	-	285,846
-	54,684	192,253
-	-	142,176
-	-	79,412
-	-	102,553
90,000	-	511,615
90,000	62,266	1,583,834
57,294	21,336	48,828
-	57,000	181,999
-	-	(93,280)
-	57,000	88,719
57,294	78,336	137,547
342,112	365,039	2,236,506
\$ 399,406	\$ 443,375	\$ 2,374,053

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, 2015

	<u><i>Sewer Fund</i></u>	<u><i>Sewer Debt Service</i></u>	<u><i>Sewer SDC Projects</i></u>
ASSETS			
Cash and cash equivalents	\$ 620,178	\$ 398,567	\$ 314,100
LIABILITIES	-	-	-
NET POSITION			
Restricted for:			
Utility deposits	18,454	-	-
Debt service	-	-	-
Capital outlay	-	-	314,100
Unrestricted	601,724	398,567	-
<i>Total Fund Net Position</i>	<u>\$ 620,178</u>	<u>\$ 398,567</u>	<u>\$ 314,100</u>

<i>Water</i>	<i>Water Debt Service</i>	<i>Other Business- type Funds Water SDC Projects</i>	<i>Total</i>
\$ 357,207	\$ 285,692	\$ 117,834	\$ 2,093,578
-	-	-	-
18,454	-	-	36,908
-	203,500	-	203,500
-	-	117,834	431,934
338,753	82,192	-	1,421,236
\$ 357,207	\$ 285,692	\$ 117,834	\$ 2,093,578

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, 2015**

	<u>Sewer Fund</u>	<u>Sewer Debt Service</u>	<u>Sewer SDC Projects</u>
OPERATING REVENUES			
Charges for services	\$ 804,822	\$ -	\$ -
Miscellaneous	876	-	-
<i>Total Operating Revenues</i>	805,698	-	-
OPERATING EXPENSES			
Personal services	260,663	-	-
Materials and services	113,952	-	2,175
<i>Total Operating Expenses</i>	374,615	-	2,175
OPERATING INCOME	431,083	-	(2,175)
NONOPERATING ITEMS			
Interest revenue	2,594	2,416	1,279
Capital acquisitions	(57,376)	-	-
Debt payments			
Principal	-	(325,000)	-
Interest	-	(71,088)	-
<i>Total Nonoperating Items</i>	(54,782)	(393,672)	1,279
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	376,301	(393,672)	(896)
Capital contributions	-	-	98,208
Transfers in	-	436,088	-
Transfers out	(478,879)	-	-
CHANGE IN FUND NET POSITION	(102,578)	42,416	97,312
FUND NET POSITION, beginning of year	722,756	356,151	216,788
FUND NET POSITION, end of year	\$ 620,178	\$ 398,567	\$ 314,100

<u>Water</u>	<u>Water Debt Service</u>	<u>Other Business- type Funds Water SDC Projects</u>	<u>Total</u>
\$ 892,464	\$ -	\$ -	\$ 1,697,286
4,418	-	-	5,294
896,882	-	-	1,702,580
248,622	-	-	509,285
294,567	-	-	410,694
543,189	-	-	919,979
353,693	-	-	782,601
1,410	1,753	396	9,848
(45,710)	-	-	(103,086)
-	(214,627)	-	(539,627)
-	(60,836)	-	(131,924)
(44,300)	(273,710)	396	(764,789)
309,393	(273,710)	396	17,812
-	-	67,716	165,924
-	275,462	-	711,550
(321,390)	-	-	(800,269)
(11,997)	1,752	68,112	95,017
369,204	283,940	49,722	1,998,561
\$ 357,207	\$ 285,692	\$ 117,834	\$ 2,093,578

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

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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, 2015

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.

Fire Capital Equipment Fund

This fund accounts for funds used for fire-related capital projects. Resources are provided by transfers in.

Street SDC Projects Fund

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

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.

Parks SDC Projects Fund

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

City Hall Building Fund

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

Vehicle and Equipment Replacement Fund

This fund accounts for the purchase of equipment. Resources are provided by transfers in.

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. Payments on sewer-related debt are also paid from this fund. Resources are provided by transfers in.

Sewer SDC Projects Fund

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

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. Payments on water-related debt are also paid from this fund. Resources are provided by transfers in.

The City reports the following nonmajor enterprise fund:

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.

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.

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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

- 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, 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.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

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, 2015. 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.

