

***CITY OF LAFAYETTE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014***

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Lafayette, Oregon 97127

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City Administrator

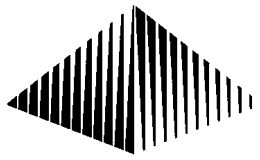
Preston Polasek
486 3rd Street
Lafayette, Oregon 97127

CITY OF LAFAYETTE, OREGON
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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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, 2014, 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, 2014, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Other Matters

Report on Supplemental and Other Information

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

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

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.


Basis of Accounting

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

Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2014, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By 
Thomas E. Glogau, A Shareholder
December 18, 2014

CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014.

Financial Highlights

Following are the financial highlights of the City for the FYE June 30, 2014:

	<u>June 30,</u>		<u>change</u>
	<u>2014</u>	<u>2013</u>	
Net position	\$ 4,235,067	\$ 3,942,263	\$ 292,804
Change in net position	292,804	88,344	204,460
Governmental net position	2,236,506	1,791,345	445,161
Proprietary net position	1,998,561	2,150,918	(152,357)
Change in governmental net position	445,161	123,447	321,714
Change in proprietary net position	(152,357)	(35,103)	(117,254)

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 \$4,235,067 at June 30, 2014.

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,

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Cash and cash equivalents	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067	\$ 1,795,119	\$ 2,150,918	\$ 3,946,037
Liabilities:						
Payroll withholdings	-	-	-	3,774	-	3,774
Net Position:						
Restricted	712,532	504,568	1,217,100	445,684	431,391	877,075
Unrestricted	1,523,974	1,493,993	3,017,967	1,345,661	1,719,527	3,065,188
Total Net Position	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067	\$ 1,791,345	\$ 2,150,918	\$ 3,942,263

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

	2014			2013		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 200,115	\$ 1,669,198	\$ 1,869,313	\$ 104,754	\$ 1,501,365	\$ 1,606,119
Operating grants	215,432	-	215,432	355,599	-	355,599
Capital grants	170,748	169,695	340,443	101,184	100,562	201,746
General Revenues						
Taxes and assessments	580,949	-	580,949	570,090	-	570,090
Franchise taxes	136,215	-	136,215	131,976	-	131,976
Intergovernmental	89,061	-	89,061	86,350	-	86,350
Miscellaneous	24,365	10,636	35,001	47,814	11,240	59,054
<i>Total Revenues</i>	1,416,885	1,849,529	3,266,414	1,397,767	1,613,167	3,010,934
Expenses						
General government	255,735	-	255,735	288,182	-	288,182
Court and police	277,183	-	277,183	268,274	-	268,274
Community services and development	173,403	-	173,403	126,625	-	126,625
Fire	124,786	-	124,786	113,834	-	113,834
Parks	76,300	-	76,300	50,993	-	50,993
Streets	148,574	-	148,574	506,132	-	506,132
Water	-	1,097,142	1,097,142	-	796,366	796,366
Sewer	-	820,487	820,487	-	772,184	772,184
<i>Total Expenses</i>	1,055,981	1,917,629	2,973,610	1,354,040	1,568,550	2,922,590
Transfers	84,257	(84,257)	-	79,720	(79,720)	-
Change in net position	445,161	(152,357)	292,804	123,447	(35,103)	88,344
Net position, beginning of year	1,791,345	2,150,918	3,942,263	1,667,898	2,186,021	3,853,919
Net position, end of year	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067	\$ 1,791,345	\$ 2,150,918	\$ 3,942,263

GOVERNMENTAL ACTIVITIES

The cost for all governmental activities was \$1,055,981 this year. However, our taxpayers only paid \$580,949 in property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$200,115 this year, or 19%.

The City's governmental net position increased by \$445,161 during the year.

BUSINESS-TYPE ACTIVITIES

The cost for all business-type activities was \$1,917,629 this year. These costs are paid by utility service fees, system development charges and other utility related income.

The City's business-type net position decreased by \$152,357 this year.

FINANCIAL ANALYSIS OF THE CITY OF LAFAYETTE FUNDS

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

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$1,021,502 at year end. The fund balance increased by \$147,875 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 128% of total General Fund expenditures. The increase was due to administration, planning, and parks expenditures less than what had been budgeted.

