

***CITY OF LAFAYETTE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009***

CITY OF LAFAYETTE, OREGON

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JUNE 30, 2009

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Lafayette, Oregon

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 June 30, 2009, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described below, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

— As described in the summary of significant accounting policies in the notes to the financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Oregon, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City does not have complete historical cost records for capital assets. We were unable to apply alternative procedures to satisfy ourselves regarding the historical cost of capital assets. Consequently, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the capital assets.

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate fund information of the City of Lafayette, Oregon, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The schedule of receipts, disbursements and changes in fund balances (cash basis) - budget and actual - General and Streets Funds and other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements of City of Lafayette, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in the notes to the financial statements.

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

By 

Charles A. Swank, A Shareholder
December 1, 2009

CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE JUNE 30, 2009

This discussion and analysis presents the highlights of the financial position of the City of Lafayette (City). The analysis focuses on the financial activities of the City for the fiscal year ending (FYE) June 30, 2009.

Financial Highlights

Following are the financial highlights of the City for the FYE June 30, 2009:

	June 30,		
	2009	2008	change
Net assets	\$ 9,058,376	\$ 8,807,649	\$ 250,727
Change in net assets	250,727	972,286	(721,559)
Governmental fund balances	1,639,676	1,667,970	(28,294)
Change in governmental fund balances	(28,294)	251,387	(279,681)
Proprietary fund balances	2,430,780	2,771,691	(340,911)
Change in proprietary fund balances	(340,911)	5,769	(346,680)

OVERVIEW OF THE FINANCIAL STATEMENTS

I intend for this overview and analysis 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* provided by an independent auditor similar to a private-sector business.

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

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

The Statement of Net Assets (Modified Cash Basis). This presents information on all of the assets and liabilities of the City as of the date on the statement. Net assets are what remain after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net assets 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 assets of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net assets.

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 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 near-term inflows and outflows of spendable resources, 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*.

Proprietary 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 proprietary funds. The City's enterprise funds (a component of proprietary 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 *required and other supplementary information* related to the schedules of revenues, expenditures and changes in fund balance-budget and actual.

The combining statements for the non-major funds are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of Lafayette, assets exceeded liabilities by \$9,058,376 at June 30, 2009.

The largest portion of the City's net assets (61 percent) reflects its investments in capital assets (e.g., land, buildings, roads, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending unless real estate is sold. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LAFAYETTE NET ASSETS

June 30,

	2009			2008		
	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>
ASSETS						
Cash and investments	\$ 1,652,393	\$ 2,430,780	\$ 4,083,173	\$ 1,680,718	\$ 2,771,691	\$ 4,452,409
Property taxes receivable	40,158	-	40,158	29,801	-	29,801
Capital assets	1,275,235	10,741,727	12,016,962	1,134,504	10,652,394	11,786,898
Total Assets	2,967,786	13,172,507	16,140,293	2,845,023	13,424,085	16,269,108
LIABILITIES						
Payroll withholdings	12,717	-	12,717	12,749	-	12,749
Deferred revenue	40,158	-	40,158	29,800	-	29,800
Noncurrent liabilities	-	7,029,042	7,029,042	-	7,418,910	7,418,910
Total Liabilities	52,875	7,029,042	7,081,917	42,549	7,418,910	7,461,459
NET ASSETS						
Investment in capital assets (net of related debt)	1,275,235	3,712,685	4,987,920	1,134,504	3,233,484	4,367,988
Fund net assets						
Restricted	328,473	305,382	633,855	974,894	802,609	1,777,503
Unrestricted	1,311,203	2,125,398	3,436,601	693,076	1,969,082	2,662,158
Total Fund Net Assets	1,639,676	2,430,780	4,070,456	1,667,970	2,771,691	4,439,661
Total Net Assets	\$ 2,914,911	\$ 6,143,465	\$ 9,058,376	\$ 2,802,474	\$ 6,005,175	\$ 8,807,649

The *Noncurrent Liabilities* are water and wastewater system loans and bonds.

The *Restricted Net Assets* are funds that are a requirement of the water/sewer bonds, capital projects and other restricted funds for specific purposes.

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

**CITY OF LAFAYETTE
CHANGES IN NET ASSETS**

The City's total revenues were over \$2.82 million. Of this total, an approximate 82% were from charges for services, fines, fees, permits, licenses and other non-tax sources; the remaining 18% came from property taxes.

The total cost of all programs and services was \$3,192,039. \$2,085,455, or 65% were for the water and sewer enterprise funds and the remainder was for general government, public safety, streets, highways and other governmental activities.

CITY OF LAFAYETTE CHANGES IN NET ASSETS

Year Ended June 30,

	2009			2008		
	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>
RECEIPTS						
Program receipts	\$ 307,627	\$ 1,677,055	\$ 1,984,682	\$ 490,259	\$ 2,052,704	\$ 2,542,963
General receipts	775,663	62,490	838,153	760,986	368,665	1,129,651
<i>Total Receipts</i>	1,083,290	1,739,545	2,822,835	1,251,245	2,421,369	3,672,614
DISBURSEMENTS						
General government	248,820	-	248,820	200,782	-	200,782
Court and police	252,273	-	252,273	233,501	-	233,501
Community development	207,490	-	207,490	192,582	-	192,582
Fire	92,357	-	92,357	100,736	-	100,736
Parks	175,205	-	175,205	103,674	-	103,674
Streets	130,439	-	130,439	180,083	-	180,083
Water	-	1,266,731	1,266,731	-	941,579	941,579
Sewer	-	818,724	818,724	-	1,462,521	1,462,521
<i>Total Disbursements</i>	1,106,584	2,085,455	3,192,039	1,011,358	2,404,100	3,415,458
<i>Receipts Over (Under) Disbursements</i>	(23,294)	(345,910)	(369,204)	239,887	17,269	257,156
<i>Transfers</i>	(5,000)	5,000	-	11,500	(11,500)	-
<i>Change in Fund Net Assets</i>	(28,294)	(340,910)	(369,204)	251,387	5,769	257,156
<i>Fund Net Assets - Beginning</i>	1,667,970	2,771,690	4,439,660	1,416,583	2,765,922	4,182,505
<i>Fund Net Assets - Ending</i>	1,639,676	2,430,780	4,070,456	1,667,970	2,771,691	4,439,661
<i>Capital assets, net</i>	1,275,235	10,741,727	12,016,962	1,134,504	10,652,394	11,786,898
<i>Long-term debt</i>	-	(7,029,042)	(7,029,042)	-	(7,418,910)	(7,418,910)
<i>Total net assets</i>	\$ 2,914,911	\$ 6,143,465	\$ 9,058,376	\$ 2,802,474	\$ 6,005,175	\$ 8,807,649

GOVERNMENTAL ACTIVITIES

The cost for all *governmental* activities this year was \$1,106,584. However, the amount that our taxpayers paid for these activities through property taxes was only \$515,190. Those who directly benefited from the programs (fines, fees and charges for services) paid \$307,627, or 27.8%.

Governmental-type activities increased the City's total net assets by \$112,437. The primary elements for the increase are as follows:

- \$43,737 increase in property tax receipts, and a \$7,037 increase in franchise fees.
- Capital assets increased by \$140,731 with the addition of vehicles and park improvements

BUSINESS-TYPE ACTIVITIES

The cost for all *business-type* activities this year was \$2,085,455. These costs are paid by utility service fees, system development charges and other utility related income.

