

***CITY OF LAFAYETTE, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2017***

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Lafayette, Oregon 97127

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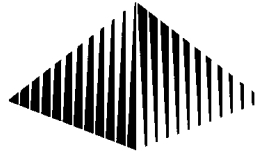
***City Administrator***

Preston Polasek  
486 3rd Street  
Lafayette, Oregon 97127

**CITY OF LAFAYETTE, OREGON**  
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**JUNE 30, 2017**

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## **GROVE, MUELLER & SWANK, P.C.**

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

### ***INDEPENDENT AUDITOR'S REPORT***

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

#### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, Oregon, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

***Basis of Accounting***

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

***Other Matters***

***Report on Supplemental and Other Information***

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


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

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

***Report on Other Legal and Regulatory Requirements***

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 22, 2017, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
December 22, 2017

**CITY OF LAFAYETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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, 2017.

**Financial Highlights**

Following are the financial highlights of the City for the FYE June 30, 2017:

	<u>June 30,</u>		<u>change</u>
	<u>2017</u>	<u>2016</u>	
Net position	\$ 4,486,740	\$ 4,580,797	\$ (94,057)
Change in net position	(94,057)	113,166	(207,223)
Governmental net position	2,231,339	2,236,646	(5,307)
Proprietary net position	2,255,401	2,344,151	(88,750)
Change in governmental net position	(5,307)	(137,407)	132,100
Change in proprietary net position	(88,750)	250,573	(339,323)

**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 \$4,486,740 at June 30, 2017.

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,**

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ 2,231,339	\$ 2,255,401	\$ 4,486,740	\$ 2,237,992	\$ 2,344,151	\$ 4,582,143
<b>Liabilities:</b>						
Payroll withholdings	-	-	-	1,346	-	1,346
<b>Net Position:</b>						
Restricted	1,025,874	1,059,166	2,085,040	875,998	871,062	1,747,060
Unrestricted	1,205,465	1,196,235	2,401,700	1,360,648	1,473,089	2,833,737
<b>Total Net Position</b>	<b>\$ 2,231,339</b>	<b>\$ 2,255,401</b>	<b>\$ 4,486,740</b>	<b>\$ 2,236,646</b>	<b>\$ 2,344,151</b>	<b>\$ 4,580,797</b>

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

	2017			2016		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Revenues</b>						
Program Revenues						
Charges for service	\$ 179,012	\$ 1,927,341	\$ 2,106,353	\$ 227,416	\$ 1,781,810	\$ 2,009,226
Operating grants	237,484	-	237,484	248,663	-	248,663
Capital grants	199,939	196,418	396,357	208,692	207,405	416,097
General Revenues						
Property taxes	686,521	-	686,521	649,616	-	649,616
Franchise taxes	147,414	-	147,414	143,458	-	143,458
Intergovernmental	108,696	-	108,696	86,123	-	86,123
Miscellaneous	61,390	24,250	85,640	51,939	13,460	65,399
<i>Total Revenues</i>	<i>1,620,456</i>	<i>2,148,009</i>	<i>3,768,465</i>	<i>1,615,907</i>	<i>2,002,675</i>	<i>3,618,582</i>
<b>Expenses</b>						
General government	563,704	-	563,704	666,803	-	666,803
Court and police	318,877	-	318,877	313,894	-	313,894
Community services and development	248,098	-	248,098	239,225	-	239,225
Fire	211,507	-	211,507	230,916	-	230,916
Parks	124,619	-	124,619	110,394	-	110,394
Streets	242,888	-	242,888	274,924	-	274,924
Interest on long-term debt	7,094	-	7,094	7,094	-	7,094
Water	-	1,305,039	1,305,039	-	850,749	850,749
Sewer	-	840,696	840,696	-	811,417	811,417
<i>Total Expenses</i>	<i>1,716,787</i>	<i>2,145,735</i>	<i>3,862,522</i>	<i>1,843,250</i>	<i>1,662,166</i>	<i>3,505,416</i>
Transfers	91,024	(91,024)	-	89,936	(89,936)	-
Change in net position	(5,307)	(88,750)	(94,057)	(137,407)	250,573	113,166
Net position, beginning of year	2,236,646	2,344,151	4,580,797	2,374,053	2,093,578	4,467,631
Net position, end of year	<b>\$ 2,231,339</b>	<b>\$ 2,255,401</b>	<b>\$ 4,486,740</b>	<b>\$ 2,236,646</b>	<b>\$ 2,344,151</b>	<b>\$ 4,580,797</b>



## **GOVERNMENTAL ACTIVITIES**

The cost for all governmental activities was \$1,716,787 this year. However, our taxpayers only paid \$686,521 in property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$179,012 this year, or 10%.

The City's governmental net position decreased by \$5,307 during the year.

