

***CITY OF LAFAYETTE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018***

Mayor

Chris Pagella

Council Members

Marie Sproul, President

Chris Harper

David Sword

Stan Kosmicki

G. Douglas Cook

Wade Witherspoon

City Administrator

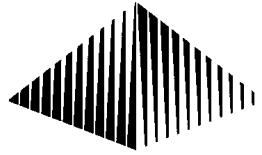
Preston Polasek

Council members receive mail at the City's address

City of Lafayette
486 Third Street
Lafayette, Oregon 97127

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, Oregon, as of and for the year ended June 30, 2018, 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, 2018, 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 26, 2018, 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 26, 2018

CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018.

Financial Highlights

Following are the financial highlights of the City for the FYE June 30, 2018:

	<u>June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>change</u>
Net position	\$ 4,707,048	\$ 4,486,740	\$ 220,308
Change in net position	220,308	(94,057)	314,365
Governmental net position	2,358,884	2,231,339	127,545
Proprietary net position	2,348,164	2,255,401	92,763
Change in governmental net position	127,545	(5,307)	132,852
Change in proprietary net position	92,763	(88,750)	181,513

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 \$4,707,048 at June 30, 2018.

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,

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Cash and cash equivalents	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048	\$ 2,231,339	\$ 2,255,401	\$ 4,486,740
Liabilities:	-	-	-	-	-	-
Net Position:						
Restricted	1,156,245	1,105,625	2,261,870	1,025,874	1,059,166	2,085,040
Unrestricted	1,202,639	1,242,539	2,445,178	1,205,465	1,196,235	2,401,700
Total Net Position	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048	\$ 2,231,339	\$ 2,255,401	\$ 4,486,740

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

	2018			2017		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 83,063	\$ 1,974,856	\$ 2,057,919	\$ 179,012	\$ 1,927,341	\$ 2,106,353
Operating grants	314,219	-	314,219	237,484	-	237,484
Capital grants	56,197	43,995	100,192	199,939	196,418	396,357
General Revenues						
Property taxes	730,184	-	730,184	686,521	-	686,521
Franchise taxes	160,210	-	160,210	147,414	-	147,414
Intergovernmental	185,355	-	185,355	108,696	-	108,696
Miscellaneous	52,947	37,677	90,624	61,390	24,250	85,640
<i>Total Revenues</i>	1,582,175	2,056,528	3,638,703	1,620,456	2,148,009	3,768,465
Expenses						
General government	615,581	-	615,581	563,704	-	563,704
Court and police	330,835	-	330,835	318,877	-	318,877
Community services and development	115,309	-	115,309	248,098	-	248,098
Fire	220,528	-	220,528	211,507	-	211,507
Parks	133,388	-	133,388	124,619	-	124,619
Streets	177,317	-	177,317	242,888	-	242,888
Interest on long-term debt	5,384	-	5,384	7,094	-	7,094
Water	-	874,522	874,522	-	1,305,039	1,305,039
Sewer	-	945,531	945,531	-	840,696	840,696
<i>Total Expenses</i>	1,598,342	1,820,053	3,418,395	1,716,787	2,145,735	3,862,522
Transfers	143,712	(143,712)	-	91,024	(91,024)	-
Change in net position	127,545	92,763	220,308	(5,307)	(88,750)	(94,057)
Net position, beginning of year	2,231,339	2,255,401	4,486,740	2,236,646	2,344,151	4,580,797
Net position, end of year	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048	\$ 2,231,339	\$ 2,255,401	\$ 4,486,740

GOVERNMENTAL ACTIVITIES

The cost for all governmental activities was \$1,598,341 this year. However, our taxpayers only paid \$730,184 in property taxes. Those who directly benefited from the programs (fines, fees and charges for services) paid \$83,063 this year, or 5%.

The City's governmental net position increased by \$127,545 during the year.

BUSINESS-TYPE ACTIVITIES

The cost for all business-type activities was \$1,820,053 this year. These costs are paid by utility service fees, system development charges and other utility related income.