Street Fund. The Street Fund accounts for the use of gas tax revenues. Expenditures are restricted to street-related projects and costs, plus debt service on street-related debt. The fund balance increased \$65,226 during the current fiscal year due to revenues in excess of budgeted 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 only other activity in the fund during the current year was investment income.

Street SDC Projects. This fund accounts for the collection and spending of street system development charges. The fund balance increased by \$148,389 due to minimal expenses in the current year.

Sewer Fund. This fund accounts for the operation of the City's sewer activity. The fund balance decreased by \$93,975 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 decreased by \$37,120 as transfers in were less than the scheduled debt payments.

Sewer SDC Projects. This fund accounts for the collection and spending of Sewer SDC revenues. The fund balance increased by \$101,175 due to minimal expenses in the current year.

Water Fund. This fund accounts for the City's water activity. Fund balance decreased by \$95,895 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 \$3,779 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

Long-term Debt: The City had total revenue-backed bonded debt of \$4,451,760 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 \$529,383 during the current year.

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	
	Business-type Activities	
	2014	2013
Loans	\$ 471,760	\$ 496,143
Revenue bonds	3,980,000	4,485,000
Total	<u>\$ 4,451,760</u>	<u>\$ 4,981,143</u>

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

FISCAL YEAR 2014-15 BUDGET AND RATES

During the preparation of the budget for the 2014-15 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 2015 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, 2014

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<i>ASSETS</i>			
Cash and cash equivalents	\$ 2,236,506	\$ 1,998,561	\$ 4,235,067
<i>LIABILITIES</i>			
	-	-	-
<i>NET POSITION</i>			
Restricted for:			
Utility deposits	-	34,558	34,558
Debt service	-	203,500	203,500
Capital outlay	432,829	266,510	699,339
Streets	200,703	-	200,703
Community development	79,000	-	79,000
Unrestricted	1,523,974	1,493,993	3,017,967
 <i>Total Net Position</i>	 \$ 2,236,506	 \$ 1,998,561	 \$ 4,235,067

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, 2014

	<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	\$ 255,735	\$ 2,990	\$ -	\$ -
Court and police	277,183	27,969	-	-
Community services and development	173,403	169,156	300	-
Fire	124,786	-	-	-
Parks	76,300	-	-	21,897
Streets	148,574	-	215,132	148,851
<i>Total Governmental activities</i>	1,055,981	200,115	215,432	170,748
Business-type activities:				
Water	1,097,142	851,007	-	69,255
Sewer	820,487	818,191	-	100,440
<i>Total Business-type activities</i>	1,917,629	1,669,198	-	169,695
<i>Total Activities</i>	<u>\$ 2,973,610</u>	<u>\$ 1,869,313</u>	<u>\$ 215,432</u>	<u>\$ 340,443</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>
\$ (252,745)	\$ -	\$ (252,745)
(249,214)	-	(249,214)
(3,947)	-	(3,947)
(124,786)	-	(124,786)
(54,403)	-	(54,403)
215,409	-	215,409
<hr/>		
(469,686)	-	(469,686)
-	(176,880)	(176,880)
-	98,144	98,144
<hr/>		
-	(78,736)	(78,736)
<hr/>		
(469,686)	(78,736)	(548,422)
580,949	-	580,949
136,215	-	136,215
89,061	-	89,061
24,365	10,636	35,001
<hr/>		
830,590	10,636	841,226
84,257	(84,257)	-
<hr/>		
445,161	(152,357)	292,804
1,791,345	2,150,918	3,942,263
<hr/>		
\$ 2,236,506	\$ 1,998,561	\$ 4,235,067
<hr/> <hr/>		

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

CITY OF LAFAYETTE, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<i>General</i>	<i>Special Revenue</i>	<i>Capital</i>
		<i>Street</i>	<i>Fire Capital Projects</i>
ASSETS			
Cash and cash equivalents	\$ 1,021,502	\$ 200,703	\$ 307,150
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital outlay	-	-	-
Streets	-	200,703	-
Community development	-	-	-
Committed to:			
Capital outlay	-	-	307,150
Community development	-	-	-
Unassigned	1,021,502	-	-
<i>Total Fund Balance</i>	1,021,502	200,703	307,150
Total Liabilities and Fund Balance	\$ 1,021,502	\$ 200,703	\$ 307,150