## **BUSINESS-TYPE ACTIVITIES**

The cost for all business-type activities was \$2,145,735 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 \$88,750 this year.

## **FINANCIAL ANALYSIS OF THE CITY OF LAFAYETTE FUNDS**

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

### **Governmental Funds**

*General Fund.* The General Fund is the primary operating fund of the City. The fund balance was \$642,141 at year end. The fund balance decreased by \$171,560 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 49% of total General Fund expenditures. The decrease in fund balance was 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 \$49,946 during the current fiscal year as expenses decreased from the prior year.

*Fire Capital Projects Fund.* The Fire Capital Projects Fund accounts for funds used for fire-related capital projects. Expenditures have been committed by the City for these projects and are primarily funded by transfers from the General Fund. The fund balance decreased \$13,207 during the current fiscal year due to debt payments in excess of transfers in.

*Street SDC Projects.* This fund accounts for the collection and spending of street system development charges. The fund balance increased by \$121,154 due to collections in excess of capital outlay.

### **Enterprise Funds**

*Sewer Fund.* This fund accounts for the operation of the City's sewer activity. The fund balance decreased by \$6,384 due primarily to transfers out to fund debt service. Operating revenues were sufficient to cover operating expenses.

*Sewer Debt Service Fund.* This fund is used to make debt service payments on sewer-related debt. Fund balance increased by \$3,877 as transfers in were almost equal to scheduled debt payments.

*Sewer SDC Projects.* This fund accounts for the collection and spending of Sewer SDC revenues. The fund balance increased by \$122,897 due to minimal expenses.

*Water Fund.* This fund accounts for the City's water activity. Fund balance decreased by \$236,077 due primarily to transfers out.

*Water Debt Service Fund.* This fund records debt service payments on water-related debt. Fund balance decreased by \$2,731 in the current year, as budgeted.

*Water SDC Projects Fund.* This fund accounts for the collection and expenditure of Water SDC revenues. The fund balance increased by \$29,668 due to capital contributions.

**BUDGETARY HIGHLIGHTS**

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

**DEBT ADMINISTRATION**

The City had total debt of \$2,997,770 at year end. Net revenues of the utility operations and SDC’s received from new development are pledged to the payment of the debt. Governmental debt consisted of \$220,632 and business-type debt was \$2,777,138 at June 30, 2017.

The City’s total debt decreased by \$645,190 during the current year due to scheduled repayments.

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

**City of Lafayette  
Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Loans	\$ 220,632	\$ 290,700	\$ 397,138	\$ 422,260	\$ 617,770	\$ 712,960
Revenue bonds	-	-	2,380,000	2,930,000	2,380,000	2,930,000
<b>Total</b>	<b>\$ 220,632</b>	<b>\$ 290,700</b>	<b>\$ 2,777,138</b>	<b>\$ 3,352,260</b>	<b>\$ 2,997,770</b>	<b>\$ 3,642,960</b>

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

**FISCAL YEAR 2017-18 BUDGET AND RATES**

During the preparation of the budget for the 2017-18 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 2018 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, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,231,339	\$ 2,255,401	\$ 4,486,740
<b>LIABILITIES</b>			
Payroll withholdings	-	-	-
<b>NET POSITION</b>			
Restricted for:			
Utility deposits	-	30,983	30,983
Debt service	-	242,684	242,684
Capital outlay	820,143	785,499	1,605,642
Streets	161,419	-	161,419
Community development	44,312	-	44,312
Unrestricted	1,205,465	1,196,235	2,401,700
<i>Total Net Position</i>	<u>\$ 2,231,339</u>	<u>\$ 2,255,401</u>	<u>\$ 4,486,740</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, 2017**

	<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>
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental activities:</b>				
General government	\$ 563,704	\$ -	\$ 1,000	\$ -
Court and police	318,877	16,900	-	-
Community services and development	248,098	162,112	475	-
Fire	211,507	-	-	-
Parks	124,619	-	-	23,519
Streets	242,888	-	236,009	176,420
Interest on long-term debt	7,094	-	-	-
<i>Total Governmental activities</i>	1,716,787	179,012	237,484	199,939
<b>Business-type activities:</b>				
Water	1,305,039	1,055,732	-	78,643
Sewer	840,696	871,609	-	117,775
<i>Total Business-type activities</i>	2,145,735	1,927,341	-	196,418
<i>Total Activities</i>	<u>\$ 3,862,522</u>	<u>\$ 2,106,353</u>	<u>\$ 237,484</u>	<u>\$ 396,357</u>
<b>General Revenues:</b>				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
<b>Transfers</b>				
<b>Change in net position</b>				
<b>Net position - beginning of year</b>				
<b>Net position - end of year</b>				