The City's business-type net position increased by \$92,763 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 \$655,649 at year end. The fund balance increased by \$13,508 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 52% of total General Fund expenditures. The increase in fund balance was more 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 \$83,409 during the current fiscal year as operating expenses decreased from the prior year and gas tax revenue increased.

Fire Capital Equipment Fund. The Fire Capital Equipment Fund accounts for funds used for fire-related capital equipment purchases. Expenditures have been committed by the City for these projects and are primarily funded by transfers from the General Fund. The fund balance decreased \$22,818 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 \$55,389 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 \$87,569 due primarily to capital improvement expenses. Operating revenues were sufficient to cover operating expenses.

Sewer Debt Service Fund. This fund is used to make debt service payments on sewer-related debt. Fund balance decreased by \$1,761 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 \$34,723 due to minimal expenses.

Water Fund. This fund accounts for the City's water activity. Fund balance increased by \$134,296 due primarily to lower capital improvement expenses.

Water Debt Service Fund. This fund records debt service payments on water-related debt. Fund balance decreased by \$635 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 \$13,709 due to minimal expenses.

BUDGETARY HIGHLIGHTS

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

DEBT ADMINISTRATION

The City had total debt of \$2,340,619 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 \$148,854 and business-type debt was \$2,191,765 at June 30, 2018.

The City’s total debt decreased by \$657,151 during the current year due to scheduled repayments.

State statutes 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	
	2018	2017	2018	2017	2018	2017
Loans	\$ 148,854	\$ 220,632	\$ 371,765	\$ 397,138	\$ 520,619	\$ 617,770
Revenue bonds	-	-	1,820,000	2,380,000	1,820,000	2,380,000
Total	\$ 148,854	\$ 220,632	\$ 2,191,765	\$ 2,777,138	\$ 2,340,619	\$ 2,997,770

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

FISCAL YEAR 2018-19 BUDGET AND RATES

During the preparation of the budget for the 2018-19 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 2019 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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 2,358,884	\$ 2,348,164	\$ 4,707,048
LIABILITIES	-	-	-
NET POSITION			
Restricted for:			
Utility deposits	-	29,010	29,010
Debt service	-	242,684	242,684
Capital acquisitions	867,112	833,931	1,701,043
Streets	244,828	-	244,828
Community development	44,305	-	44,305
Unrestricted	1,202,639	1,242,539	2,445,178
 <i>Total Net Position</i>	 \$ 2,358,884	 \$ 2,348,164	 \$ 4,707,048

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

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CITY OF LAFAYETTE, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2018

	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<i>FUNCTIONS/PROGRAMS</i>				
<i>Governmental activities:</i>				
General government	\$ 615,581	\$ -	\$ 58,000	\$ -
Court and police	330,835	22,627	-	-
Community services and development	115,309	60,436	-	-
Fire	220,528	-	-	-
Parks	133,388	-	-	4,866
Streets	177,317	-	256,219	51,331
Interest on long-term debt	5,384	-	-	-
<i>Total Governmental activities</i>	1,598,342	83,063	314,219	56,197
<i>Business-type activities:</i>				
Water	874,522	1,066,169	-	17,955
Sewer	945,531	908,687	-	26,040
<i>Total Business-type activities</i>	1,820,053	1,974,856	-	43,995
<i>Total Activities</i>	\$ 3,418,395	\$ 2,057,919	\$ 314,219	\$ 100,192
<i>General Revenues:</i>				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Transfers</i>				
<i>Change in net position</i>				
<i>Net position - beginning of year</i>				
<i>Net position - end of year</i>				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (557,581)	\$ -	\$ (557,581)
(308,208)	-	(308,208)
(54,873)	-	(54,873)
(220,528)	-	(220,528)
(128,522)	-	(128,522)
130,233	-	130,233
(5,384)	-	(5,384)
(1,144,863)	-	(1,144,863)
-	209,602	209,602
-	(10,804)	(10,804)
-	198,798	198,798
(1,144,863)	198,798	(946,065)
730,184	-	730,184
160,210	-	160,210
185,355	-	185,355
52,947	37,677	90,624
1,128,696	37,677	1,166,373
143,712	(143,712)	-
127,545	92,763	220,308
2,231,339	2,255,401	4,486,740
\$ 2,358,884	\$ 2,348,164	\$ 4,707,048