CITY OF LAFAYETTE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

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, 2015:

Cash	
Cash on hand	\$ 500
Deposits with financial institutions	351,445
Investments	
Local Government Investment Pool	4,121,479
	<hr/>
	\$ 4,473,424
	<hr/> <hr/>

Deposits

The book balance of the City's bank deposits (checking account) was and the bank balance was 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, 2015

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, 2015, \$115,734 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, 2015, 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, 2015

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>	<u>Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2015</u>	<u>Due Within One Year</u>
Safe Drinking Water Revolving Fund loan, issued 2003, annual installments of \$6,096 including interest at 1% through 2024	\$ 52,216	\$ -	\$ (5,574)	\$ 46,642	\$ 5,629
City of Dayton (OECD passthrough), issued in 2004, annual installments of \$23,249 including interest at 1% through 2034	419,544	-	(19,053)	400,491	19,244
Water System Revenue Refunding Bonds, issued May, 2011, in varying annual install- ments plus interest at 3.5% through 2021	1,485,000	-	(190,000)	1,295,000	200,000
Sewer System Revenue Refunding Bonds, issued May, 2012, in varying annual install- ments plus interest at 2.00% to 3.25% through 2021	2,495,000	-	(325,000)	2,170,000	335,000
	<u>\$ 4,451,760</u>	<u>\$ -</u>	<u>\$ (539,627)</u>	<u>\$ 3,912,133</u>	<u>\$ 559,873</u>

Future debt service requirements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021-2025	751,098	25,770	776,868
2026-2030	108,434	7,811	116,245
2031-2034	90,723	2,278	93,001
	<u>\$ 3,912,133</u>	<u>\$ 438,922</u>	<u>\$ 4,351,055</u>

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, 2015.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

PENSION PLAN

Defined Benefit Plan

Name of the pension plan: The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

Plan description. Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. OPERS issues a publicly available financial report. This report can be obtained at the PERS website: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits provided under Chapter 238-Tier One / Tier Two

1. *Pension Benefits.* The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
 - Member was employed by a OPERS employer at the time of death,
 - Member died within 120 days after termination of OPERS-covered employment,
 - Member died as a result of injury sustained while employed in a OPERS-covered job, or
 - Member was on an official leave of absence from a OPERS-covered job at the time of death.
3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
4. *Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Benefits provided under Chapter 238-Tier One / Tier Two (Continued)

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB)

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and , if the pension program is terminated, the date on which termination becomes effective.

2. *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. *Benefit Changes After Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Contributions (Continued)

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$70,794, excluding amounts to fund employer specific liabilities. These contributions were allocated \$42,554 to PERS/OPSRP, \$25,857 to the IAP, and \$2,383 to the Retiree Health Insurance accounts.

The rates in effect for the fiscal year ended June 30, 2015 were: (1) Tier1/Tier 2 – 11.91%, (2) OPSRP general service – 8.91%, and (3) OPSRP uniformed – 11.64%.

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Actuarial Methods and Assumptions

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. 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 for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	16.0	24.0	20.0
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
Total			<u>100.0 %</u>

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation - Mean		2.75

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.75 percent) or 1% higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 248,734	\$ (117,457)	\$ (427,170)

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Long-Term Expected Rate of Return (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City had an asset of \$117,457 for its proportionate share of the net pension asset. As the City utilizes the modified cash basis of accounting, this asset is not reported on the Statement of Net Position. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 and rolled forward to June 30, 2014. Therefore, these calculations did not reflect current year amounts paid. The City's proportion of the net pension asset was based on the City's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.
3. Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings.

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is just their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. For example, if the employer's payroll is one percent of the pool's total payroll, the employer will be allocated one percent of the pool's UAL. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation. The division of the UAL across employers is shown graphically below.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner. Thus for each and every system employer, the PVFNC is calculated following the format in the table below.

Since many governments in Oregon have sold pension obligation bonds and deposited the proceeds with OPERS (referred to as side accounts or transitional liability or surplus), adjustments are required. After each employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's side account, transitional liability/surplus, and pre-SLGRP liability/surplus (if any). This is done as those balances increase/decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2015, the City's proportion was 0.00518184.

For the year ended June 30, 2015, the City reported pension expense of \$71,659.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. The City will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and will not be included in the net pension liability (asset) proportionate shares provided to employers in June 2015.