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

<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Total</i></b>
\$ (562,704)	\$ -	\$ (562,704)
(301,977)	-	(301,977)
(85,511)	-	(85,511)
(211,507)	-	(211,507)
(101,100)	-	(101,100)
169,541	-	169,541
(7,094)	-	(7,094)
(1,100,352)	-	(1,100,352)
-	(170,664)	(170,664)
-	148,688	148,688
-	(21,976)	(21,976)
(1,100,352)	(21,976)	(1,122,328)
686,521	-	686,521
147,414	-	147,414
108,696	-	108,696
61,390	24,250	85,640
1,004,021	24,250	1,028,271
91,024	(91,024)	-
(5,307)	(88,750)	(94,057)
2,236,646	2,344,151	4,580,797
\$ 2,231,339	\$ 2,255,401	\$ 4,486,740

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

**CITY OF LAFAYETTE, OREGON**

**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

**JUNE 30, 2017**

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Projects</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 642,141	\$ 161,419	\$ 308,918
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Payroll withholdings	\$ -	\$ -	\$ -
<b>Fund Balance:</b>			
Restricted for:			
Capital acquisitions	-	-	-
Streets	-	161,419	-
Community development	-	-	-
Committed to:			
Capital acquisitions	-	-	308,918
Unassigned	642,141	-	-
<i>Total Fund Balance</i>	642,141	161,419	308,918
<i>Total Liabilities and Fund Balance</i>	\$ 642,141	\$ 161,419	\$ 308,918



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<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 660,424	\$ 458,437	\$ 2,231,339
\$ -	\$ -	\$ -
660,424	159,719	820,143
-	-	161,419
-	44,312	44,312
-	254,406	563,324
-	-	642,141
660,424	458,437	2,231,339
\$ 660,424	\$ 458,437	\$ 2,231,339

*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, 2017**

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Projects</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 686,521	\$ -	\$ -
Fines and forfeitures	16,900	-	-
Licenses and permits	235,509	-	-
Charges for services	-	-	-
Intergovernmental	109,696	236,009	-
Miscellaneous	42,129	1,464	2,955
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	1,090,755	237,473	2,955
<b>EXPENDITURES</b>			
General government	563,704	-	-
Court and police	318,877	-	-
Community services and development	159,310	-	-
Fire	141,439	-	-
Parks	118,987	-	-
Streets	-	170,743	-
Debt payments			
Principal	-	-	70,068
Interest	-	-	7,094
Capital acquisitions	-	9,806	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	1,302,317	180,549	77,162
<b>REVENUES OVER (UNDER) EXPENDITURES</b>			
	(211,562)	56,924	(74,207)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	109,002	-	61,000
Transfers out	(69,000)	(6,978)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	40,002	(6,978)	61,000
<b>NET CHANGE IN FUND BALANCE</b>			
	(171,560)	49,946	(13,207)
<b>FUND BALANCE, beginning of year</b>			
	813,701	111,473	322,125
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, end of year</b>			
	\$ 642,141	\$ 161,419	\$ 308,918
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 686,521
-	-	16,900
176,420	87,624	499,553
-	9,913	9,913
-	-	345,705
7,073	8,243	61,864
183,493	105,780	1,620,456
-	-	563,704
-	-	318,877
-	88,788	248,098
-	-	141,439
-	-	118,987
-	-	170,743
-	-	70,068
-	-	7,094
62,339	5,632	77,777
62,339	94,420	1,716,787
121,154	11,360	(96,331)
-	27,000	197,002
-	(30,000)	(105,978)
-	(3,000)	91,024
121,154	8,360	(5,307)
539,270	450,077	2,236,646
\$ 660,424	\$ 458,437	\$ 2,231,339

*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, 2017**

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	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>Sewer SDC Projects</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 602,499	\$ 400,890	\$ 554,539
<b>LIABILITIES</b>			
	-	-	-
<b>NET POSITION</b>			
Restricted for:			
Utility deposits	15,491	-	-
Debt payments	-	-	-
Capital acquisitions	-	-	554,539
Unrestricted	587,008	400,890	-
	<u>587,008</u>	<u>400,890</u>	<u>-</u>
<i>Total Fund Net Position</i>	<u>\$ 602,499</u>	<u>\$ 400,890</u>	<u>\$ 554,539</u>

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<i>Water</i>	<i>Water Debt Service</i>	<i>Water SDC Projects</i>	<i>Total</i>
\$ 220,067	\$ 246,446	\$ 230,960	\$ 2,255,401
-	-	-	-
15,492	-	-	30,983
-	242,684	-	242,684
-	-	230,960	785,499
204,575	3,762	-	1,196,235
\$ 220,067	\$ 246,446	\$ 230,960	\$ 2,255,401