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

CITY OF LAFAYETTE, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2018

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Equipment</u>
ASSETS			
Cash and cash equivalents	\$ 655,649	\$ 244,828	\$ 286,100
	<u>655,649</u>	<u>244,828</u>	<u>286,100</u>
 LIABILITIES AND FUND BALANCE			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital acquisitions	-	-	-
Streets	-	244,828	-
Community development	-	-	-
Committed to:			
Capital acquisitions	-	-	286,100
Unassigned	655,649	-	-
	<u>655,649</u>	<u>244,828</u>	<u>286,100</u>
<i>Total Fund Balance</i>	655,649	244,828	286,100
	<u>655,649</u>	<u>244,828</u>	<u>286,100</u>
<i>Total Liabilities and Fund Balance</i>	\$ 655,649	\$ 244,828	\$ 286,100
	<u>655,649</u>	<u>244,828</u>	<u>286,100</u>

<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 715,813	\$ 456,494	\$ 2,358,884
\$ -	\$ -	\$ -
715,813	151,299	867,112
-	-	244,828
-	44,305	44,305
-	260,890	546,990
-	-	655,649
715,813	456,494	2,358,884
\$ 715,813	\$ 456,494	\$ 2,358,884

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, 2018**

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Fire Capital Equipment</u>
REVENUES			
Taxes and assessments	\$ 730,184	\$ -	\$ -
Fines and forfeitures	22,627	-	-
Licenses and permits	191,114	-	-
Charges for services	-	-	-
Intergovernmental	243,355	256,219	-
Miscellaneous	23,291	3,361	4,344
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	1,210,571	259,580	4,344
EXPENDITURES			
General government	315,681	-	-
Court and police	330,835	-	-
Community services and development	82,324	-	-
Fire	151,270	-	-
Parks	119,852	-	-
Streets	-	141,419	-
Debt payments			
Principal	-	-	71,778
Interest	-	-	5,384
Capital acquisitions	270,247	28,318	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	1,270,209	169,737	77,162
REVENUES OVER (UNDER) EXPENDITURES			
	(59,638)	89,843	(72,818)
OTHER FINANCING SOURCES (USES)			
Transfers in	131,146	-	50,000
Transfers out	(58,000)	(6,434)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	73,146	(6,434)	50,000
NET CHANGE IN FUND BALANCE			
	13,508	83,409	(22,818)
FUND BALANCE, beginning of year			
	642,141	161,419	308,918
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year			
	\$ 655,649	\$ 244,828	\$ 286,100
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<i>Projects</i>		
<i>Street SDC Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 730,184
-	-	22,627
51,331	26,458	268,903
-	7,941	7,941
-	-	499,574
11,638	10,312	52,946
62,969	44,711	1,582,175
-	-	315,681
-	-	330,835
-	32,984	115,308
-	-	151,270
-	-	119,852
-	-	141,419
-	-	71,778
-	-	5,384
7,580	40,670	346,815
7,580	73,654	1,598,342
55,389	(28,943)	(16,167)
-	27,000	208,146
-	-	(64,434)
-	27,000	143,712
55,389	(1,943)	127,545
660,424	458,437	2,231,339
\$ 715,813	\$ 456,494	\$ 2,358,884

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, 2018

	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>Sewer SDC Projects</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 514,930	\$ 399,129	\$ 589,262
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for:			
Utility deposits	14,505	-	-
Debt payments	-	-	-
Capital acquisitions	-	-	589,262
Unrestricted	500,425	399,129	-
<i>Total Fund Net Position</i>	<u>\$ 514,930</u>	<u>\$ 399,129</u>	<u>\$ 589,262</u>