It is estimated that this change will increase overall PERS net pension liability by \$178 million.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Changes in Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at the PERS website: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

Changes in Actuarial Methods and Allocation Procedures

Actuarial Cost Method

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

Tier 1/Tier 2 UAL Amortization

In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method

The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board public meeting.

Allocation of Liability for Service Segments

For purposes of allocating Tier 1/Tier 2 member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for General Service members and 10 percent for Police & Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Changes in Economic Assumptions

Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation

The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Mortality

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions

Merit Increases, Unused Sick Leave, and Vacation Pay

Unused Sick Leave and Vacation Pay rates were adjusted.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

Changes in Salary Increase Assumptions (Continued)

Retiree Healthcare Participation

The RHIA participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates. (Source: December 31, 2012 Actuarial Valuation p.89)

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20 year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions

The City has chosen to pay the employees contributions to both the defined benefit and defined contribution plans. 6% of covered payroll is paid for general service employees and 6% of covered payroll is paid for firefighters and police officers.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Two Fiscal Years¹

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.00518184%	0.00518184%
Proportionate share of the net pension liability (asset)	\$ (117,457)	\$ 264,437
Covered-employee payroll	483,613	497,252
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-24.29%	53.18%

CONTRIBUTIONS TO THE OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Two Fiscal Years¹

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 71,659	\$ 76,310
Contributions in relation to the contractually required contribution	71,659	76,310
Contribution deficiency (excess)	-	-
City's covered-employee payroll	483,613	497,252
Contributions as a percentage of covered-employee payroll	14.82%	15.35%

¹ Ten year trend information as required by GASB Statement No. 68 will be presented on a prospective basis.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 74,999	\$ 88,000
Street	-	5,280
Fire Capital Projects	50,000	-
Community Center	30,000	-
City Hall Building	15,000	-
Vehicle and Equipment Replacement	12,000	-
Sewer	-	478,879
Sewer Debt	436,088	-
Water	-	321,390
Water Debt	275,462	-
	<u>\$ 893,549</u>	<u>\$ 893,549</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.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

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

Disbursements in excess of appropriations in individual funds for the year ended June 30, 2015 occurred as follows:

<u>Fund / Appropriation category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Building inspection	\$ 34,245	\$ 60,133	\$ (25,888)

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. 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 was implemented in the current year.

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 was implemented with no effect in the current year.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement was implemented in the current year.

The City will implement applicable 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 following pronouncements.

GASB Statement No. 72 “Fair Value Measurement and Application” addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. The statement is effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, completes the suite of pension standards. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The statement is generally effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2015, the date on which the financial statements were available to be issued. In July, 2015, the City approved the purchase of a fire engine for approximately \$378,000. The purchase will be paid in five installments of \$77,162. Management is not aware of any other 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, 2015

	<u>Special Revenue</u>		<u>Capital</u>
	<u>Community Center</u>	<u>Refundable Deposits/Pass-Through Fees</u>	<u>Parks SDC Projects</u>
ASSETS			
Cash and cash equivalents	\$ 25,406	\$ 83,079	\$ 112,618
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital outlay	-	-	112,618
Community development	-	83,079	-
Committed to:			
Capital outlay	-	-	-
Community development	25,406	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	25,406	83,079	112,618
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 25,406	\$ 83,079	\$ 112,618
	<hr/>	<hr/>	<hr/>

Projects

<u>City Hall Building</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total</u>
\$ 155,155	\$ 67,117	\$ 443,375
\$ -	\$ -	\$ -
-	-	112,618
-	-	83,079
155,155	67,117	222,272
-	-	25,406
155,155	67,117	443,375
\$ 155,155	\$ 67,117	\$ 443,375

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	<i>Special Revenue</i>	
	<i>Community Center</i>	<i>Refundable Deposits/Pass- Through Fees</i>
REVENUES		
Licenses and permits	\$ -	\$ 45,729
Charges for services	-	10,220
Miscellaneous	1,896	2,814
<i>Total Revenues</i>	1,896	58,763
EXPENDITURES		
General government	7,582	-
Community services and development	-	54,684
<i>Total Expenditures</i>	7,582	54,684
REVENUES OVER (UNDER) EXPENDITURES	(5,686)	4,079
OTHER FINANCING SOURCES (USES)		
Transfers in	30,000	-
NET CHANGE IN FUND BALANCE	24,314	4,079
FUND BALANCE, beginning of year	1,092	79,000
FUND BALANCE, end of year	\$ 25,406	\$ 83,079