*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, 2017**

	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>Sewer SDC Projects</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 871,609	\$ -	\$ -
Miscellaneous	-	-	-
<i>Total Operating Revenues</i>	871,609	-	-
<b>OPERATING EXPENSES</b>			
Personnel services	268,469	-	-
Materials and services	139,021	-	-
<i>Total Operating Expenses</i>	407,490	-	-
<b>OPERATING INCOME</b>	464,119	-	-
<b>NONOPERATING ITEMS</b>			
Interest revenue	6,132	4,077	5,553
Capital acquisitions	(35,976)	-	(431)
Debt payments			
Principal	-	(345,000)	-
Interest	-	(51,800)	-
<i>Total Nonoperating Items</i>	(29,844)	(392,723)	5,122
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	434,275	(392,723)	5,122
Capital contributions	-	-	117,775
Transfers in	-	396,600	-
Transfers out	(440,659)	-	-
<b>CHANGE IN FUND NET POSITION</b>	(6,384)	3,877	122,897
<b>FUND NET POSITION, beginning of year</b>	608,883	397,013	431,642
<b>FUND NET POSITION, end of year</b>	\$ 602,499	\$ 400,890	\$ 554,539

<i>Water</i>	<i>Water Debt Service</i>	<i>Water SDC Projects</i>	<i>Total</i>
\$ 1,048,283	\$ -	\$ -	\$ 1,919,892
7,449	-	-	7,449
1,055,732	-	-	1,927,341
219,963	-	-	488,432
341,559	-	-	480,580
561,522	-	-	969,012
494,210	-	-	958,329
3,419	2,544	2,525	24,250
(413,479)	-	(51,500)	(501,386)
-	(230,122)	-	(575,122)
-	(48,415)	-	(100,215)
(410,060)	(275,993)	(48,975)	(1,152,473)
84,150	(275,993)	(48,975)	(194,144)
-	-	78,643	196,418
-	273,262	-	669,862
(320,227)	-	-	(760,886)
(236,077)	(2,731)	29,668	(88,750)
456,144	249,177	201,292	2,344,151
\$ 220,067	\$ 246,446	\$ 230,960	\$ 2,255,401

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

**CITY OF LAFAYETTE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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

The City reports the following major governmental funds:

*General Fund*

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

*Street Fund*

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

*Fire Capital Equipment Fund*

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

*Street SDC Projects Fund*

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

The City reports the following nonmajor governmental funds:

*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. Resources are provided by transfers in.

The City reports the following major enterprise funds:

*Sewer Fund*

This fund accounts for the operation of the City's sewer system. Transfers out provide funds for debt service.

*Sewer Debt Service Fund*

This fund is to set aside money as a debt service reserve. Payments on sewer-related debt are also paid from this fund. Resources are provided by transfers in.

*Sewer SDC Projects Fund*

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

*Water Fund*

This fund accounts for the operation of the City's water system. Transfers out provide funds for debt service.

*Water Debt Service Fund*

This fund is to set aside money as a debt service reserve. Payments on water-related debt are also paid from this fund. Resources are provided by transfers in.

*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.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

*Fund Balance (Continued)*

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

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

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

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

*Definitions of Governmental Fund Types*

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

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

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

*Measurement Focus and Basis of Accounting*

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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

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

*Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures as of and for the year ended June 30, 2017. Actual results may differ from such estimates.

*Cash and Cash Equivalents*

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

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

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

Investments are stated at cost, which approximates fair value.

*Property Taxes*

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

*Capital Assets*

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

**CITY OF LAFAYETTE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Long-term Debt*

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

*Accrued Compensated Absences*

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

*Budgets and Budgetary Accounting*

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

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following at June 30, 2017:

<b>Cash</b>	
Cash on hand	\$ 500
Deposits with financial institutions	51,569
<b>Investments</b>	
Local Government Investment Pool	4,434,671
	<hr/>
	\$ 4,486,740
	<hr/> <hr/>

*Deposits*

The book balance of the City’s bank deposits (checking account) was \$51,569 and the bank balance was \$143,042 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

*Custodial Credit Risk - Deposits*

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

## **CITY OF LAFAYETTE, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2017*

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### **CASH AND CASH EQUIVALENTS (Continued)**

#### *Custodial Credit Risk – Deposits (Continued)*

they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2017, none of the City's bank balances was covered by the PFCP.