<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 342,112	\$ 365,039	\$ 2,236,506
\$ -	\$ -	\$ -
342,112	90,717	432,829
-	-	200,703
-	79,000	79,000
-	194,230	501,380
-	1,092	1,092
-	-	1,021,502
342,112	365,039	2,236,506
\$ 342,112	\$ 365,039	\$ 2,236,506

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, 2014**

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Projects</u>
REVENUES			
Taxes and assessments	\$ 580,949	\$ -	\$ -
Fines and forfeitures	27,969	-	-
Licenses and permits	214,025	-	-
Charges for services	-	-	-
Intergovernmental	89,061	215,132	-
Miscellaneous	14,179	2,049	1,389
<i>Total Revenues</i>	926,183	217,181	1,389
EXPENDITURES			
General government	210,304	-	-
Court and police	277,182	-	-
Community services and development	109,038	-	-
Fire	124,786	-	-
Parks	76,300	-	-
Streets	-	124,421	-
Capital outlay	-	22,489	-
<i>Total Expenditures</i>	797,610	146,910	-
REVENUES OVER (UNDER)	128,573	70,271	1,389
OTHER FINANCING SOURCES (USES)			
Transfers in	70,302	-	38,000
Transfers out	(51,000)	(5,045)	-
<i>Total Other Financing Sources (Uses)</i>	19,302	(5,045)	38,000
NET CHANGE IN FUND BALANCE	147,875	65,226	39,389
FUND BALANCE, beginning of year	873,627	135,477	267,761
FUND BALANCE, end of year	\$ 1,021,502	\$ 200,703	\$ 307,150

<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 580,949
-	-	27,969
148,851	99,161	462,037
-	14,082	14,082
-	-	304,193
1,202	8,836	27,655
150,053	122,079	1,416,885
-	15,952	226,256
-	-	277,182
-	64,464	173,502
-	-	124,786
-	-	76,300
-	-	124,421
1,664	29,381	53,534
1,664	109,797	1,055,981
148,389	12,282	360,904
-	32,000	140,302
-	-	(56,045)
-	32,000	84,257
148,389	44,282	445,161
193,723	320,757	1,791,345
\$ 342,112	\$ 365,039	\$ 2,236,506

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, 2014

	<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	\$ 722,756	\$ 356,151	\$ 216,788
 LIABILITIES	 -	 -	 -
 NET POSITION:			
Restricted for:			
Utility deposits	17,279	-	-
Debt service	-	-	-
Capital outlay	-	-	216,788
Unrestricted	705,477	356,151	-
 <i>Total Fund Net Position</i>	 \$ 722,756	 \$ 356,151	 \$ 216,788

<i>Water</i>	<i>Water Debt Service</i>	<i>Other Business- type Funds Water SDC Projects</i>	<i>Total</i>
\$ 369,204	\$ 283,940	\$ 49,722	\$ 1,998,561
-	-	-	-
17,279	-	-	34,558
-	203,500	-	203,500
-	-	49,722	266,510
351,925	80,440	-	1,493,993
\$ 369,204	\$ 283,940	\$ 49,722	\$ 1,998,561

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, 2014**

	<u>Sewer Fund</u>	<u>Sewer Debt Service</u>	<u>Sewer SDC Projects</u>
OPERATING REVENUES			
Charges for services	\$ 802,316	\$ -	\$ -
Miscellaneous	15,874	-	-
<i>Total Operating Revenues</i>	818,190	-	-
OPERATING EXPENSES			
Personal services	253,779	-	-
Materials and services	159,272	-	-
<i>Total Operating Expenses</i>	413,051	-	-
OPERATING INCOME	405,139	-	-
NONOPERATING REVENUES (EXPENSES)			
Noncapital Financing Revenues (Expenses)			
Transfers in	-	360,000	-
Transfers out	(494,618)	-	-
<i>Total Noncapital Financing Revenues (Expenses)</i>	(494,618)	360,000	-
Capital Financing Revenues (Expenses)			
Capital contributions	-	-	100,440
Capital outlay	(9,086)	-	-
Debt service			
Principal	-	(320,000)	-
Interest	-	(78,350)	-
<i>Total Capital Financing Revenues (Expenses)</i>	(9,086)	(398,350)	100,440
Investing Revenues			
Interest revenue	4,590	1,230	735
<i>Total Nonoperating Revenues (Expenses)</i>	(499,114)	(37,120)	101,175
CHANGE IN FUND NET POSITION	(93,975)	(37,120)	101,175
FUND NET POSITION, beginning of year	816,731	393,271	115,613
FUND NET POSITION, end of year	\$ 722,756	\$ 356,151	\$ 216,788