Business-type activities increased the City's net assets by \$138,290. The primary element for the increase is capital assets increased by \$89,333 for additions to the water infrastructure.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City. Proprietary funds are the City's business-type enterprise funds, such as water and sewer.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,639,676, of which \$1,311,203 is unrestricted. The City's proprietary business-type funds reported combined ending fund balances were \$2,430,780, of which \$2,215,398 is unrestricted.

BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for all funds. The Lafayette City Council passed resolutions revising the budget by transfer of appropriations. This annual financial report provides budgetary comparison statements for all funds, to demonstrate compliance with the budget.

Actual General Fund expenditures were 31%, or \$318,283 below final budget amounts. Resources were under budget by \$84,182, nearly 9.3%, lower than budget estimates, which created a \$234,101 positive budget variance. Although a decline in building activity resulted in \$120,223 less revenue from permit line items, \$33,190 more property taxes and \$20,555 higher than budgeted court revenues, along with a \$247,112 higher than anticipated beginning fund balance, contributed to this positive variance.

CAPITAL ASSETS

At June 30, 2009, the City had approximately \$12 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water and sewer lines. Governmental additions of \$141,231 related to land, and vehicles were purchased in the current year. Governmental deletions totaled \$500. Business-type funds saw additions of infrastructure totaling \$436,596. There were no business-type deletions.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total noncurrent liabilities of \$7,029,042. Of this amount, \$6,190,974 represented outstanding bonded indebtedness. Outstanding bonded debt included \$3,825,974 in revenue bonds to finance the wastewater treatment plant and \$2,365,000 in revenue bonds to finance improvements to the water system. Net revenues of the facilities and SDCs received from new development are pledged to the payment of the bonds. Loans totaling an additional \$246,786 for the sewer system and \$591,282 for the water system are also paid with revenues of the facilities as well as SDCs. Additional information on the City's bonded debt can be found on page 23 of the annual financial report.

FISCAL YEAR 2009-10 BUDGET AND RATES

During the preparation of the budget for the 2009-10 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 2010 budget:

- The City's permanent tax rate of \$3.4857 per thousand will be levied.
- Assessed values, the basis of property tax revenues were estimated to grow by the standard 3%.
- Interest rates on investments may be less than 2%.
- Employee retirement contribution rates will not decrease.
- Wages will increase by 3.7% for non-union and represented employees.
- Health Insurance costs will increase by 15%.

FUTURE ECONOMIC FACTORS FOR THE CITY OF LAFAYETTE

The General Fund's ability to transfer monies to other funds for specified or future projects, as has been the case for the past few years, will be jeopardized by the downturn in new building permits and the loss of the resulting revenue.

SDC fees for water, sewer, street and park projects will decrease significantly with the downturn in building.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

It was my pleasure to prepare this financial analysis. It is designed to provide City of Lafayette citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this analysis or need additional financial information, contact me, Diane Rinks, City Administrator at (503) 864-864-2451, 486 Third Street, Lafayette, Oregon, 97127, or dianer@ci.lafayette.or.us.

BASIC FINANCIAL STATEMENTS



CITY OF LAFAYETTE, OREGON
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2009

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 1,652,393	\$ 2,430,780	\$ 4,083,173
Property taxes receivable	40,158	-	40,158
Nondepreciable capital assets	444,568	224,210	668,778
Other capital assets, net of depreciation	209,318	10,517,517	10,726,835
<i>Total Assets</i>	<u>2,346,437</u>	<u>13,172,507</u>	<u>15,518,944</u>
LIABILITIES			
Payroll withholdings	12,717	-	12,717
Deferred revenue	40,158	-	40,158
Noncurrent liabilities:			
Due within one year:			
Loan payable	-	30,636	30,636
Bonds payable	-	385,380	385,380
Due in more than one year:			
Loan payable	-	807,432	807,432
Bonds payable	-	5,805,594	5,805,594
<i>Total Liabilities</i>	<u>52,875</u>	<u>7,029,042</u>	<u>7,081,917</u>
NET ASSETS			
Investment in capital assets (net of related debt)	653,886	3,712,685	4,366,571
Fund net assets			
Restricted for:			
Construction	677,666	305,382	983,048
Streets	79,796	-	79,796
Unrestricted	882,214	2,125,398	3,007,612
<i>Total Fund Net Assets</i>	<u>1,639,676</u>	<u>2,430,780</u>	<u>4,070,456</u>
<i>Total Net Assets</i>	<u>\$ 2,293,562</u>	<u>\$ 6,143,465</u>	<u>\$ 8,437,027</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, 2009

		Program Receipts	
		Fees, Fines, and Charges for Services	Operating Grants and Contributions
	Disbursements		
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 248,820	\$ -	\$ 12,407
Court and police	252,273	30,555	20,318
Community services and development	207,490	60,895	-
Fire	92,357	-	-
Parks	175,205	-	-
Streets	130,439	-	147,590
<i>Total Governmental Activities</i>	1,106,584	91,450	180,315
Business-type Activities:			
Water	1,266,731	807,444	9,979
Sewer	818,724	834,492	-
<i>Total Business-type Activities</i>	2,085,455	1,641,936	9,979
<i>Total Activities</i>	\$ 3,192,039	\$ 1,733,386	\$ 190,294
General Receipts:			
Property taxes			
Franchise fees			
Intergovernmental			
Miscellaneous			
<i>Total General Receipts</i>			
Transfers			
Change in Fund Net Assets			
Fund Net Assets, July 1, 2008			
Fund Net Assets, June 30, 2009			
Capital assets, net			
Long-term debt			
Total net assets			

*Net (Disbursements) Receipts and
Changes in Fund Net Assets*

<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ -	\$ (236,413)	\$ -	\$ (236,413)
-	(201,400)	-	(201,400)
-	(146,595)	-	(146,595)
-	(92,357)	-	(92,357)
3,244	(171,961)	-	(171,961)
32,618	49,769	-	49,769
35,862	(798,957)	-	(798,957)
10,260	-	(439,048)	(439,048)
14,880	-	30,648	30,648
25,140	-	(408,400)	(408,400)
\$ 61,002	(798,957)	(408,400)	(1,207,357)
	515,190	-	515,190
	128,452	-	128,452
	87,579	-	87,579
	44,442	62,490	106,932
	775,663	62,490	838,153
	(5,000)	5,000	-
	(28,294)	(340,910)	(369,204)
	1,667,970	2,771,690	4,439,660
	1,639,676	2,430,780	4,070,456
	1,275,235	10,741,727	12,016,962
	-	(7,029,042)	(7,029,042)
\$	2,914,911	\$ 6,143,465	\$ 9,058,376

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

CITY OF LAFAYETTE, OREGON**STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

JUNE 30, 2009

	<u>General</u>	<u>Streets</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash and investments	\$ 488,930	\$ 79,796	\$ 1,083,667
Property taxes receivable	40,158	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$ 529,088</u>	<u>\$ 79,796</u>	<u>\$ 1,083,667</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll withholdings	\$ 12,717	\$ -	\$ -
Deferred revenue	40,158	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	52,875	-	-
Fund Balances			
Unreserved, reported in:			
General fund	476,213	-	-
Special revenue funds	-	79,796	1,083,667
	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>476,213</u>	<u>79,796</u>	<u>1,083,667</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 529,088</u>	<u>\$ 79,796</u>	<u>\$ 1,083,667</u>