<i>Water</i>	<i>Water Debt Service</i>	<i>Water SDC Projects</i>	<i>Total</i>
\$ 354,363	\$ 245,811	\$ 244,669	\$ 2,348,164
-	-	-	-
14,505	-	-	29,010
-	242,684	-	242,684
-	-	244,669	833,931
339,858	3,127	-	1,242,539
\$ 354,363	\$ 245,811	\$ 244,669	\$ 2,348,164

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, 2018**

	<u>Sewer</u>	<u>Sewer Debt Service</u>	<u>Sewer SDC Projects</u>
OPERATING REVENUES			
Charges for services	\$ 904,058	\$ -	\$ -
Miscellaneous	4,629	-	-
<i>Total Operating Revenues</i>	908,687	-	-
OPERATING EXPENSES			
Personnel services	265,663	-	-
Materials and services	112,840	-	-
<i>Total Operating Expenses</i>	378,503	-	-
OPERATING INCOME	530,184	-	-
NONOPERATING ITEMS			
Interest revenue	9,825	5,239	9,580
Capital acquisitions	(169,831)	-	(897)
Debt payments			
Principal	-	(355,000)	-
Interest	-	(41,300)	-
<i>Total Nonoperating Items</i>	(160,006)	(391,061)	8,683
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	370,178	(391,061)	8,683
Capital contributions	-	-	26,040
Transfers in	-	389,300	-
Transfers out	(457,747)	-	-
CHANGE IN FUND NET POSITION	(87,569)	(1,761)	34,723
FUND NET POSITION, beginning of year	602,499	400,890	554,539
FUND NET POSITION, end of year	\$ 514,930	\$ 399,129	\$ 589,262

<i>Water</i>	<i>Water Debt Service</i>	<i>Water SDC Projects</i>	<i>Total</i>
\$ 1,063,635	\$ -	\$ -	\$ 1,967,693
2,534	-	-	7,163
1,066,169	-	-	1,974,856
195,639	-	-	461,302
309,623	-	-	422,463
505,262	-	-	883,765
560,907	-	-	1,091,091
5,871	3,190	3,972	37,677
(89,013)	-	(8,218)	(267,959)
-	(230,374)	-	(585,374)
-	(41,655)	-	(82,955)
(83,142)	(268,839)	(4,246)	(898,611)
477,765	(268,839)	(4,246)	192,480
-	-	17,955	43,995
-	268,204	-	657,504
(343,469)	-	-	(801,216)
134,296	(635)	13,709	92,763
220,067	246,446	230,960	2,255,401
\$ 354,363	\$ 245,811	\$ 244,669	\$ 2,348,164

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

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basic Financial Statements

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

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

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

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

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

CITY OF LAFAYETTE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018

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, 2018:

<i>Cash</i>	
Cash on hand	\$ 500
Deposits with financial institutions	130,305
<i>Investments</i>	
Local Government Investment Pool	4,576,243
	<hr/>
	\$ 4,707,048
	<hr/> <hr/>

Deposits

The book balance of the City's bank deposits (checking account) was \$130,305 and the bank balance was \$233,725 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, 2018

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, 2018, 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, 2018, 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, 2018

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, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</u>	<u>Due Within One Year</u>
Fire truck lease, issued July 2015, four annual installments, interest at 2.4402%	\$ 220,632	\$ -	\$ (71,778)	\$ 148,854	\$ 73,530
<i>Business-type activities:</i>	<u>Outstanding July 1, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</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	\$ 35,328	\$ -	\$ (5,742)	\$ 29,586	\$ 5,800
City of Dayton (OECCD passthrough), issued in 2004, annual installments of \$23,249 including interest at 1% through 2034	361,810	-	(19,631)	342,179	19,827
Water System Revenue Refunding Bonds, issued May, 2011, in varying annual install- ments plus interest at 3.5% through 2021	890,000	-	(205,000)	685,000	215,000
Sewer System Revenue Refunding Bonds, issued May, 2012, in varying annual install- ments plus interest at 2.00% to 3.25% through 2021	1,490,000	-	(355,000)	1,135,000	365,000
	<u>\$ 2,777,138</u>	<u>\$ -</u>	<u>\$ (585,373)</u>	<u>\$ 2,191,765</u>	<u>\$ 605,627</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>
2019	\$ 73,530	\$ 3,632	\$ 77,162
2020	75,324	1,838	77,162
	<u>\$ 148,854</u>	<u>\$ 5,470</u>	<u>\$ 154,324</u>