<u>Water</u>	<u>Water Debt Service</u>	<u>Other Business- type Funds Water SDC Projects</u>	<u>Total</u>
\$ 841,643	\$ -	\$ -	\$ 1,643,959
9,363	-	-	25,237
851,006	-	-	1,669,196
271,119	-	-	524,898
243,315	-	-	402,587
514,434	-	-	927,485
336,572	-	-	741,711
93,402	278,942	-	732,344
(321,983)	-	-	(816,601)
(228,581)	278,942	-	(84,257)
-	-	69,255	169,695
(206,621)	-	(100,000)	(315,707)
-	(209,383)	-	(529,383)
-	(66,704)	-	(145,054)
(206,621)	(276,087)	(30,745)	(820,449)
2,735	924	424	10,638
(432,467)	3,779	(30,321)	(894,068)
(95,895)	3,779	(30,321)	(152,357)
465,099	280,161	80,043	2,150,918
\$ 369,204	\$ 283,940	\$ 49,722	\$ 1,998,561

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

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basic Financial Statements

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

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

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

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, enterprise, or fiduciary. Currently, the City has governmental (general, special revenue and capital projects funds) and enterprise type funds. Major individual funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

The City reports the following major governmental funds:

General Fund

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

Street Fund

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

Fire Capital Equipment Fund

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

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.

City Hall Building Fund

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vehicle and Equipment Replacement Fund

This fund accounts for the purchase of equipment.

The City reports the following major enterprise funds:

Sewer Fund

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

Sewer Debt Service Fund

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

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.

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.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

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

Definitions of Governmental Fund Types

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

- b. The enterprise funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures as of and for the year ended June 30, 2014. Actual results may differ from such estimates.

Cash and Cash Equivalents

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

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

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

Investments are stated at cost, which approximates fair value.

Property Taxes

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

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position or the Enterprise Fund Statements of Fund Net Position.

Long-term Debt

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

Accrued Compensated Absences

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

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2014:

	<i>Carrying Value</i>	<i>Fair Value/Cost</i>
Cash		
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	290,780	290,780
Investments		
Local Government Investment Pool	3,943,787	3,943,787
	<u>\$ 4,235,067</u>	<u>\$ 4,235,067</u>

Deposits

The book balance of the City's bank deposits (checking account) was \$290,780 and the bank balance was \$427,610 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2014, \$177,609 of the City's bank balances was covered by the PFCP.

CASH AND CASH EQUIVALENTS (Continued)

Custodial Risk - Investments

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

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

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2014, 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, 2014

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, 2013</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2014</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	\$ 57,734	\$ -	\$ (5,518)	\$ 52,216	\$ 5,574
City of Dayton (OECD passthrough), issued in 2004, annual installments of \$23,249 including interest at 1% through 2034	438,409	-	(18,865)	419,544	19,053
Water System Revenue Refunding Bonds, issued May, 2011, in varying annual install- ments plus interest at 3.5% through 2021	1,670,000	-	(185,000)	1,485,000	190,000
Sewer System Revenue Refunding Bonds, issued May, 2012, in varying annual install- ments plus interest at 2.00% to 3.25% through 2021	2,815,000	-	(320,000)	2,495,000	325,000
	<u>\$ 4,981,143</u>	<u>\$ -</u>	<u>\$ (529,383)</u>	<u>\$ 4,451,760</u>	<u>\$ 539,627</u>