#### *Custodial Risk - Investments*

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

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

#### *Local Government Investment Pool*

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2017, 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, 2017**

**LONG-TERM DEBT**

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

<i>Governmental activities:</i>	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2017</u>	<u>Due Within One Year</u>
Fire truck lease, issued July 2015, four annual installments, interest at 2.4402%	\$ 290,700	\$ -	\$ (70,068)	\$ 220,632	\$ 71,778
<i>Business-type activities:</i>	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2017</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	\$ 41,013	\$ -	\$ (5,685)	\$ 35,328	\$ 5,742
City of Dayton (OECD passthrough), issued in 2004, annual installments of \$23,249 including interest at 1% through 2034	381,247	-	(19,437)	361,810	19,631
Water System Revenue Refunding Bonds, issued May, 2011, in varying annual install- ments plus interest at 3.5% through 2021	1,095,000	-	(205,000)	890,000	205,000
Sewer System Revenue Refunding Bonds, issued May, 2012, in varying annual install- ments plus interest at 2.00% to 3.25% through 2021	1,835,000	-	(345,000)	1,490,000	355,000
	<u>\$ 3,352,260</u>	<u>\$ -</u>	<u>\$ (575,122)</u>	<u>\$ 2,777,138</u>	<u>\$ 585,373</u>

Future debt service requirements are as follows:

*Governmental Activities*

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 71,778	\$ 5,384	\$ 77,162
2019	73,530	3,632	77,162
2020	75,324	1,838	77,162
	<u>\$ 220,632</u>	<u>\$ 10,854</u>	<u>\$ 231,486</u>



**CITY OF LAFAYETTE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

**LONG-TERM DEBT (Continued)**

*Business-type Activities*

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 585,373	\$ 82,955	\$ 668,328
2019	605,627	63,093	668,720
2020	635,882	40,062	675,944
2021	656,142	15,536	671,678
2022	26,403	2,941	29,344
2023-2027	111,281	11,059	122,340
2028-2032	110,614	5,631	116,245
2033-2034	45,816	687	46,503
	<u>\$ 2,777,138</u>	<u>\$ 221,964</u>	<u>\$ 2,999,102</u>

The Water System Revenue Refunding bonds are subject to rate covenants and debt service reserve covenants. The City was in compliance with these covenants at June 30, 2017.

**PENSION PLAN**

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple employer defined benefit plan. Qualified employees of the City are provided with pensions through OPERS. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS issues a publicly available financial report that can be obtained at

[http://www.oregon.gov/pers/pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/pages/section/financial_reports/financials.aspx).

**Benefits provided under ORS Chapter 238 – Tier One/ Tier Two**

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

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

**CITY OF LAFAYETTE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

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**PENSION PLAN (Continued)**

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

*Death Benefits:* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: the member was employed by a PERS employer at the time of death; the member died within 120 days after termination of PERS-covered employment; the member died as a result of injury sustained while employed in a PERS-covered job, or; the member was on an official leave of absence from a PERS-covered job at the time of death.

*Disability Benefits:* A member with 10 or more years of creditable service who becomes disabled from other than duty connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

*Benefit Changes After Retirement:* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

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

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

*Death Benefits:* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits:* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**CITY OF LAFAYETTE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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***PENSION PLAN (Continued)***

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

*Benefit Changes After Retirement:* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The City's contribution rates in effect for the fiscal year ended June 30, 2017 were 14.05 percent for Tier One/Two members, 8.43 percent for OPSRP general service members, and 12.54 percent for OPSRP uniformed members. The City's contributions for the year ended June 30, 2017 were \$91,331, excluding amounts to fund employer specific liabilities.

Actuarial Methods and Assumptions:

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set by OPERS using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Valuation Date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service

***PENSION PLAN (Continued)***

Actuarial Methods and Assumptions (Continued):

Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 static combined disabled mortality sex-distinct table.
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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Long-Term Expected Rate of Return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF LAFAYETTE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

**PENSION PLAN (Continued)**

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Compound Annual (Geometric) Return</u>
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50 %

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50, as well as what City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate share of the net pension liability	\$ 1,060,704	\$ 656,918	\$ 319,424

**CITY OF LAFAYETTE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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**INTERFUND TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 109,002	\$ 69,000
Street	-	6,978
Fire Capital Projects	61,000	-
City Hall Building	15,000	-
Reimb Dist	-	30,000
Vehicle and Equipment Replacement	12,000	-
Sewer	-	440,659
Sewer Debt	396,600	-
Water	-	320,227
Water Debt	273,262	-
	<u>\$ 866,864</u>	<u>\$ 866,864</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 in excess of Council approved appropriations. Disbursements in excess of appropriations in individual funds for the year ended June 30, 2017 occurred as follows:

<u>Fund / Appropriation category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Fire Capital Projects</b>			
Principal	\$ -	\$ 70,068	\$ (70,068)
Interest	-	7,094	(7,094)
<b>Water</b>			
Materials and services	340,100	341,559	(1,459)

The City budgeted capital lease payments as capital outlay instead of debt service. This caused disbursements in excess of appropriations within the Fire Capital Projects fund.

**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**

The City implemented the following pronouncement during the current fiscal year:

GASB Statement No. 77, "Tax Abatement Disclosures," addresses the disclosure requirements for governments that have tax abated properties in their jurisdiction. It will require governments to disclose a description of the tax abatement program, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. Implementation of the pronouncement did not affect the financial statements.