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
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	26,670	2,674	29,344
2024-2028	106,296	9,949	116,245
2029-2033	111,720	4,525	116,245
2034	23,025	229	23,254
	\$ 2,191,765	\$ 139,009	\$ 2,330,774

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, 2018.

PENSION PLAN

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 16.84% for Tier One/Tier Two employees, 11.04% for OPSRP general service employees, and 15.81% for OPSRP police/fire employees. The City's total contributions to PERS were \$67,043, for fiscal year ended June 30, 2018.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2018 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2018, the City reported a net pension liability of \$731,223 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on a December 31, 2015 actuarial valuation, rolled forward to the measurement date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City’s proportion was 0.00542% as of the June 30, 2017 measurement date, compared to 0.00438% as of June 30, 2016.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 7.50%. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.50%, 7.50%, and 8.50%.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 1,246,138	\$ 731,223	\$ 300,659

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$27,186 for the year ended June 30, 2018. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

CITY OF LAFAYETTE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by Citycounty Insurance Services (CIS), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 33,238	\$ 58,000
Street	-	6,434
Fire Capital Equipment	50,000	-
City Hall Building	15,000	-
Vehicle and Equipment Replacement	12,000	-
Sewer	-	412,729
Sewer Debt	389,300	-
Water	-	290,579
Water Debt	268,204	-
	<u>\$ 767,742</u>	<u>\$ 767,742</u>

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City’s financial position.

SUPPLEMENTAL INFORMATION

CITY OF LAFAYETTE, OREGON

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

JUNE 30, 2018

	<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>
ASSETS			
Cash and cash equivalents	\$ 44,305	\$ 151,299	\$ 179,734
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital acquisitions	-	151,299	-
Community development	44,305	-	-
Committed to:			
Capital acquisitions	-	-	179,734
<i>Total Fund Balance</i>	44,305	151,299	179,734
Total Liabilities and Fund Balance	\$ 44,305	\$ 151,299	\$ 179,734

<u>Vehicle and Equipment Replacement</u>	<u>Total</u>
\$ 81,156	\$ 456,494
-	-
-	151,299
-	44,305
81,156	260,890
81,156	456,494
\$ 81,156	\$ 456,494

CITY OF LAFAYETTE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2018**

	<u><i>Special Revenue</i></u> <u><i>Refundable</i></u> <u><i>Deposits/Pass-</i></u> <u><i>Through Fees</i></u>	<u><i>Parks SDC</i></u> <u><i>Projects</i></u>
REVENUES		
Licenses and permits	\$ 21,592	\$ 4,866
Charges for services	7,941	-
Miscellaneous	3,444	2,659
	<hr/>	<hr/>
<i>Total Revenues</i>	32,977	7,525
EXPENDITURES		
Community services and development	32,984	-
Capital acquisitions	-	15,945
	<hr/>	<hr/>
<i>Total Expenditures</i>	32,984	15,945
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(7)	(8,420)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(7)	(8,420)
FUND BALANCE, beginning of year	44,312	159,719
	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 44,305	\$ 151,299
	<hr/> <hr/>	<hr/> <hr/>