Future debt service requirements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 539,627	\$ 131,926	\$ 671,553
2016	559,873	116,739	676,612
2017	575,123	100,215	675,338
2018	585,373	82,955	668,328
2019	605,627	63,093	668,720
2020-2024	1,365,934	63,629	1,429,563
2025-2029	107,359	8,886	116,245
2030-2034	112,844	3,406	116,250
	<u>\$ 4,451,760</u>	<u>\$ 570,847</u>	<u>\$ 5,022,607</u>

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

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

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

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 11.91%, 8.91% and 11.64% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2012, 2013, and 2014 were \$57,975, \$58,926, and \$76,310, respectively, which equaled the required contribution for the year.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 70,302	\$ 51,000
Street	-	5,045
Fire Capital Projects	38,000	-
Community Center	5,000	-
City Hall Building	15,000	-
Vehicle and Equipment Replacement	12,000	-
Sewer	-	494,618
Sewer Debt	360,000	-
Water	93,402	321,983
Water Debt	278,942	-
	<u>\$ 872,646</u>	<u>\$ 872,646</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, 2014 occurred as follows:

<u>Fund / Appropriation category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Building inspection	\$ 34,818	\$ 48,302	\$ (13,484)
Water			
Materials and services	219,300	243,315	(24,015)

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. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year.

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

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

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

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

GASB Statement No. 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 is effective for fiscal years beginning after June 15, 2014.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF LAFAYETTE, OREGON

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

JUNE 30, 2014

	<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	\$ 1,092	\$ 79,000	\$ 90,717
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital outlay	-	-	90,717
Community development	-	79,000	-
Committed to:			
Capital outlay	-	-	-
Community development	1,092	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	1,092	79,000	90,717
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 1,092	\$ 79,000	\$ 90,717
	<hr/>	<hr/>	<hr/>

Projects

<i>City Hall Building</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
\$ 139,423	\$ 54,807	\$ 365,039
\$ -	\$ -	\$ -
-	-	90,717
-	-	79,000
139,423	54,807	194,230
-	-	1,092
139,423	54,807	365,039
\$ 139,423	\$ 54,807	\$ 365,039

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue	
	Community Center	Refundable Deposits/Pass- Through Fees
REVENUES		
Licenses and permits	\$ -	\$ 77,264
Charges for services	-	14,082
Miscellaneous	3,018	4,075
<i>Total Revenues</i>	3,018	95,421
EXPENDITURES		
General government	15,952	-
Community services and development	-	64,464
Capital outlay	6,705	-
<i>Total Expenditures</i>	22,657	64,464
REVENUES OVER (UNDER) EXPENDITURES	(19,639)	30,957
OTHER FINANCING SOURCES (USES)		
Transfers in	5,000	-
NET CHANGE IN FUND BALANCE	(14,639)	30,957
FUND BALANCE, beginning of year	15,731	48,043
FUND BALANCE, end of year	\$ 1,092	\$ 79,000

Capital Projects

<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
\$ 21,897	\$ -	\$ -	\$ 99,161
-	-	-	14,082
379	664	700	8,836
22,276	664	700	122,079
-	-	-	15,952
-	-	-	64,464
-	22,676	-	29,381
-	22,676	-	109,797
22,276	(22,012)	700	12,282
-	15,000	12,000	32,000
22,276	(7,012)	12,700	44,282
68,441	146,435	42,107	320,757
\$ 90,717	\$ 139,423	\$ 54,807	\$ 365,039

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 555,000	\$ 555,000	\$ 580,949	\$ 25,949
Fines and forfeitures	25,000	25,000	27,969	2,969
Licenses and permits	167,850	167,850	214,025	46,175
Intergovernmental	120,000	120,000	89,061	(30,939)
Miscellaneous	1,000	1,000	14,179	13,179
<i>Total Revenues</i>	868,850	868,850	926,183	57,333
EXPENDITURES				
Administration	339,471	339,471	210,304	129,167
Planning	87,910	87,910	60,736	27,174
Building inspection	34,818	34,818	48,302	(13,484)
Municipal court	26,591	26,591	19,975	6,616
Law enforcement	262,417	262,417	257,207	5,210
Parks	134,747	134,747	76,300	58,447
Fire	171,366	171,366	124,786	46,580
Contingency	505,373	505,373	-	505,373
<i>Total Expenditures</i>	1,562,693	1,562,693	797,610	765,083
REVENUES OVER (UNDER) EXPENDITURES	(693,843)	(693,843)	128,573	822,416
OTHER FINANCING SOURCES (USES)				
Transfers in	70,143	70,143	70,302	159
Transfers out	(151,000)	(151,000)	(51,000)	100,000
<i>Total Other Financing Sources and Uses</i>	(80,857)	(80,857)	19,302	100,159
NET CHANGE IN FUND BALANCE	(774,700)	(774,700)	147,875	922,575
FUND BALANCE, beginning of year	774,700	774,700	873,627	98,927
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,021,502	\$ 1,021,502