Totals

\$ 1,652,393
40,158

\$ 1,692,551

\$ 12,717
40,158

52,875

476,213
1,163,463

1,639,676

\$ 1,692,551

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

CITY OF LAFAYETTE, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2009**

	<i>General</i>	<i>Streets</i>	<i>Other Governmental Funds</i>
RECEIPTS			
Taxes and assessments	\$ 515,190	\$ -	\$ -
Licenses and permits	145,777	-	64,377
Charges for services	-	-	15,055
Intergovernmental	120,304	147,590	-
Fines and forfeitures	30,555	-	-
Miscellaneous	12,992	2,639	28,811
<i>Total Receipts</i>	824,818	150,229	108,243
DISBURSEMENTS			
Current operating:			
General government	180,178	-	7,128
Court and police	252,273	-	-
Community services and development	107,336	-	100,154
Fire	88,598	-	-
Parks	48,151	-	4,142
Streets	-	108,320	22,119
Capital outlay	46,954	-	141,231
<i>Total Disbursements</i>	723,490	108,320	274,774
RECEIPTS OVER (UNDER) DISBURSEMENTS	101,328	41,909	(166,531)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	272,000
Transfers out	(135,000)	(25,000)	(117,000)
<i>Total Other Financing Sources (Uses)</i>	(135,000)	(25,000)	155,000
NET CHANGE IN FUND BALANCES	(33,672)	16,909	(11,531)
FUND BALANCES, Beginning of year	509,885	62,887	1,095,198
FUND BALANCES, End of year	\$ 476,213	\$ 79,796	\$ 1,083,667

Totals

\$ 515,190
210,154
15,055
267,894
30,555
44,442

1,083,290

187,306
252,273
207,490
88,598
52,293
130,439
188,185

1,106,584

(23,294)

272,000
(277,000)

(5,000)

(28,294)

1,667,970

\$ 1,639,676

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

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

JUNE 30, 2009

	<i>Sewer</i>	<i>Sewer Debt</i>	<i>Water</i>	<i>Water Capital Projects</i>
ASSETS				
Cash and investments	\$ 424,263	\$ 857,130	\$ 266,747	\$ 267,771
Nondepreciable capital assets	51,198	-	173,012	-
Other capital assets, net of depreciation	6,594,202	-	3,923,315	-
<i>Total Assets</i>	<u>7,069,663</u>	<u>857,130</u>	<u>4,363,074</u>	<u>267,771</u>
LIABILITIES				
Noncurrent liabilities:				
Due within one year				
Loan payable	\$ 30,636	\$ -	\$ -	\$ -
Bonds payable	240,380	-	145,000	-
Due in more than one year:				
Loan payable	807,432	-	-	-
Bonds payable	3,585,594	-	2,220,000	-
<i>Total Liabilities</i>	<u>4,664,042</u>	<u>-</u>	<u>2,365,000</u>	<u>-</u>
NET ASSETS				
Investment in capital assets (net of related debt)	1,981,358	-	1,731,327	-
Restricted for construction	-	-	-	267,771
Unrestricted	424,263	857,130	266,747	-
<i>Total Net Assets</i>	<u>\$ 2,405,621</u>	<u>\$ 857,130</u>	<u>\$ 1,998,074</u>	<u>\$ 267,771</u>

<i>Water Debt Service</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ 577,258	\$ 37,611	\$ 2,430,780
-	-	224,210
-	-	10,517,517
<u>577,258</u>	<u>37,611</u>	<u>13,172,507</u>
\$ -	\$ -	\$ 30,636
-	-	385,380
-	-	807,432
-	-	5,805,594
-	-	7,029,042
-	-	3,712,685
-	37,611	305,382
577,258	-	2,125,398
<u>\$ 577,258</u>	<u>\$ 37,611</u>	<u>\$ 6,143,465</u>

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

CITY OF LAFAYETTE, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS****(MODIFIED CASH BASIS) - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2009**

	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>Water</u>	<u>Water Capital Projects</u>
RECEIPTS				
Licenses and permits	\$ -	\$ -	\$ -	\$ 716
Charges for services	803,006	-	771,325	-
Intergovernmental	-	-	-	9,979
Miscellaneous	38,300	16,637	41,135	20,540
	<u>841,306</u>	<u>16,637</u>	<u>812,460</u>	<u>31,235</u>
DISBURSEMENTS				
Personal services	159,116	-	137,104	-
Materials and services	197,551	-	191,061	56,509
Capital outlay	2,158	-	4,658	574,128
Debt service	-	459,899	-	-
	<u>358,825</u>	<u>459,899</u>	<u>332,823</u>	<u>630,637</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	482,481	(443,262)	479,637	(599,402)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	407,561	-	175,000
Transfers out	(356,415)	-	(403,095)	-
	<u>(356,415)</u>	<u>407,561</u>	<u>(403,095)</u>	<u>175,000</u>
NET CHANGE IN FUND NET ASSETS	126,066	(35,701)	76,542	(424,402)
FUND NET ASSETS, Beginning of year	298,197	892,831	190,205	692,173
FUND NET ASSETS, End of year	<u>\$ 424,263</u>	<u>\$ 857,130</u>	<u>\$ 266,747</u>	<u>\$ 267,771</u>

<i>Water Debt Service</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ -	\$ 24,424	\$ 25,140
-	-	1,574,331
-	-	9,979
11,550	1,933	130,095
11,550	26,357	1,739,545
-	-	296,220
-	-	445,121
-	-	580,944
303,271	-	763,170
303,271	-	2,085,455
(291,721)	26,357	(345,910)
281,131	-	863,692
-	(99,182)	(858,692)
281,131	(99,182)	5,000
(10,590)	(72,825)	(340,910)
587,848	110,436	2,771,690
<u>\$ 577,258</u>	<u>\$ 37,611</u>	<u>\$ 2,430,780</u>

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

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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.

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 Assets (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Assets (Modified Cash Basis) presents all the assets and liabilities of the City, including capital assets and related debt. Net assets, representing assets less liabilities, is shown in three components: 1) investment in capital assets, less related outstanding debt used to acquire them; 2) restricted for special purposes, amounts which must be spent in accordance with legal restrictions; and 3) unrestricted, the amount available for ongoing City activities.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* 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 receipts*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general and special revenue funds) and proprietary (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.

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, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

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 revenue are property taxes, licenses and permits, and state shared revenues. Primary expenditures are for general government, police protection, and culture and recreation.

Streets Fund

Gas tax apportionments received from the State are recorded in this fund. Disbursements are for construction and maintenance of public streets and street lighting.

The following governmental funds are considered nonmajor:

Vehicle and Equipment Replacement Fund

This fund accounts for the purchase of equipment.

Refundable Deposits/Pass-through Fees Fund

This fund accounts for refundable deposits and pass through fees.

Heritage Days Fund

This fund accounts for receipts and disbursements related to the annual Heritage Days celebration.

Street SDC Projects Fund

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

Parks SDC Projects Fund

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

City Hall Building Fund

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

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

Community Center Fund

This fund accounts for Community Center operations.