Capital Projects

<i>City Hall Building</i>	<i>Vehicle and Equipment Replacement</i>	<i>Total</i>
\$ -	\$ -	\$ 26,458
-	-	7,941
2,835	1,374	10,312
<hr/>		
2,835	1,374	44,711
<hr/>		
-	-	32,984
-	24,725	40,670
<hr/>		
-	24,725	73,654
<hr/>		
2,835	(23,351)	(28,943)
<hr/>		
15,000	12,000	27,000
<hr/>		
17,835	(11,351)	(1,943)
<hr/>		
161,899	92,507	458,437
<hr/>		
\$ 179,734	\$ 81,156	\$ 456,494
<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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 690,000	\$ 690,000	\$ 730,184	\$ 40,184
Fines and forfeitures	20,000	20,000	22,627	2,627
Licenses and permits	356,800	356,800	289,022	(67,778)
Intergovernmental	336,500	336,500	243,355	(93,145)
Miscellaneous	525,000	525,000	23,291	(501,709)
<i>Total Revenues</i>	1,928,300	1,928,300	1,308,479	(619,821)
EXPENDITURES				
Administration	410,781	410,781	315,681	95,100
Planning	172,190	172,190	61,674	110,516
Building inspection	66,043	66,043	20,650	45,393
Municipal court	24,231	24,231	21,645	2,586
Law enforcement	317,000	317,000	309,190	7,810
Parks	142,598	142,598	119,852	22,746
Fire	186,820	186,820	151,270	35,550
Contingency	500,000	500,000	-	500,000
Capital Outlay	710,875	710,875	270,247	440,628
<i>Total Expenditures</i>	2,530,538	2,530,538	1,270,209	1,260,329
REVENUES OVER (UNDER) EXPENDITURES	(602,238)	(602,238)	38,270	640,508
OTHER FINANCING SOURCES (USES)				
Transfers in	33,238	33,238	33,238	-
Transfers out	(58,000)	(58,000)	(58,000)	-
<i>Total Other Financing Sources (Uses)</i>	(24,762)	(24,762)	(24,762)	-
NET CHANGE IN FUND BALANCE	(627,000)	(627,000)	13,508	640,508
FUND BALANCE, beginning of year	627,000	627,000	642,141	15,141
FUND BALANCE, end of year	\$ -	\$ -	\$ 655,649	\$ 655,649

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 275,000	\$ 275,000	\$ 256,219	\$ (18,781)
Miscellaneous	1,000	1,000	3,361	2,361
<i>Total Revenues</i>	276,000	276,000	259,580	(16,420)
EXPENDITURES				
Personnel services	64,343	64,343	50,466	13,877
Materials and services	125,100	125,100	90,953	34,147
Capital outlay	150,000	150,000	28,318	121,682
Contingency	72,123	72,123	-	72,123
<i>Total Expenditures</i>	411,566	411,566	169,737	241,829
REVENUES OVER (UNDER) EXPENDITURES	(135,566)	(135,566)	89,843	225,409
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,434)	(6,434)	(6,434)	-
NET CHANGE IN FUND BALANCE	(142,000)	(142,000)	83,409	225,409
FUND BALANCE, beginning of year	142,000	142,000	161,419	19,419
FUND BALANCE, end of year	\$ -	\$ -	\$ 244,828	\$ 244,828

CITY OF LAFAYETTE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - FIRE CAPITAL EQUIPMENT FUND
YEAR ENDED JUNE 30, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 4,344	\$ 2,344
EXPENDITURES				
Debt Service				
Principal	71,778	71,778	71,778	-
Interest	5,384	5,384	5,384	-
<i>Total Expenditures</i>	<u>77,162</u>	<u>77,162</u>	<u>77,162</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	(75,162)	(75,162)	(72,818)	2,344
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(25,162)	(25,162)	(22,818)	2,344
FUND BALANCE, beginning of year	<u>308,750</u>	<u>308,750</u>	<u>308,918</u>	<u>168</u>
FUND BALANCE, end of year	<u>\$ 283,588</u>	<u>\$ 283,588</u>	<u>\$ 286,100</u>	<u>\$ 2,512</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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 90,000	\$ 90,000	\$ 51,331	\$ (38,669)
Miscellaneous	2,000	2,000	11,638	9,638
<i>Total Revenues</i>	92,000	92,000	62,969	(29,031)
EXPENDITURES				
Capital outlay	200,000	200,000	7,580	192,420
NET CHANGE IN FUND BALANCE	(108,000)	(108,000)	55,389	163,389
FUND BALANCE, beginning of year	666,156	666,156	660,424	(5,732)
FUND BALANCE, end of year	\$ 558,156	\$ 558,156	\$ 715,813	\$ 157,657