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 330,000	\$ 330,000	\$ 215,132	\$ (114,868)
Miscellaneous	1,000	1,000	2,049	1,049
<i>Total Revenues</i>	331,000	331,000	217,181	(113,819)
EXPENDITURES				
Personal services	46,959	46,959	41,582	5,377
Materials and services	111,400	111,400	82,839	28,561
Capital outlay	250,046	250,046	22,489	227,557
<i>Total Expenditures</i>	408,405	408,405	146,910	261,495
REVENUES OVER (UNDER) EXPENDITURES	(77,405)	(77,405)	70,271	147,676
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,045)	(5,045)	(5,045)	-
NET CHANGE IN FUND BALANCE	(82,450)	(82,450)	65,226	147,676
FUND BALANCE, beginning of year	82,450	82,450	135,477	53,027
FUND BALANCE, end of year	\$ -	\$ -	\$ 200,703	\$ 200,703

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 1,389	\$ 889
EXPENDITURES				
Capital outlay	305,773	305,773	-	305,773
REVENUES OVER (UNDER) EXPENDITURES	(305,273)	(305,273)	1,389	306,662
OTHER FINANCING SOURCES (USES)				
Transfers in	38,000	38,000	38,000	-
NET CHANGE IN FUND BALANCE	(267,273)	(267,273)	39,389	306,662
FUND BALANCE, beginning of year	267,273	267,273	267,761	488
FUND BALANCE, end of year	\$ -	\$ -	\$ 307,150	\$ 307,150

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 110,260	\$ 110,260	\$ 148,851	\$ 38,591
Miscellaneous	200	200	1,202	1,002
<i>Total Revenues</i>	110,460	110,460	150,053	39,593
EXPENDITURES				
Capital outlay	294,756	294,756	1,664	293,092
NET CHANGE IN FUND BALANCE	(184,296)	(184,296)	148,389	332,685
FUND BALANCE, beginning of year	184,296	184,296	193,723	9,427
FUND BALANCE, end of year	\$ -	\$ -	\$ 342,112	\$ 342,112

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,600	\$ 3,600	\$ 3,018	\$ (582)
EXPENDITURES				
Materials and services	16,600	16,600	15,952	648
Capital outlay	9,000	9,000	6,705	2,295
<i>Total Expenditures</i>	<u>25,600</u>	<u>25,600</u>	<u>22,657</u>	<u>2,943</u>
REVENUES OVER (UNDER) EXPENDITURES	(22,000)	(22,000)	(19,639)	2,361
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(17,000)	(17,000)	(14,639)	2,361
FUND BALANCE, beginning of year	<u>17,000</u>	<u>17,000</u>	<u>15,731</u>	<u>(1,269)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092</u>	<u>\$ 1,092</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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 30,500	\$ 30,500	\$ 77,264	\$ 46,764
Charges for services	15,000	15,000	14,082	(918)
Miscellaneous	1,700	1,700	4,075	2,375
<i>Total Revenues</i>	47,200	47,200	95,421	48,221
EXPENDITURES				
Materials and services	97,750	97,750	64,464	33,286
NET CHANGE IN FUND BALANCE	(50,550)	(50,550)	30,957	81,507
FUND BALANCE, beginning of year	50,550	50,550	48,043	(2,507)
FUND BALANCE, end of year	\$ -	\$ -	\$ 79,000	\$ 79,000