Street Capital Projects Fund

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

Fire Capital Equipment Fund

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

The City reports the following major enterprise funds:

Sewer Fund

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

Sewer Debt Service Fund

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

Water Fund

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

Water Debt Service Fund

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

Water Capital Projects Fund

This fund accounts for water-related capital projects.

The following enterprise funds are considered nonmajor:

Water SDC Projects Fund

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

Sewer SDC Projects Fund

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

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer Capital Projects Fund

This fund accounts for sewer-related capital projects.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide and proprietary fund financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

The City's policy is to prepare its financial statements on the basis of modified cash receipts and disbursements. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Also, assets that are measurable, but not yet collected are recorded on the City's statement of assets and liabilities as an asset and deferred revenue. Capital assets and the related debt obligations are recorded. Depreciation is not recorded on governmental capital assets. 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 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Cash and Investments

The City maintains cash and investments 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 assets as cash and investments.

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.

Investments are stated at cost, which approximates fair value.

Receivables and Deferred Revenues

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. Uncollected property taxes levied for the current year are recorded as receivable at year-end. 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.

Property tax receivables are offset by deferred revenue and, accordingly, have not been recorded as revenues.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital fixed assets (items costing more than \$5,000 and lasting more than one year) are valued at actual historical cost beginning fiscal year end 2004. All other capital assets are recorded at estimated historical cost. Capital assets are recorded as expenditures in the fund financial statements. Maintenance and repairs of capital assets are charged to expenditures as incurred and are not capitalized. Depreciation is recorded on the straight-line basis over the useful life of each asset category set by the City Council. The useful life of each asset category as determined by the City Council follows: infrastructure – 40 years; buildings and improvements – 20 years; and equipment – 10 years.

Purchases of public domain capital assets (streets, sidewalks, lighting systems, curbs and gutters and similar assets) that are immovable and of value only to the City as a governmental unit are reported as expenditures as incurred and are not capitalized.

Long-term Debt

In the government-wide and proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or business type activities. Bond premiums, discounts, and issuance costs are expensed as incurred. Repayment of long term debt principal and interest will be made primarily from the City Hall Building Fund, the Fire Capital Equipment Fund and the Water and Sewer Debt Service Funds.

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 disbursements of a fund may not legally exceed that fund's functional appropriations. The City Council may amend the budget to expend unforeseen receipts 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.

Use of Restricted Assets

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted assets to be spent first.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2009. Actual results may differ from such estimates.

CITY OF LAFAYETTE, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2009**

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2009:

Cash

Cash on hand	\$	500
Deposits with financial institutions		14,404

Investments

Local Government Investment Pool		4,068,269
	\$	<u>4,083,173</u>

Deposits

At year end, the book balance of the City's bank deposits (checking accounts) was \$14,404 and the bank balance was \$165,612. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Investments

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, 2009, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

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

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.

CITY OF LAFAYETTE, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2009****CASH AND INVESTMENTS (Continued)**

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-loan 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.

CAPITAL ASSETS

The summary of capital assets activity for the business-type activities for the year ended June 30, 2009 is as follows:

	<i>Balances July 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2009</i>
Water Fund				
Nondepreciable Capital Assets				
Land	\$ 173,012	\$ -	\$ -	\$ 173,012
Depreciable Capital Assets				
Buildings	167,363	-	-	167,363
Water and sewer systems	4,836,514	436,597	-	5,273,111
Equipment	116,387	-	-	116,387
	5,293,276	436,597	-	5,729,873
Less accumulated depreciation	(1,492,625)	(140,920)	-	(1,633,545)
	3,800,651	295,677	-	4,096,328

CITY OF LAFAYETTE, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2009****CAPITAL ASSETS (Continued)**

	<i>Balances July 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2009</i>
Sewer Fund				
Nondepreciable Capital Assets				
Land	\$ 51,198	\$ -	\$ -	\$ 51,198
Depreciable Capital Assets				
Buildings	203,920	-	-	203,920
Water and sewer systems	7,656,003	-	-	7,656,003
Equipment	47,477	-	-	47,477
	7,958,598	-	-	7,958,598
Less accumulated depreciation	(1,106,855)	(206,344)	-	(1,313,199)
	6,851,743	(206,344)	-	6,645,399
<i>Total Business-type Capital Assets</i>	<i>\$ 10,652,394</i>	<i>\$ 89,333</i>	<i>\$ -</i>	<i>\$ 10,741,727</i>

The changes in the capital assets for governmental activities for the year ended June 30, 2009 are as follows:

	<i>Balances July 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2009</i>
Nondepreciable Capital Assets				
Land	\$ 334,329	\$ 122,913	\$ -	\$ 457,242
Depreciable Capital Assets				
Buildings	205,243	-	-	205,243
Vehicles	331,692	18,318	(500)	349,510
Equipment	263,240	-	-	263,240
<i>Total Governmental Capital Assets</i>	<i>\$ 1,134,504</i>	<i>\$ 141,231</i>	<i>\$ (500)</i>	<i>\$ 1,275,235</i>

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

LONG-TERM DEBT

Proprietary fund long-term debt transactions for the year ended June 30, 2009 were as follows:

	<u>Outstanding July 1, 2008</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2009</u>	<u>Due Within One Year</u>
Water System Revenue Bonds, issued November, 2000, in varying annual installments plus interest at 4.7% to 6.0% through 2021	\$ 2,500,000	\$ -	\$ (135,000)	\$ 2,365,000	\$ 145,000
Oregon Bond Bank loan, issued October 2000, in varying annual installments, including interest at 5.276% through 2021	4,054,430	-	(228,456)	3,825,974	240,380
Safe Drinking Water Revolving Fund loan, issued 2003, annual installments of \$6,096 including interest at 1% through 2024	84,519	-	(5,251)	79,268	5,303
City of Dayton (OECD passthrough), issued in 2004, annual installments of \$23,249 including interest at 1% through 2034	529,963	-	(17,949)	512,014	18,129
OECD Wastewater Improvement loan, issued in 2008, annual installments of \$21,796 including interest at 6% through 2028	250,000	-	(3,214)	246,786	7,204
	<u>\$ 7,418,912</u>	<u>\$ -</u>	<u>\$ (389,870)</u>	<u>\$ 7,029,042</u>	<u>\$ 416,016</u>

Future debt service requirements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 416,016	\$ 355,263	\$ 771,279
2011	428,702	334,796	763,498
2012	456,570	313,207	769,777
2013	479,634	289,762	769,396
2014	497,853	264,977	762,830
2015-2019	2,923,850	897,058	3,820,908
2020-2024	1,527,110	149,524	1,676,634
2025-2029	186,468	20,546	207,014
2030-2033	112,839	3,406	116,245
	<u>\$ 7,029,042</u>	<u>\$ 2,628,539</u>	<u>\$ 9,657,581</u>

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005, the PERB voted to phase in the rate changes for PERS (for most employers a rate increase). On July 1, 2007 the City's rate decreased to 4.07 percent based on the 2005 valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. Beginning January 1, 2004 OPSRP rates were set at 11.56 percent for police and fire and 7.95 percent for general service employees. These rates changed to 12.7 percent and 4.39 percent, respectively, on July 1, 2007 based on the December 31, 2005 valuation.