<i>Capital Projects</i>			
<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
\$ 21,410	\$ -	\$ -	\$ 67,139
-	-	-	10,220
491	732	310	6,243
21,901	732	310	83,602
-	-	-	7,582
-	-	-	54,684
-	-	-	62,266
21,901	732	310	21,336
-	15,000	12,000	57,000
21,901	15,732	12,310	78,336
90,717	139,423	54,807	365,039
\$ 112,618	\$ 155,155	\$ 67,117	\$ 443,375

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 585,000	\$ 585,000	\$ 594,607	\$ 9,607
Fines and forfeitures	25,000	25,000	30,889	5,889
Licenses and permits	178,650	178,650	224,591	45,941
Intergovernmental	122,500	122,500	101,978	(20,522)
Miscellaneous	4,000	4,000	17,717	13,717
<i>Total Revenues</i>	915,150	915,150	969,782	54,632
EXPENDITURES				
Administration	603,630	603,630	262,397	341,233
Planning	108,781	108,781	77,436	31,345
Building inspection	34,245	34,245	60,133	(25,888)
Municipal court	26,930	26,930	19,519	7,411
Law enforcement	275,000	275,000	266,327	8,673
Parks	126,716	126,716	79,412	47,304
Fire	181,321	181,321	142,176	39,145
Contingency	477,337	477,337	-	477,337
<i>Total Expenditures</i>	1,833,960	1,833,960	907,400	926,560
REVENUES OVER (UNDER) EXPENDITURES	(918,810)	(918,810)	62,382	981,192
OTHER FINANCING SOURCES (USES)				
Transfers in	73,538	73,538	74,999	1,461
Transfers out	(88,000)	(88,000)	(88,000)	-
<i>Total Other Financing Sources (Uses)</i>	(14,462)	(14,462)	(13,001)	1,461
NET CHANGE IN FUND BALANCE	(933,272)	(933,272)	49,381	982,653
FUND BALANCE, beginning of year	933,272	933,272	1,021,502	88,230
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,070,883	\$ 1,070,883

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 365,000	\$ 365,000	\$ 375,267	\$ 10,267
Miscellaneous	51,000	51,000	55,085	4,085
<i>Total Revenues</i>	416,000	416,000	430,352	14,352
EXPENDITURES				
Personal services	46,434	46,434	41,753	4,681
Materials and services	116,100	116,100	60,800	55,300
Capital outlay	436,748	436,748	411,615	25,133
<i>Total Expenditures</i>	599,282	599,282	514,168	85,114
REVENUES OVER (UNDER) EXPENDITURES	(183,282)	(183,282)	(83,816)	99,466
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,280)	(5,280)	(5,280)	-
NET CHANGE IN FUND BALANCE	(188,562)	(188,562)	(89,096)	99,466
FUND BALANCE, beginning of year	188,562	188,562	200,703	12,141
FUND BALANCE, end of year	\$ -	\$ -	\$ 111,607	\$ 111,607

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 1,632	\$ 1,132
EXPENDITURES				
Capital outlay	357,473	357,473	10,000	347,473
REVENUES OVER (UNDER) EXPENDITURES	(356,973)	(356,973)	(8,368)	348,605
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	(306,973)	(306,973)	41,632	348,605
FUND BALANCE, beginning of year	306,973	306,973	307,150	177
FUND BALANCE, end of year	\$ -	\$ -	\$ 348,782	\$ 348,782

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 110,260	\$ 110,260	\$ 145,543	\$ 35,283
Miscellaneous	1,000	1,000	1,751	751
<i>Total Revenues</i>	111,260	111,260	147,294	36,034
EXPENDITURES				
Capital outlay	421,711	421,711	90,000	331,711
NET CHANGE IN FUND BALANCE	(310,451)	(310,451)	57,294	367,745
FUND BALANCE, beginning of year	310,451	310,451	342,112	31,661
FUND BALANCE, end of year	\$ -	\$ -	\$ 399,406	\$ 399,406