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

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2017.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 22, 2017, the date on which the financial statements were available to be issued. Management is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

***SUPPLEMENTAL INFORMATION***



**CITY OF LAFAYETTE, OREGON**

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

**JUNE 30, 2017**

	<u>Special Revenue</u> <u>Refundable</u> <u>Deposits/Pass-</u> <u>Through Fees</u>	<u>Capital Projects</u>	
		<u>Parks SDC</u> <u>Projects</u>	<u>City Hall</u> <u>Building</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 44,312	\$ 159,719	\$ 161,899
	<u>44,312</u>	<u>159,719</u>	<u>161,899</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>	\$ -	\$ -	\$ -
 <b>Fund Balance:</b>			
Restricted for:			
Capital acquisitions	-	159,719	-
Community development	44,312	-	-
Committed to:			
Capital acquisitions	-	-	161,899
	<u>44,312</u>	<u>159,719</u>	<u>161,899</u>
<i>Total Fund Balance</i>	<u>44,312</u>	<u>159,719</u>	<u>161,899</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 44,312</u>	<u>\$ 159,719</u>	<u>\$ 161,899</u>

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<u><i>Vehicle and Equipment Replacement</i></u>	<u><i>Total</i></u>
\$ 92,507	\$ 458,437
-	-
-	159,719
-	44,312
92,507	254,406
92,507	458,437
\$ 92,507	\$ 458,437

**CITY OF LAFAYETTE, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	<u><i>Special Revenue Refundable Deposits/Pass- Through Fees</i></u>	<u><i>Parks SDC Projects</i></u>
<b>REVENUES</b>		
Licenses and permits	\$ 64,105	\$ 23,519
Charges for services	9,913	-
Miscellaneous	3,976	1,683
	<hr/>	<hr/>
<i>Total Revenues</i>	77,994	25,202
<b>EXPENDITURES</b>		
Community services and development	88,788	-
Capital acquisitions	-	5,632
	<hr/>	<hr/>
<i>Total Expenditures</i>	88,788	5,632
	<hr/>	<hr/>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(10,794)	19,570
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	(30,000)	-
	<hr/>	<hr/>
<i>Total Other Financing Sources and Uses</i>	(30,000)	-
	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	(40,794)	19,570
<b>FUND BALANCE, beginning of year</b>	85,106	140,149
	<hr/>	<hr/>
<b>FUND BALANCE, end of year</b>	\$ 44,312	\$ 159,719
	<hr/> <hr/>	<hr/> <hr/>

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***Capital Projects***

<b><i>City Hall Building</i></b>	<b><i>Vehicle and Equipment Replacement</i></b>	<b><i>Total</i></b>
\$ -	\$ -	\$ 87,624
-	-	9,913
1,655	929	8,243
<hr/>		
1,655	929	105,780
<hr/>		
-	-	88,788
-	-	5,632
<hr/>		
-	-	94,420
<hr/>		
1,655	929	11,360
<hr/>		
15,000	12,000	27,000
-	-	(30,000)
<hr/>		
15,000	12,000	(3,000)
<hr/>		
16,655	12,929	8,360
<hr/>		
145,244	79,578	450,077
<hr/>		
\$ 161,899	\$ 92,507	\$ 458,437
<hr/> <hr/>		

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 640,000	\$ 640,000	\$ 686,521	\$ 46,521
Fines and forfeitures	25,000	25,000	16,900	(8,100)
Licenses and permits	285,300	285,300	235,509	(49,791)
Intergovernmental	145,500	145,500	109,696	(35,804)
Miscellaneous	25,000	25,000	42,129	17,129
<i>Total Revenues</i>	1,120,800	1,120,800	1,090,755	(30,045)
<b>EXPENDITURES</b>				
Administration	771,572	771,572	563,704	207,868
Planning	150,494	150,494	77,052	73,442
Building inspection	92,874	92,874	82,258	10,616
Municipal court	27,845	27,845	18,166	9,679
Law enforcement	312,000	312,000	300,711	11,289
Parks	136,280	136,280	118,987	17,293
Fire	195,128	195,128	141,439	53,689
Contingency	175,000	175,000	-	175,000
<i>Total Expenditures</i>	1,861,193	1,861,193	1,302,317	558,876
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(740,393)	(740,393)	(211,562)	528,831
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	111,393	111,393	109,002	(2,391)
Transfers out	(69,000)	(69,000)	(69,000)	-
<i>Total Other Financing Sources (Uses)</i>	42,393	42,393	40,002	(2,391)
<b>NET CHANGE IN FUND BALANCE</b>	(698,000)	(698,000)	(171,560)	526,440
<b>FUND BALANCE, beginning of year</b>	698,000	698,000	813,701	115,701
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 642,141	\$ 642,141