Annual Pension Cost

The City's contributions to PERS for the fiscal years ending June 30, 2007, 2008, and 2009 were \$49,517, \$34,558 and \$37,886, respectively, which equaled the required contribution for the year.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 135,000
Streets	-	25,000
Street SDC Projects	-	117,000
Parks SDC Projects	25,000	-
City Hall Bldg Fund	45,000	-
Community Center Fund	5,000	-
Street Capital Projects	137,000	-
Fire Capital Equipment	40,000	-
Vehicle & Equipment	20,000	-
Sewer	-	356,415
Water	-	403,095
Sewer SDC Projects	-	61,146
Water SDC Projects	-	38,036
Water Capital Projects	175,000	-
Water Debt Service	281,131	-
Sewer Debt Service	407,561	-
	<u>\$ 1,135,692</u>	<u>\$ 1,135,692</u>

Transfers are for operating purposes as determined by the City Council.

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.

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT (Continued)

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", issued June 30, 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for measurement, recognition, and display of other postemployment benefits, expenses, and related liabilities or assets, note disclosures, and if applicable, required supplementary information in the financial reports.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Taxes and assessments	\$ 482,000	\$ 482,000	\$ 515,190	\$ 33,190
Licenses and permits	266,000	266,000	145,777	(120,223)
Intergovernmental	138,000	138,000	120,304	(17,696)
Fines and forfeitures	10,000	10,000	30,555	20,555
Miscellaneous	13,000	13,000	12,992	(8)
<i>Total Receipts</i>	909,000	909,000	824,818	(84,182)
DISBURSEMENTS				
Administration	194,581	194,581	180,446	14,135
Planning	98,441	98,441	63,724	34,717
Building inspection	149,471	149,471	43,612	105,859
Municipal court	23,785	28,385	25,120	3,265
Law enforcement	241,275	241,275	227,154	14,121
Parks	119,321	119,321	90,951	28,370
Fire	114,899	114,899	92,483	22,416
Contingency	100,000	95,400	-	95,400
<i>Total Disbursements</i>	1,041,773	1,041,773	723,490	318,283
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(132,773)	(132,773)	101,328	234,101
OTHER FINANCING SOURCES (USES)				
Transfers out	(135,000)	(135,000)	(135,000)	-
NET CHANGE IN FUND BALANCE	(267,773)	(267,773)	(33,672)	234,101
FUND BALANCE, Beginning of year	420,000	420,000	509,885	89,885
FUND BALANCE, End of year	\$ 152,227	\$ 152,227	\$ 476,213	\$ 323,986

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - STREETS FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 147,590	\$ (12,410)
Miscellaneous	2,000	2,000	2,639	639
<i>Total Receipts</i>	162,000	162,000	150,229	(11,771)
DISBURSEMENTS				
Personal services	48,490	48,490	45,798	2,692
Materials and services	98,850	98,850	62,522	36,328
Capital outlay	500	500	-	500
Contingency	20,000	20,000	-	20,000
<i>Total Disbursements</i>	167,840	167,840	108,320	59,520
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(5,840)	(5,840)	41,909	47,749
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCE	(30,840)	(30,840)	16,909	47,749
FUND BALANCE, Beginning of year	40,000	40,000	62,887	22,887
FUND BALANCE, End of year	\$ 9,160	\$ 9,160	\$ 79,796	\$ 70,636

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -****NONMAJOR GOVERNMENTAL FUNDS****JUNE 30, 2009**

	<u><i>Vehicle & Equipment Replacement</i></u>	<u><i>Refundable Deposits/Pass- Through Fees</i></u>	<u><i>Heritage Days</i></u>	<u><i>Street SDC Projects</i></u>
ASSETS				
Cash and investments	\$ 32,169	\$ 131,013	\$ 959	\$ 16,378
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances				
Unreserved, reported in:				
Special revenue funds	32,169	131,013	959	16,378
Total Liabilities and Fund Balances	<u>\$ 32,169</u>	<u>\$ 131,013</u>	<u>\$ 959</u>	<u>\$ 16,378</u>

<i><u>Parks SDC Projects</u></i>	<i><u>City Hall Building</u></i>	<i><u>Community Center</u></i>	<i><u>Street Capital Projects</u></i>	<i><u>Fire Capital Equipment</u></i>	<i><u>Totals</u></i>
\$ 232,299	\$ 126,837	\$ 15,862	\$ 428,989	\$ 99,161	\$ 1,083,667
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
232,299	126,837	15,862	428,989	99,161	1,083,667
\$ 232,299	\$ 126,837	\$ 15,862	\$ 428,989	\$ 99,161	\$ 1,083,667

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2009**

	<u>Vehicle & Equipment Replacement</u>	<u>Refundable Deposits/ Pass- Through Fees</u>	<u>Heritage Days</u>	<u>Street SDC Projects</u>
RECEIPTS				
Licenses and permits	\$ -	\$ 28,515	\$ -	\$ 32,618
Charges for services	-	15,055	-	-
Miscellaneous	942	4,644	19	1,600
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	942	48,214	19	34,218
DISBURSEMENTS				
Materials and services	-	100,154	-	-
Capital outlay	18,318	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	18,318	100,154	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,376)	(51,940)	19	34,218
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	-	-	-
Transfers out	-	-	-	(117,000)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	20,000	-	-	(117,000)
NET CHANGE IN FUND BALANCES	2,624	(51,940)	19	(82,782)
FUND BALANCES, Beginning of year	29,545	182,953	940	99,160
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, End of year	<u>\$ 32,169</u>	<u>\$ 131,013</u>	<u>\$ 959</u>	<u>\$ 16,378</u>

<i>Parks SDC Projects</i>	<i>City Hall Building</i>	<i>Community Center</i>	<i>Street Capital Projects</i>	<i>Fire Capital Equipment</i>	<i>Totals</i>
\$ 3,244	\$ -	\$ -	\$ -	\$ -	\$ 64,377
-	-	-	-	-	15,055
8,481	2,396	2,040	6,841	1,848	28,811
11,725	2,396	2,040	6,841	1,848	108,243
4,142	1,958	5,170	22,119	-	133,543
122,913	-	-	-	-	141,231
127,055	1,958	5,170	22,119	-	274,774
(115,330)	438	(3,130)	(15,278)	1,848	(166,531)
25,000	45,000	5,000	137,000	40,000	272,000
-	-	-	-	-	(117,000)
25,000	45,000	5,000	137,000	40,000	155,000
(90,330)	45,438	1,870	121,722	41,848	(11,531)
322,629	81,399	13,992	307,267	57,313	1,095,198
<u>\$ 232,299</u>	<u>\$ 126,837</u>	<u>\$ 15,862</u>	<u>\$ 428,989</u>	<u>\$ 99,161</u>	<u>\$ 1,083,667</u>

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - VEHICLE AND EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 800	\$ 800	\$ 942	\$ 142
DISBURSEMENTS				
Capital outlay	45,000	45,000	18,318	26,682
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,200)	(44,200)	(17,376)	26,824
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(24,200)	(24,200)	2,624	26,824
FUND BALANCE, Beginning of year	24,200	24,200	29,545	5,345
FUND BALANCE, End of year	\$ -	\$ -	\$ 32,169	\$ 32,169