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,600	\$ 3,600	\$ 1,896	\$ (1,704)
EXPENDITURES				
Materials and services	14,450	14,450	7,582	6,868
Capital outlay	20,000	20,000	-	20,000
<i>Total Expenditures</i>	<u>34,450</u>	<u>34,450</u>	<u>7,582</u>	<u>26,868</u>
REVENUES OVER (UNDER) EXPENDITURES	(30,850)	(30,850)	(5,686)	25,164
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(850)	(850)	24,314	25,164
FUND BALANCE, beginning of year	<u>850</u>	<u>850</u>	<u>1,092</u>	<u>242</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,406</u>	<u>\$ 25,406</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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 30,500	\$ 30,500	\$ 45,729	\$ 15,229
Charges for services	15,000	15,000	10,220	(4,780)
Miscellaneous	1,700	1,700	2,814	1,114
<i>Total Revenues</i>	47,200	47,200	58,763	11,563
EXPENDITURES				
Materials and services	159,431	159,431	54,684	104,747
NET CHANGE IN FUND BALANCE	(112,231)	(112,231)	4,079	116,310
FUND BALANCE, beginning of year	112,231	112,231	79,000	(33,231)
FUND BALANCE, end of year	\$ -	\$ -	\$ 83,079	\$ 83,079

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 16,220	\$ 16,220	\$ 21,410	\$ 5,190
Miscellaneous	500	500	491	(9)
<i>Total Revenues</i>	16,720	16,720	21,901	5,181
EXPENDITURES				
Capital outlay	102,513	102,513	-	102,513
NET CHANGE IN FUND BALANCE	(85,793)	(85,793)	21,901	107,694
FUND BALANCE, beginning of year	85,793	85,793	90,717	4,924
FUND BALANCE, end of year	\$ -	\$ -	\$ 112,618	\$ 112,618

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 732	\$ 232
EXPENDITURES				
Materials and services	30,000	30,000	-	30,000
Capital outlay	117,300	117,300	-	117,300
<i>Total Expenditures</i>	147,300	147,300	-	147,300
REVENUES OVER (UNDER) EXPENDITURES	(146,800)	(146,800)	732	147,532
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(131,800)	(131,800)	15,732	147,532
FUND BALANCE, beginning of year	131,800	131,800	139,423	7,623
FUND BALANCE, end of year	\$ -	\$ -	\$ 155,155	\$ 155,155

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, 2015**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 310	\$ (190)
EXPENDITURES				
Capital outlay	67,432	67,432	-	67,432
REVENUES OVER (UNDER) EXPENDITURES	(66,932)	(66,932)	310	67,242
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	12,000	-
NET CHANGE IN FUND BALANCE	(54,932)	(54,932)	12,310	67,242
FUND BALANCE, beginning of year	54,932	54,932	54,807	(125)
FUND BALANCE, end of year	\$ -	\$ -	\$ 67,117	\$ 67,117

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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 796,000	\$ 796,000	\$ 804,822	\$ 8,822
Miscellaneous	4,000	4,000	3,470	(530)
<i>Total Revenues</i>	800,000	800,000	808,292	8,292
EXPENDITURES				
Personal services	290,668	290,668	260,663	30,005
Materials and services	199,200	199,200	113,952	85,248
Capital outlay	75,000	75,000	57,376	17,624
Contingency	455,509	455,509	-	455,509
<i>Total Expenditures</i>	1,020,377	1,020,377	431,991	588,386
REVENUES OVER (UNDER) EXPENDITURES	(220,377)	(220,377)	376,301	596,678
OTHER FINANCING SOURCES (USES)				
Transfers out	(480,881)	(480,881)	(478,879)	2,002
CHANGE IN FUND BALANCE	(701,258)	(701,258)	(102,578)	598,680
FUND BALANCE, beginning of year	701,258	701,258	722,756	21,498
FUND BALANCE, end of year	\$ -	\$ -	\$ 620,178	\$ 620,178