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 52,500	\$ 52,500	\$ 21,592	\$ (30,908)
Charges for services	10,000	10,000	7,941	(2,059)
Miscellaneous	3,850	3,850	3,444	(406)
<i>Total Revenues</i>	66,350	66,350	32,977	(33,373)
EXPENDITURES				
Materials and services	106,600	106,600	32,984	73,616
NET CHANGE IN FUND BALANCE	(40,250)	(40,250)	(7)	40,243
FUND BALANCE, beginning of year	50,390	50,390	44,312	(6,078)
FUND BALANCE, end of year	\$ 10,140	\$ 10,140	\$ 44,305	\$ 34,165

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 12,165	\$ 12,165	\$ 4,866	\$ (7,299)
Miscellaneous	1,000	1,000	2,659	1,659
<i>Total Revenues</i>	13,165	13,165	7,525	(5,640)
EXPENDITURES				
Capital outlay	80,000	80,000	15,945	64,055
NET CHANGE IN FUND BALANCE	(66,835)	(66,835)	(8,420)	58,415
FUND BALANCE, beginning of year	150,000	150,000	159,719	9,719
FUND BALANCE, end of year	\$ 83,165	\$ 83,165	\$ 151,299	\$ 68,134

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 2,835	\$ 1,835
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,000	1,000	2,835	1,835
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	16,000	16,000	17,835	1,835
FUND BALANCE, beginning of year	161,771	161,771	161,899	128
FUND BALANCE, end of year	\$ 177,771	\$ 177,771	\$ 179,734	\$ 1,963

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 1,374	\$ 874
EXPENDITURES				
Capital outlay	25,000	25,000	24,725	275
Contingency	79,930	79,930	-	79,930
<i>Total Expenditures</i>	104,930	104,930	24,725	80,205
REVENUES OVER (UNDER) EXPENDITURES	(104,430)	(104,430)	(23,351)	81,079
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	12,000	-
NET CHANGE IN FUND BALANCE	(92,430)	(92,430)	(11,351)	81,079
FUND BALANCE, beginning of year	92,430	92,430	92,507	77
FUND BALANCE, end of year	\$ -	\$ -	\$ 81,156	\$ 81,156

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 878,500	\$ 878,500	\$ 904,058	\$ 25,558
Miscellaneous	4,000	4,000	14,454	10,454
<i>Total Revenues</i>	882,500	882,500	918,512	36,012
EXPENDITURES				
Personnel services	290,824	290,824	265,663	25,161
Materials and services	231,200	231,200	157,858	73,342
Capital outlay	507,747	507,747	169,831	337,916
<i>Total Expenditures</i>	1,029,771	1,029,771	593,352	436,419
REVENUES OVER (UNDER) EXPENDITURES	(147,271)	(147,271)	325,160	472,431
OTHER FINANCING SOURCES (USES)				
Transfers out	(412,729)	(412,729)	(412,729)	-
CHANGE IN FUND BALANCE	(560,000)	(560,000)	(87,569)	472,431
FUND BALANCE, beginning of year	560,000	560,000	602,499	42,499
FUND BALANCE, end of year	\$ -	\$ -	\$ 514,930	\$ 514,930