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - REFUNDABLE DEPOSITS/PASS-THROUGH FEES FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Licenses and permits	\$ 130,500	\$ 130,500	\$ 28,515	\$ (101,985)
Charges for services	18,000	18,000	15,055	(2,945)
Miscellaneous	5,000	5,000	4,644	(356)
<i>Total Receipts</i>	153,500	153,500	48,214	(105,286)
DISBURSEMENTS				
Materials and services	196,500	196,500	100,154	96,346
RECEIPTS OVER (UNDER) DISBURSEMENTS	(43,000)	(43,000)	(51,940)	(8,940)
FUND BALANCE, Beginning of year	43,000	43,000	182,953	139,953
FUND BALANCE, End of year	\$ -	\$ -	\$ 131,013	\$ 131,013

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - HERITAGE DAYS FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ -	\$ -	\$ 19	\$ 19
DISBURSEMENTS				
Materials and services	950	950	-	950
RECEIPTS OVER (UNDER) DISBURSEMENTS	(950)	(950)	19	969
FUND BALANCE, Beginning of year	950	950	940	(10)
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 959</u>	<u>\$ 959</u>

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - STREET SDC PROJECTS FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 143,338	\$ 143,338	\$ 32,618	\$ (110,720)
Miscellaneous	1,500	1,500	1,600	100
<i>Total Receipts</i>	144,838	144,838	34,218	(110,620)
DISBURSEMENTS				
Materials and services	3,000	3,000	-	3,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	141,838	141,838	34,218	(107,620)
OTHER FINANCING SOURCES (USES)				
Transfers out	(130,000)	(130,000)	(117,000)	13,000
NET CHANGE IN FUND BALANCE	11,838	11,838	(82,782)	(94,620)
FUND BALANCE, Beginning of year	(11,838)	(11,838)	99,160	110,998
FUND BALANCE, End of year	\$ -	\$ -	\$ 16,378	\$ 16,378

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - PARKS SDC PROJECTS FUND****YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Licenses and permits	\$ 21,086	\$ 21,086	\$ 3,244	\$ (17,842)
Miscellaneous	10,000	10,000	8,481	(1,519)
<i>Total Receipts</i>	31,086	31,086	11,725	(19,361)
DISBURSEMENTS				
Materials and services	10,000	10,000	4,142	5,858
Capital outlay	315,000	315,000	122,913	192,087
Contingency	20,000	20,000	-	20,000
<i>Total Disbursements</i>	345,000	345,000	127,055	217,945
RECEIPTS OVER (UNDER) DISBURSEMENTS	(313,914)	(313,914)	(115,330)	198,584
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
NET CHANGE IN FUND BALANCE	(288,914)	(288,914)	(90,330)	198,584
FUND BALANCE, Beginning of year	288,914	288,914	322,629	33,715
FUND BALANCE, End of year	\$ -	\$ -	\$ 232,299	\$ 232,299

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - CITY HALL BUILDING FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 2,396	\$ 396
DISBURSEMENTS				
Materials and services	7,000	7,000	1,958	5,042
Capital outlay	100,000	100,000	-	100,000
Total Disbursements	107,000	107,000	1,958	105,042
RECEIPTS OVER (UNDER) DISBURSEMENTS	(105,000)	(105,000)	438	105,438
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	45,000	45,000	-
NET CHANGE IN FUND BALANCE	(60,000)	(60,000)	45,438	105,438
FUND BALANCE, Beginning of year	65,000	65,000	81,399	16,399
FUND BALANCE, End of year	\$ 5,000	\$ 5,000	\$ 126,837	\$ 121,837

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - COMMUNITY CENTER FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 2,040	\$ 40
DISBURSEMENTS				
Materials and services	11,000	11,000	5,170	5,830
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,000)	(9,000)	(3,130)	5,870
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(4,000)	(4,000)	1,870	5,870
FUND BALANCE, Beginning of year	4,000	4,000	13,992	9,992
FUND BALANCE, End of year	\$ -	\$ -	\$ 15,862	\$ 15,862

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - STREET CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Charges for services	\$ 6,500	\$ 6,500	\$ -	\$ (6,500)
Miscellaneous	8,000	8,000	6,841	(1,159)
<i>Total Receipts</i>	14,500	14,500	6,841	(7,659)
DISBURSEMENTS				
Materials and services	20,500	25,500	22,119	3,381
Capital outlay	374,700	374,700	-	374,700
Contingency	9,000	4,000	-	4,000
<i>Total Disbursements</i>	404,200	404,200	22,119	382,081
RECEIPTS OVER (UNDER) DISBURSEMENTS	(389,700)	(389,700)	(15,278)	374,422
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	137,000	(13,000)
NET CHANGE IN FUND BALANCE	(239,700)	(239,700)	121,722	361,422
FUND BALANCE, Beginning of year	239,700	239,700	307,267	67,567
FUND BALANCE, End of year	\$ -	\$ -	\$ 428,989	\$ 428,989

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - FIRE CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 1,848	\$ (1,152)
DISBURSEMENTS				
Capital outlay	90,500	90,500	-	90,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(87,500)	(87,500)	1,848	89,348
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,000	-
NET CHANGE IN FUND BALANCE	(47,500)	(47,500)	41,848	89,348
FUND BALANCE, Beginning of year	47,500	47,500	57,313	9,813
FUND BALANCE, End of year	\$ -	\$ -	\$ 99,161	\$ 99,161

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - REIMBURSEMENT DISTRICTS FUND
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Charges for services	\$ 118,000	\$ 118,000	\$ -	\$ (118,000)
DISBURSEMENTS				
Capital outlay	118,000	118,000	-	118,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Charges for services	\$ 781,500	\$ 781,500	\$ 803,006	\$ 21,506
Miscellaneous	7,000	7,000	38,300	31,300
<i>Total Receipts</i>	788,500	788,500	841,306	52,806
DISBURSEMENTS				
Personal services	161,609	161,609	159,116	2,493
Materials and services	239,450	239,450	197,551	41,899
Capital outlay	133,000	133,000	2,158	130,842
Contingency	60,000	60,000	-	60,000
<i>Total Disbursements</i>	594,059	594,059	358,825	235,234
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	194,441	194,441	482,481	288,040
OTHER FINANCING SOURCES (USES)				
Transfers out	(356,415)	(356,415)	(356,415)	-
NET CHANGE IN FUND BALANCE	(161,974)	(161,974)	126,066	288,040
FUND BALANCE, Beginning of year	161,974	161,974	298,197	136,223
FUND BALANCE, End of year	\$ -	\$ -	\$ 424,263	\$ 424,263

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 16,637	\$ (13,363)
DISBURSEMENTS				
Debt service	459,900	459,900	459,899	1
RECEIPTS OVER (UNDER) DISBURSEMENTS	(429,900)	(429,900)	(443,262)	(13,362)
OTHER FINANCING SOURCES (USES)				
Transfers in	440,561	440,561	407,561	(33,000)
NET CHANGE IN FUND BALANCE	10,661	10,661	(35,701)	(46,362)
FUND BALANCE, Beginning of year	(10,661)	(10,661)	892,831	903,492
FUND BALANCE, End of year	\$ -	\$ -	\$ 857,130	\$ 857,130