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 850	\$ 850	\$ 2,416	\$ 1,566
EXPENDITURES				
Debt service				
Principal	325,000	325,000	325,000	-
Interest	71,088	71,088	71,088	-
Contingency	396,770	396,770	-	396,770
<i>Total Expenditures</i>	<u>792,858</u>	<u>792,858</u>	<u>396,088</u>	<u>396,770</u>
REVENUES OVER (UNDER) EXPENDITURES	(792,008)	(792,008)	(393,672)	398,336
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>436,088</u>	<u>436,088</u>	<u>436,088</u>	<u>-</u>
CHANGE IN FUND BALANCE	(355,920)	(355,920)	42,416	398,336
FUND BALANCE, beginning of year	<u>355,920</u>	<u>355,920</u>	<u>356,151</u>	<u>796,672</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398,567</u>	<u>\$ 1,195,008</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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 74,400	\$ 74,400	\$ 98,208	\$ 23,808
Miscellaneous	600	600	1,279	679
<i>Total Revenues</i>	75,000	75,000	99,487	24,487
EXPENDITURES				
Materials and services	269,309	269,309	2,175	267,134
CHANGE IN FUND BALANCE	(194,309)	(194,309)	97,312	291,621
FUND BALANCE, beginning of year	194,309	194,309	216,788	22,479
FUND BALANCE, end of year	\$ -	\$ -	\$ 314,100	\$ 314,100

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, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 813,000	\$ 813,000	\$ 892,464	\$ 79,464
Miscellaneous	6,000	6,000	5,828	(172)
<i>Total Revenues</i>	819,000	819,000	898,292	79,292
EXPENDITURES				
Personal services	299,795	299,795	248,622	51,173
Materials and services	296,200	296,200	294,567	1,633
Capital outlay	281,683	281,683	45,710	235,973
<i>Total Expenditures</i>	877,678	877,678	588,899	288,779
REVENUES OVER (UNDER) EXPENDITURES	(58,678)	(58,678)	309,393	368,071
OTHER FINANCING SOURCES (USES)				
Transfers out	(321,322)	(321,322)	(321,390)	(68)
CHANGE IN FUND BALANCE	(380,000)	(380,000)	(11,997)	368,003
FUND BALANCE, beginning of year	380,000	380,000	369,204	(10,796)
FUND BALANCE, end of year	\$ -	\$ -	\$ 357,207	\$ 357,207

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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Investment earnings	\$ 650	\$ 650	\$ 1,753	\$ 1,103
EXPENDITURES				
Debt service				
Principal	214,627	214,627	214,627	-
Interest	60,836	60,836	60,836	-
Contingency	284,364	284,364	-	284,364
<i>Total Expenditures</i>	<u>559,827</u>	<u>559,827</u>	<u>275,463</u>	<u>284,364</u>
REVENUES OVER (UNDER) EXPENDITURES	(559,177)	(559,177)	(273,710)	285,467
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>275,462</u>	<u>275,462</u>	<u>275,462</u>	<u>-</u>
CHANGE IN FUND BALANCE	(283,715)	(283,715)	1,752	285,467
FUND BALANCE, beginning of year	<u>283,715</u>	<u>283,715</u>	<u>283,940</u>	<u>225</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,692</u>	<u>\$ 285,692</u>

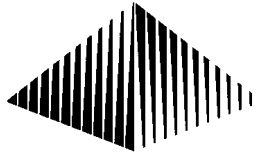
CITY OF LAFAYETTE, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2015

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 51,300	\$ 51,300	\$ 67,716	\$ 16,416
Investment earnings	300	300	396	96
<i>Total Revenues</i>	51,600	51,600	68,112	16,512
EXPENDITURES				
Capital outlay	77,250	77,250	-	77,250
CHANGE IN FUND BALANCE	(25,650)	(25,650)	68,112	93,762
FUND BALANCE, beginning of year	25,650	25,650	49,722	24,072
FUND BALANCE, end of year	\$ -	\$ -	\$ 117,834	\$ 117,834

OTHER SCHEDULES

CITY OF LAFAYETTE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2015

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2014</i>	<i>2014-2015 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2015</i>
2014-15	\$ -	\$ 613,902	\$ 300	\$ (17,477)	\$ (571,723)	\$ 25,002
2013-14	24,792	-	-	(476)	(10,137)	14,179
2012-13	14,262	-	216	(118)	(4,752)	9,608
2011-12	8,208	-	98	(42)	(4,038)	4,226
2010-11	4,541	-	-	28	(1,816)	2,753
2009-10	2,751	-	-	35	(195)	2,591
2008-09	663	-	-	(19)	(109)	535
Prior years	1,474	-	-	(21)	(147)	1,306
Total	\$ 56,691	\$ 613,902	\$ 614	\$ (18,090)	\$ (592,917)	\$ 60,200



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, 2015, and have issued our report thereon dated December 17, 2015.

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 overexpenditures as indicated in the notes to the financial statements.

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.

We noted certain matters that we reported to management of the City in a separate letter dated December 17, 2015.

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 17, 2015