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 2,500	\$ 2,500	\$ 5,239	\$ 2,739
EXPENDITURES				
Debt service				
Principal	355,000	355,000	355,000	-
Interest	41,300	41,300	41,300	-
<i>Total Expenditures</i>	<u>396,300</u>	<u>396,300</u>	<u>396,300</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	(393,800)	(393,800)	(391,061)	2,739
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>389,300</u>	<u>389,300</u>	<u>389,300</u>	<u>-</u>
CHANGE IN FUND BALANCE	(4,500)	(4,500)	(1,761)	2,739
FUND BALANCE, beginning of year	<u>400,000</u>	<u>400,000</u>	<u>400,890</u>	<u>5,478</u>
FUND BALANCE, end of year	<u><u>\$ 395,500</u></u>	<u><u>\$ 395,500</u></u>	<u><u>\$ 399,129</u></u>	<u><u>\$ 8,217</u></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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 72,500	\$ 72,500	\$ 26,040	\$ (46,460)
Miscellaneous	3,000	3,000	9,580	6,580
<i>Total Revenues</i>	75,500	75,500	35,620	(39,880)
EXPENDITURES				
Capital outlay	75,000	75,000	897	74,103
CHANGE IN FUND BALANCE	500	500	34,723	34,223
FUND BALANCE, beginning of year	556,524	556,524	554,539	(1,985)
FUND BALANCE, end of year	\$ 557,024	\$ 557,024	\$ 589,262	\$ 32,238

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,128,000	\$ 1,128,000	\$ 1,063,635	\$ (64,365)
Miscellaneous	3,000	3,000	8,405	5,405
<i>Total Revenues</i>	1,131,000	1,131,000	1,072,040	(58,960)
EXPENDITURES				
Personnel services	245,668	245,668	195,639	50,029
Materials and services	424,100	424,100	362,513	61,587
Capital outlay	355,653	355,653	89,013	266,640
<i>Total Expenditures</i>	1,025,421	1,025,421	647,165	378,256
REVENUES OVER (UNDER) EXPENDITURES	105,579	105,579	424,875	319,296
OTHER FINANCING SOURCES (USES)				
Transfers out	(290,579)	(290,579)	(290,579)	-
CHANGE IN FUND BALANCE	(185,000)	(185,000)	134,296	319,296
FUND BALANCE, beginning of year	185,000	185,000	220,067	35,067
FUND BALANCE, end of year	\$ -	\$ -	\$ 354,363	\$ 354,363

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, 2018**

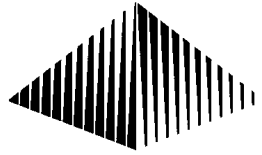
	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Investment earnings	\$ 1,500	\$ 1,500	\$ 3,190	\$ 1,690
EXPENDITURES				
Debt service				
Principal	230,374	230,374	230,374	-
Interest	41,655	41,655	41,655	-
<i>Total Expenditures</i>	<u>272,029</u>	<u>272,029</u>	<u>272,029</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	(270,529)	(270,529)	(268,839)	1,690
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>268,204</u>	<u>268,204</u>	<u>268,204</u>	<u>-</u>
CHANGE IN FUND BALANCE	(2,325)	(2,325)	(635)	1,690
FUND BALANCE, beginning of year	<u>246,200</u>	<u>246,200</u>	<u>246,446</u>	<u>246</u>
FUND BALANCE, end of year	<u><u>\$ 243,875</u></u>	<u><u>\$ 243,875</u></u>	<u><u>\$ 245,811</u></u>	<u><u>\$ 1,936</u></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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 43,000	\$ 43,000	\$ 17,955	\$ (25,045)
Investment earnings	1,000	1,000	3,972	2,972
<i>Total Revenues</i>	44,000	44,000	21,927	(22,073)
EXPENDITURES				
Capital outlay	100,000	100,000	8,218	91,782
CHANGE IN FUND BALANCE	(56,000)	(56,000)	13,709	69,709
FUND BALANCE, beginning of year	238,794	238,794	230,960	(7,834)
FUND BALANCE, end of year	\$ 182,794	\$ 182,794	\$ 244,669	\$ 61,875

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, 2018, and have issued our report thereon dated December 26, 2018.

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.

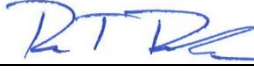
Internal Control Over Financial Reporting

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 26, 2018