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 16,220	\$ 16,220	\$ 21,897	\$ 5,677
Miscellaneous	100	100	379	279
<i>Total Revenues</i>	16,320	16,320	22,276	5,956
EXPENDITURES				
Capital outlay	78,161	78,161	-	78,161
NET CHANGE IN FUND BALANCE	(61,841)	(61,841)	22,276	84,117
FUND BALANCE, beginning of year	61,841	61,841	68,441	6,600
FUND BALANCE, end of year	\$ -	\$ -	\$ 90,717	\$ 90,717

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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 664	\$ 164
EXPENDITURES				
Materials and services	40,000	40,000	-	40,000
Capital outlay	99,500	99,500	22,676	76,824
<i>Total Expenditures</i>	139,500	139,500	22,676	116,824
REVENUES OVER (UNDER) EXPENDITURES	(139,000)	(139,000)	(22,012)	116,988
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(124,000)	(124,000)	(7,012)	116,988
FUND BALANCE, beginning of year	124,000	124,000	146,435	22,435
FUND BALANCE, end of year	\$ -	\$ -	\$ 139,423	\$ 139,423

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 700	\$ 200
EXPENDITURES				
Capital outlay	57,417	57,417	-	57,417
REVENUES OVER (UNDER) EXPENDITURES	(56,917)	(56,917)	700	57,617
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	12,000	-
NET CHANGE IN FUND BALANCE	(44,917)	(44,917)	12,700	57,617
FUND BALANCE, beginning of year	44,917	44,917	42,107	(2,810)
FUND BALANCE, end of year	\$ -	\$ -	\$ 54,807	\$ 54,807

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 794,205	\$ 794,205	\$ 802,316	\$ 8,111
Miscellaneous	1,000	1,000	20,464	19,464
<i>Total Revenues</i>	795,205	795,205	822,780	27,575
EXPENDITURES				
Personal services	277,874	277,874	253,779	24,095
Materials and services	229,400	229,400	159,272	70,128
Capital outlay	191,144	191,144	9,086	182,058
Contingency	404,450	404,450	-	404,450
<i>Total Expenditures</i>	1,102,868	1,102,868	422,137	680,731
REVENUES OVER (UNDER) EXPENDITURES	(307,663)	(307,663)	400,643	708,306
OTHER FINANCING SOURCES (USES)				
Transfers out	(494,397)	(494,397)	(494,618)	(221)
CHANGE IN FUND BALANCE	(802,060)	(802,060)	(93,975)	708,085
FUND BALANCE, beginning of year	802,060	802,060	816,731	14,671
FUND BALANCE, end of year	\$ -	\$ -	\$ 722,756	\$ 722,756

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,400	\$ 1,400	\$ 1,230	\$ (170)
EXPENDITURES				
Debt service				
Principal	310,000	310,000	320,000	(10,000)
Interest	90,256	90,256	78,350	11,906
Contingency	378,714	378,714	-	378,714
<i>Total Expenditures</i>	<u>778,970</u>	<u>778,970</u>	<u>398,350</u>	<u>380,620</u>
REVENUES OVER (UNDER) EXPENDITURES	(777,570)	(777,570)	(397,120)	380,450
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	(417,570)	(417,570)	(37,120)	380,450
FUND BALANCE, beginning of year	<u>417,570</u>	<u>417,570</u>	<u>393,271</u>	<u>760,900</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,151</u>	<u>\$ 1,141,350</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, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 74,400	\$ 74,400	\$ 100,440	\$ 26,040
Miscellaneous	100	100	735	635
<i>Total Revenues</i>	74,500	74,500	101,175	26,675
EXPENDITURES				
Materials and services	167,237	167,237	-	167,237
CHANGE IN FUND BALANCE	(92,737)	(92,737)	101,175	193,912
FUND BALANCE, beginning of year	92,737	92,737	115,613	22,876
FUND BALANCE, end of year	\$ -	\$ -	\$ 216,788	\$ 216,788