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 215,000	\$ 215,000	\$ 236,009	\$ 21,009
Miscellaneous	100	100	1,464	1,364
<i>Total Revenues</i>	215,100	215,100	237,473	22,373
<b>EXPENDITURES</b>				
Personnel services	66,939	66,939	56,636	10,303
Materials and services	117,600	117,600	114,107	3,493
Capital outlay	50,000	50,000	9,806	40,194
Contingency	50,000	50,000	-	50,000
<i>Total Expenditures</i>	284,539	284,539	180,549	103,990
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(69,439)	(69,439)	56,924	126,363
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(6,978)	(6,978)	(6,978)	-
<b>NET CHANGE IN FUND BALANCE</b>	(76,417)	(76,417)	49,946	126,363
<b>FUND BALANCE, beginning of year</b>	175,700	175,700	111,473	(64,227)
<b>FUND BALANCE, end of year</b>	\$ 99,283	\$ 99,283	\$ 161,419	\$ 62,136

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 2,955	\$ 1,455
<b>EXPENDITURES</b>				
Debt Service				
Principal	-	-	70,068	(70,068)
Interest	-	-	7,094	(7,094)
Capital outlay	80,000	80,000	-	80,000
Contingency	304,500	304,500	-	304,500
<i>Total Expenditures</i>	<u>384,500</u>	<u>384,500</u>	<u>77,162</u>	<u>307,338</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(383,000)	(383,000)	(74,207)	308,793
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>61,000</u>	<u>61,000</u>	<u>61,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(322,000)	(322,000)	(13,207)	308,793
<b>FUND BALANCE, beginning of year</b>	<u>322,000</u>	<u>322,000</u>	<u>322,125</u>	<u>125</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,918</u>	<u>\$ 308,918</u>

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 358,345	\$ 358,345	\$ 176,420	\$ (181,925)
Miscellaneous	1,500	1,500	7,073	5,573
<i>Total Revenues</i>	359,845	359,845	183,493	(176,352)
<b>EXPENDITURES</b>				
Capital outlay	175,000	175,000	62,339	112,661
<b>NET CHANGE IN FUND BALANCE</b>	184,845	184,845	121,154	(63,691)
<b>FUND BALANCE, beginning of year</b>	549,061	549,061	539,270	(9,791)
<b>FUND BALANCE, end of year</b>	\$ 733,906	\$ 733,906	\$ 660,424	\$ (73,482)



**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 50,500	\$ 50,500	\$ 64,105	\$ 13,605
Charges for services	10,000	10,000	9,913	(87)
Miscellaneous	2,100	2,100	3,976	1,876
<i>Total Revenues</i>	62,600	62,600	77,994	15,394
<b>EXPENDITURES</b>				
Materials and services	104,100	104,100	88,788	15,312
<b>EXPENDITURES</b>	(41,500)	(41,500)	(10,794)	30,706
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(30,000)	(30,000)	(30,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(71,500)	(71,500)	(40,794)	30,706
<b>FUND BALANCE, beginning of year</b>	72,000	72,000	85,106	13,106
<b>FUND BALANCE, end of year</b>	\$ 500	\$ 500	\$ 44,312	\$ 43,812

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 52,715	\$ 52,715	\$ 23,519	\$ (29,196)
Miscellaneous	500	500	1,683	1,183
<i>Total Revenues</i>	53,215	53,215	25,202	(28,013)
<b>EXPENDITURES</b>				
Capital outlay	30,000	30,000	5,632	24,368
<b>NET CHANGE IN FUND BALANCE</b>	23,215	23,215	19,570	(3,645)
<b>FUND BALANCE, beginning of year</b>	141,504	141,504	140,149	(1,355)
<b>FUND BALANCE, end of year</b>	\$ 164,719	\$ 164,719	\$ 159,719	\$ (5,000)

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 500	\$ 500	\$ 1,655	\$ 1,155
<b>EXPENDITURES</b>				
Capital outlay	50,000	50,000	-	50,000
Contingency	69,300	69,300	-	69,300
<i>Total Expenditures</i>	119,300	119,300	-	119,300
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(118,800)	(118,800)	1,655	120,455
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	15,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(103,800)	(103,800)	16,655	120,455
<b>FUND BALANCE, beginning of year</b>	103,800	103,800	145,244	41,444
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 161,899	\$ 161,899

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 300	\$ 300	\$ 929	\$ 629
<b>EXPENDITURES</b>				
Contingency	91,800	91,800	-	91,800
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(91,500)	(91,500)	929	92,429
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,000	12,000	12,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(79,500)	(79,500)	12,929	92,429
<b>FUND BALANCE, beginning of year</b>	79,500	79,500	79,578	78
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 92,507	\$ 92,507