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Charges for services	\$ 754,500	\$ 754,500	\$ 771,325	\$ 16,825
Miscellaneous	5,000	5,000	41,135	36,135
<i>Total Receipts</i>	759,500	759,500	812,460	52,960
DISBURSEMENTS				
Personal services	139,870	139,870	137,104	2,766
Materials and services	228,500	228,500	191,061	37,439
Capital outlay	27,500	27,500	4,658	22,842
Contingency	55,000	55,000	-	55,000
<i>Total Disbursements</i>	450,870	450,870	332,823	118,047
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	308,630	308,630	479,637	171,007
OTHER FINANCING SOURCES (USES)				
Transfers out	(403,095)	(403,095)	(403,095)	-
NET CHANGE IN FUND BALANCE				
	(94,465)	(94,465)	76,542	171,007
FUND BALANCE, Beginning of year				
	94,465	94,465	190,205	95,740
FUND BALANCE, End of year				
	\$ -	\$ -	\$ 266,747	\$ 266,747

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Licenses and permits	\$ 4,654	\$ 4,654	\$ 716	\$ (3,938)
Intergovernmental	120,000	120,000	9,979	(110,021)
Miscellaneous	12,000	12,000	20,540	8,540
<i>Total Receipts</i>	136,654	136,654	31,235	(105,419)
DISBURSEMENTS				
Materials and services	70,000	70,000	56,509	13,491
Capital outlay	775,400	775,400	574,128	201,272
Contingency	20,000	20,000	-	20,000
<i>Total Disbursements</i>	865,400	865,400	630,637	234,763
RECEIPTS OVER (UNDER) DISBURSEMENTS	(728,746)	(728,746)	(599,402)	129,344
OTHER FINANCING SOURCES (USES)				
Transfers in	175,000	175,000	175,000	-
NET CHANGE IN FUND BALANCE	(553,746)	(553,746)	(424,402)	129,344
FUND BALANCE, Beginning of year	553,746	553,746	692,173	138,427
FUND BALANCE, End of year	\$ -	\$ -	\$ 267,771	\$ 267,771

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 11,550	\$ (3,450)
DISBURSEMENTS				
Debt service	303,273	303,273	303,271	2
RECEIPTS OVER (UNDER) DISBURSEMENTS	(288,273)	(288,273)	(291,721)	(3,448)
OTHER FINANCING SOURCES (USES)				
Transfers in	305,131	305,131	281,131	(24,000)
NET CHANGE IN FUND BALANCE	16,858	16,858	(10,590)	(27,448)
FUND BALANCE, Beginning of year	(16,858)	(16,858)	587,848	604,706
FUND BALANCE, End of year	\$ -	\$ -	\$ 577,258	\$ 577,258

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) – NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2009**

	<u>Sewer SDC Projects</u>	<u>Sewer Capital Projects</u>	<u>Water SDC Projects</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 3,758	\$ 30,504	\$ 3,349	\$ 37,611
LIABILITIES AND FUND BALANCES				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Fund net assets				
Restricted for construction	<u>3,758</u>	<u>30,504</u>	<u>3,349</u>	<u>37,611</u>
<i>Total Net Assets</i>	<u>\$ 3,758</u>	<u>\$ 30,504</u>	<u>\$ 3,349</u>	<u>\$ 37,611</u>

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS
(MODIFIED CASH BASIS) – NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009**

	<i>Sewer SDC Projects</i>	<i>Sewer Capital Projects</i>	<i>Water SDC Projects</i>	<i>Totals</i>
RECEIPTS				
Licenses and permits	\$ 14,484	\$ 396	\$ 9,544	\$ 24,424
Miscellaneous	815	597	521	1,933
<i>Total Receipts</i>	15,299	993	10,065	26,357
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,299	993	10,065	26,357
OTHER FINANCING SOURCES (USES)				
Transfers out	(61,146)	-	(38,036)	(99,182)
NET CHANGE IN FUND NET ASSETS	(45,847)	993	(27,971)	(72,825)
FUND NET ASSETS, Beginning of year	49,605	29,511	31,320	110,436
FUND NET ASSETS, End of year	<u>\$ 3,758</u>	<u>\$ 30,504</u>	<u>\$ 3,349</u>	<u>\$ 37,611</u>

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER SDC PROJECTS FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Licenses and permits	\$ 94,146	\$ 94,146	\$ 14,484	\$ (79,662)
Miscellaneous	500	500	815	315
<i>Total Receipts</i>	94,646	94,646	15,299	(79,347)
DISBURSEMENTS				
Materials and services	3,000	3,000	-	3,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	91,646	91,646	15,299	(76,347)
OTHER FINANCING SOURCES (USES)				
Transfers out	(94,146)	(94,146)	(61,146)	33,000
NET CHANGE IN FUND BALANCE	(2,500)	(2,500)	(45,847)	(43,347)
FUND BALANCE, Beginning of year	2,500	2,500	49,605	47,105
FUND BALANCE, End of year	\$ -	\$ -	\$ 3,758	\$ 3,758

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 2,574	\$ 2,574	\$ 396	\$ (2,178)
Miscellaneous	10	10	597	587
<i>Total Receipts</i>	2,584	2,584	993	(1,591)
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,584	2,584	993	(1,591)
FUND BALANCE, Beginning of year	(2,584)	(2,584)	29,511	32,095
FUND BALANCE, End of year	\$ -	\$ -	\$ 30,504	\$ 30,504

CITY OF LAFAYETTE, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -****BUDGET AND ACTUAL - WATER SDC PROJECTS FUND****YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Licenses and permits	\$ 62,036	\$ 62,036	\$ 9,544	\$ (52,492)
Miscellaneous	1,200	1,200	521	(679)
<i>Total Receipts</i>	63,236	63,236	10,065	(53,171)
DISBURSEMENTS				
Materials and services	3,000	3,000	-	3,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	60,236	60,236	10,065	(50,171)
OTHER FINANCING SOURCES (USES)				
Transfers out	(62,036)	(62,036)	(38,036)	24,000
NET CHANGE IN FUND BALANCE	(1,800)	(1,800)	(27,971)	(26,171)
FUND BALANCE, Beginning of year	1,800	1,800	31,320	29,520
FUND BALANCE, End of year	\$ -	\$ -	\$ 3,349	\$ 3,349

OTHER SCHEDULES

CITY OF LAFAYETTE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2009

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2008</i>	<i>2008-2009 Levy</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2009</i>
2008-09	\$ -	\$ 541,899	\$ (15,174)	\$ (500,416)	\$ 26,309
2007-08	20,073	-	(860)	(10,819)	8,394
2006-07	5,266	-	(59)	(2,240)	2,967
2005-06	2,274	-	(32)	(1,293)	949
2004-05	871	-	(25)	(485)	361
2003-04	263	-	(12)	(25)	226
2002-03	213	-	(8)	(18)	187
Prior years	841	-	(14)	(62)	765
Total	<u>\$ 29,801</u>	<u>\$ 541,899</u>	<u>\$ (16,184)</u>	<u>\$ (515,358)</u>	<u>\$ 40,158</u>

CITY OF LAFAYETTE, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2009

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
DEBT PRINCIPAL TRANSACTIONS			
2000 Water Revenue Bonds	4.7%-6.0%	2000	2020-21
2000 Oregon Bond Bank Loan	5.276%	2000	2020-21
Safe Drinking Water Revolving Loan	1%	2003	2023-24
City of Dayton	1%	2004	2033-34
OECDW Wastewater Improvement Loan	6%	2008	2027-08