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 806,105	\$ 806,105	\$ 841,643	\$ 35,538
Miscellaneous	5,000	5,000	12,098	7,098
<i>Total Revenues</i>	811,105	811,105	853,741	42,636
EXPENDITURES				
Personal services	292,049	292,049	271,119	20,930
Materials and services	219,300	219,300	243,315	(24,015)
Capital outlay	630,283	630,283	206,621	423,662
<i>Total Expenditures</i>	1,141,632	1,141,632	721,055	420,577
REVENUES OVER (UNDER) EXPENDITURES	(330,527)	(330,527)	132,686	463,213
OTHER FINANCING SOURCES (USES)				
Transfers in	193,402	193,402	93,402	(100,000)
Transfers out	(322,045)	(322,045)	(321,983)	62
<i>Total Other Financing Sources and Uses</i>	(128,643)	(128,643)	(228,581)	(99,938)
CHANGE IN FUND BALANCE	(459,170)	(459,170)	(95,895)	363,275
FUND BALANCE, beginning of year	459,170	459,170	465,099	5,929
FUND BALANCE, end of year	\$ -	\$ -	\$ 369,204	\$ 369,204

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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Investment earnings	\$ 1,400	\$ 1,400	\$ 924	\$ (476)
EXPENDITURES				
Debt service				
Principal	209,142	209,142	209,383	(241)
Interest	71,571	71,571	66,704	4,867
Contingency	279,810	279,810	-	279,810
<i>Total Expenditures</i>	<u>560,523</u>	<u>560,523</u>	<u>276,087</u>	<u>284,436</u>
REVENUES OVER (UNDER) EXPENDITURES	(559,123)	(559,123)	(275,163)	283,960
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>278,942</u>	<u>278,942</u>	<u>278,942</u>	<u>-</u>
CHANGE IN FUND BALANCE	(280,181)	(280,181)	3,779	283,960
FUND BALANCE, beginning of year	<u>280,181</u>	<u>280,181</u>	<u>280,161</u>	<u>(20)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,940</u>	<u>\$ 283,940</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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 51,300	\$ 51,300	\$ 69,255	\$ 17,955
Investment earnings	100	100	424	324
<i>Total Revenues</i>	51,400	51,400	69,679	18,279
EXPENDITURES				
Capital outlay	105,226	105,226	100,000	5,226
CHANGE IN FUND BALANCE	(53,826)	(53,826)	(30,321)	23,505
FUND BALANCE, beginning of year	53,826	53,826	80,043	26,217
FUND BALANCE, end of year	\$ -	\$ -	\$ 49,722	\$ 49,722

OTHER SCHEDULES

CITY OF LAFAYETTE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2013</u>	<u>2013-2014 Levy</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2014</u>
2013-14	\$ -	\$ 590,613	\$ 2,520	\$ (16,829)	\$ (551,512)	\$ 24,792
2012-13	27,187	-	-	(1,219)	(11,706)	14,262
2011-12	12,877	-	-	(88)	(4,581)	8,208
2010-11	8,256	-	-	(249)	(3,466)	4,541
2009-10	4,262	-	-	(188)	(1,323)	2,751
2008-09	938	-	-	(138)	(137)	663
2007-08	644	-	-	(48)	(148)	448
Prior years	1,546	-	-	(320)	(200)	1,026
Total	\$ 55,710	\$ 590,613	\$ 2,520	\$ (19,079)	\$ (573,073)	\$ 56,691



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, 2014, and have issued our report thereon dated December 18, 2014.

Compliance and Other Matters

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. The City does not maintain historical cost and depreciation records for capital assets.
2. The budgeted beginning fund balance was \$31,661 (10%) less than the actual ending fund balance for the Street SDC Projects fund, and \$33,231 (30%) less than the actual ending fund balance in the Refundable Deposits/Pass-Through Fees fund.
3. The actual ending fund balance for the second preceding year did not equal the actual beginning fund balance in the first preceding year in the budget document for both the Street and the Water funds.
4. Overexpenditures as indicated in the notes to the financial statements.

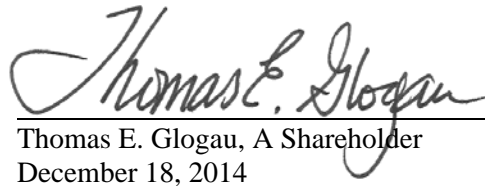
Internal Control Over Financial Reporting

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.

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: 
Thomas E. Glogau, A Shareholder
December 18, 2014