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 826,000	\$ 826,000	\$ 871,609	\$ 45,609
Miscellaneous	2,500	2,500	6,132	3,632
<i>Total Revenues</i>	828,500	828,500	877,741	49,241
<b>EXPENDITURES</b>				
Personnel services	285,227	285,227	268,469	16,758
Materials and services	200,700	200,700	139,021	61,679
Capital outlay	505,710	505,710	35,976	469,734
<i>Total Expenditures</i>	991,637	991,637	443,466	548,171
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(163,137)	(163,137)	434,275	597,412
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(442,863)	(442,863)	(440,659)	2,204
<b>CHANGE IN FUND BALANCE</b>	(606,000)	(606,000)	(6,384)	599,616
<b>FUND BALANCE, beginning of year</b>	606,000	606,000	608,883	2,883
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 602,499	\$ 602,499

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 4,077	\$ 3,077
<b>EXPENDITURES</b>				
Debt service				
Principal	345,000	345,000	345,000	-
Interest	51,800	51,800	51,800	-
<i>Total Expenditures</i>	<u>396,800</u>	<u>396,800</u>	<u>396,800</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(395,800)	(395,800)	(392,723)	3,077
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>396,600</u>	<u>396,600</u>	<u>396,600</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	800	800	3,877	3,077
<b>FUND BALANCE, beginning of year</b>	<u>395,500</u>	<u>395,500</u>	<u>397,013</u>	<u>6,154</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 396,300</u>	<u>\$ 396,300</u>	<u>\$ 400,890</u>	<u>\$ 9,231</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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 241,800	\$ 241,800	\$ 117,775	\$ (124,025)
Miscellaneous	1,000	1,000	5,553	4,553
<i>Total Revenues</i>	242,800	242,800	123,328	(119,472)
<b>EXPENDITURES</b>				
Capital outlay	35,000	35,000	431	34,569
<b>CHANGE IN FUND BALANCE</b>	207,800	207,800	122,897	(84,903)
<b>FUND BALANCE, beginning of year</b>	440,599	440,599	431,642	(8,957)
<b>FUND BALANCE, end of year</b>	\$ 648,399	\$ 648,399	\$ 554,539	\$ (93,860)

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 958,000	\$ 958,000	\$ 1,048,283	\$ 90,283
Miscellaneous	1,000	1,000	10,868	9,868
<i>Total Revenues</i>	959,000	959,000	1,059,151	100,151
<b>EXPENDITURES</b>				
Personnel services	247,780	247,780	219,963	27,817
Materials and services	330,100	340,100	341,559	(1,459)
Capital outlay	438,706	428,706	413,479	15,227
<i>Total Expenditures</i>	1,016,586	1,016,586	975,001	41,585
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(57,586)	(57,586)	84,150	141,736
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(320,414)	(320,414)	(320,227)	187
<b>CHANGE IN FUND BALANCE</b>	(378,000)	(378,000)	(236,077)	141,923
<b>FUND BALANCE, beginning of year</b>	378,000	378,000	456,144	78,144
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 220,067	\$ 220,067



**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, 2017**

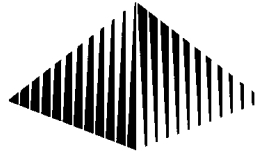
	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 2,544	\$ 1,544
<b>EXPENDITURES</b>				
Debt service				
Principal	230,122	230,122	230,122	-
Interest	48,415	48,415	48,415	-
<i>Total Expenditures</i>	<u>278,537</u>	<u>278,537</u>	<u>278,537</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(277,537)	(277,537)	(275,993)	1,544
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>273,262</u>	<u>273,262</u>	<u>273,262</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	(4,275)	(4,275)	(2,731)	1,544
<b>FUND BALANCE, beginning of year</b>	<u>248,150</u>	<u>248,150</u>	<u>249,177</u>	<u>1,027</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 243,875</u>	<u>\$ 243,875</u>	<u>\$ 246,446</u>	<u>\$ 2,571</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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 166,725	\$ 166,725	\$ 78,643	\$ (88,082)
Investment earnings	500	500	2,525	2,025
<i>Total Revenues</i>	167,225	167,225	81,168	(86,057)
<b>EXPENDITURES</b>				
Capital outlay	51,500	51,500	51,500	-
<b>CHANGE IN FUND BALANCE</b>	115,725	115,725	29,668	(86,057)
<b>FUND BALANCE, beginning of year</b>	205,609	205,609	201,292	(4,317)
<b>FUND BALANCE, end of year</b>	\$ 321,334	\$ 321,334	\$ 230,960	\$ (90,374)

***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

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

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Lafayette, Oregon as of and for the year ended June 30, 2017, and have issued our report thereon dated December 22, 2017.

#### ***Compliance and Other Matters***

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

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

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

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


***Internal Control Over Financial Reporting***

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

***Restrictions on Use***

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

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

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
December 22, 2017