	<i>Interest Rates</i>	<i>Date of Issue</i>
DEBT INTEREST TRANSACTIONS		
2000 Water Revenue Bonds	4.7%-6.0%	2000
2000 Oregon Bond Bank Loan	5.276%	2000
Safe Drinking Water Revolving Loan	1%	2003
City of Dayton	1%	2004
OECDW Wastewater Improvement Loan	6%	2008

<i>Outstanding July 1, 2008</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2009</i>
\$ 2,500,000	\$ -	\$ (135,000)	\$ 2,365,000
4,054,430	-	(228,456)	3,825,974
84,519	-	(5,251)	79,268
529,963	-	(17,949)	512,014
250,000	-	(3,214)	246,786
<u>\$ 7,418,912</u>	<u>\$ -</u>	<u>\$ (389,870)</u>	<u>\$ 7,029,042</u>

<i>Unmatured Interest Outstanding July 1, 2008</i>	<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2009</i>
\$ 1,062,867	\$ -	\$ (138,926)	\$ 923,941
1,672,996	-	(214,604)	1,458,392
6,917	-	(845)	6,072
74,511	-	(5,300)	69,211
184,548	-	(13,625)	170,923
<u>\$ 3,001,839</u>	<u>\$ -</u>	<u>\$ (373,300)</u>	<u>\$ 2,628,539</u>

CITY OF LAFAYETTE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS
JUNE 30, 2009

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2000 Water Revenue Bonds</i>			<i>2000 Oregon Bond Bank Loan</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 145,000	\$ 131,576	\$ 276,576	\$ 240,380	\$ 203,182	\$ 443,562
2011	150,000	123,795	273,795	247,400	191,162	438,562
2012	160,000	115,580	275,580	264,573	178,483	443,056
2013	170,000	106,750	276,750	276,912	164,593	441,505
2014	175,000	97,260	272,260	289,375	150,055	439,430
2015	185,000	87,180	272,180	306,967	134,863	441,830
2016	200,000	76,400	276,400	319,695	118,747	438,442
2017	210,000	64,500	274,500	337,594	101,804	439,398
2018	220,000	51,600	271,600	355,675	83,742	439,417
2019	235,000	37,950	272,950	373,952	64,536	438,488
2020	250,000	23,400	273,400	397,405	44,342	441,747
2021	265,000	7,950	272,950	416,046	22,883	438,929
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
	<u>\$ 2,365,000</u>	<u>\$ 923,941</u>	<u>\$ 3,288,941</u>	<u>\$ 3,825,974</u>	<u>\$ 1,458,392</u>	<u>\$ 5,284,366</u>

<i>Safe Drinking Water Revolving Loan</i>			<i>City of Dayton</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 5,303	\$ 793	\$ 6,096	\$ 18,129	\$ 5,120	\$ 23,249
5,356	740	6,096	18,310	4,939	23,249
5,410	686	6,096	18,493	4,756	23,249
5,464	632	6,096	18,678	4,571	23,249
5,518	577	6,095	18,865	4,384	23,249
5,574	522	6,096	19,053	4,196	23,249
5,629	466	6,095	19,244	4,005	23,249
5,686	410	6,096	19,437	3,812	23,249
5,742	353	6,095	19,631	3,618	23,249
5,800	296	6,096	19,827	3,422	23,249
5,857	238	6,095	20,025	3,224	23,249
5,916	179	6,095	20,226	3,023	23,249
5,975	120	6,095	20,428	2,821	23,249
6,038	60	6,098	20,632	2,617	23,249
-	-	-	20,838	2,411	23,249
-	-	-	21,046	2,203	23,249
-	-	-	21,257	1,992	23,249
-	-	-	21,470	1,779	23,249
-	-	-	21,685	1,564	23,249
-	-	-	21,901	1,348	23,249
-	-	-	22,121	1,128	23,249
-	-	-	22,342	907	23,249
-	-	-	22,565	684	23,249
-	-	-	22,791	458	23,249
-	-	-	23,020	229	23,249
<u>\$ 79,268</u>	<u>\$ 6,072</u>	<u>\$ 85,340</u>	<u>\$ 512,014</u>	<u>\$ 69,211</u>	<u>\$ 581,225</u>

CITY OF LAFAYETTE, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)
JUNE 30, 2009

<i>Fiscal Year</i>	<i>OECD Wastewater Improvement Loan</i>			<i>Totals</i>		
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 7,204	\$ 14,592	\$ 21,796	\$ 416,016	\$ 355,263	\$ 771,279
2011	7,636	14,160	21,796	428,702	334,796	763,498
2012	8,094	13,702	21,796	456,570	313,207	769,777
2013	8,580	13,216	21,796	479,634	289,762	769,396
2014	9,095	12,701	21,796	497,853	264,977	762,830
2015	9,640	12,156	21,796	526,234	238,917	765,151
2016	10,219	11,577	21,796	554,787	211,195	765,982
2017	10,832	10,964	21,796	583,549	181,490	765,039
2018	11,482	10,314	21,796	612,530	149,627	762,157
2019	12,171	9,625	21,796	646,750	115,829	762,579
2020	12,901	8,895	21,796	686,188	80,099	766,287
2021	13,675	8,121	21,796	720,863	42,156	763,019
2022	14,496	7,300	21,796	40,899	10,241	51,140
2023	15,365	6,431	21,796	42,035	9,108	51,143
2024	16,287	5,509	21,796	37,125	7,920	45,045
2025	17,265	4,532	21,797	38,311	6,735	45,046
2026	18,300	3,496	21,796	39,557	5,488	45,045
2027	19,398	2,398	21,796	40,868	4,177	45,045
2028	24,146	1,234	25,380	45,831	2,798	48,629
2029	-	-	-	21,901	1,348	23,249
2030	-	-	-	22,121	1,128	23,249
2031	-	-	-	22,342	907	23,249
2032	-	-	-	22,565	684	23,249
2033	-	-	-	22,791	458	23,249
2034	-	-	-	23,020	229	23,249
	<u>\$ 246,786</u>	<u>\$ 170,923</u>	<u>\$ 417,709</u>	<u>\$ 7,029,042</u>	<u>\$ 2,628,539</u>	<u>\$ 9,657,581</u>

CITY OF LAFAYETTE, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS YEAR ENDED JUNE 30, 2009

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are as follows.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Lafayette (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2009. Our opinion was qualified for historical cost records for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the City are documented on the title page and in the notes to the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

CITY OF LAFAYETTE, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2009

Adequacy of Accounting Records

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements, except the City does not maintain verification of historical cost records for capital assets acquired before fiscal year end June 30, 2004.

Indebtedness

The City has no general obligation bonded debt. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2009.

Adequacy of Collateral Securing Depository Balances

The City has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2009.

Budget Compliance

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010.

A description of the budgeting process is included in the notes to the basic financial statements.

Insurance Policies and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Programs Funded From Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to material programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material aspects.

CITY OF LAFAYETTE, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2009

Financial Reporting Requirements

We have reviewed financial reports and other data relating to material programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

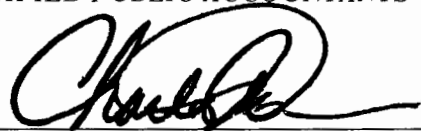
Highway Funds

The City's has complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel.

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

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

By:



Charles A. Swank, A Shareholder
December 1, 2009