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# CITY OF LAFAYETTE, OREGON

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## ANNUAL FINANCIAL REPORT

for the year ended  
June 30, 1997

ENTERED

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**NIXON, ABBEY & COMPANY, PC**  
*Certified Public Accountants*

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# **CITY OF LAFAYETTE, OREGON**

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## **ANNUAL FINANCIAL REPORT**

for the year ended  
June 30, 1997

CITY OF LAFAYETTE, OREGON

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CITY OF LAFAYETTE, OREGON

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## INTRODUCTORY SECTION

CITY OF LAFAYETTE, OREGON

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City Hall  
486 Third Street  
P.O. Box 55  
Lafayette, Oregon 97127  
(503) 864-2451

MAYOR AND CITY COUNCIL AS OF JUNE 30, 1997

<u>Name</u>	<u>Term Expires</u>
<u>MAYOR</u>	
Ronald Ross 675 Third Street P.O. Box 817 Lafayette, Oregon 97127	December 31, 1998
<u>COUNCIL MEMBERS</u>	
Alex Stolk 384 Bridge Street Lafayette, Oregon 97127	December 31, 1998
Ron Harris 1282 Third Street #1 Lafayette, Oregon 97127	December 31, 2000
Theresa Syphers 213 13th Street Lafayette, Oregon 97127	December 31, 2000
John Miller 904 Bridge Street Lafayette, Oregon 97127	December 31, 1998
Tim Jensen 1282 Third Street Lafayette, Oregon	December 31, 2000
Kenneth Schweiger 710 Water Street Lafayette, Oregon 97127	December 31, 1998

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City Administrator/Recorder  
Robert S. Willoughby (August 1997)

City Attorney  
Pamela J. Beery

Office Manager  
Donna May

**FINANCIAL SECTION**



# Nixon, Abbey & Company, PC

## Certified Public Accountants

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Member

Private Companies Practice Section  
The AICPA Alliance for CPA Firms



### REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and City Council  
City of Lafayette, Oregon

We have audited the accompanying general purpose financial statements of the City of Lafayette, Oregon, as of June 30, 1997 and the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Lafayette, Oregon management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and **Government Auditing Standards** issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lafayette, Oregon as of June 30, 1997, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with **Governmental Auditing Standards**, we have also issued a report dated January 28, 1998 on our consideration of the City's internal controls and a report dated January 28, 1998 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and supplementary schedules listed in the table of contents are presented for purposes of additional analytical analysis and are not a required part of the general purpose financial statements of the City of Lafayette, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Nixon, Abbey & Company, PC*

Tigard, Oregon  
January 28, 1998

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

(Combined Financial Statements)

CITY OF LAFAYETTE, OREGON  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
June 30, 1997

	Governmental Fund Types			Account Groups		Total (Memorandum Only)
	General Fund	Special Revenue Fund	Enterprise Funds	General Fixed Assets	General Long-Term Debt	
Assets and other debit						
Assets:						
Cash and cash equivalents	\$ 83,784	\$ 230,545	\$ 399,325			\$ 713,654
Property taxes receivable	1,827	9,938				11,765
Accounts receivable	3,999	15,693	42,481			62,173
Prepaid expenses	475	915	2,267			3,657
Due from other funds			1,174			1,174
Fixed assets, net			1,148,829	\$ 313,493		1,462,322
Other debit:						
Amount to be provided for payment of compensated absences					\$ 1,350	1,350
Total assets and other debits	\$ 90,085	\$ 257,091	\$ 1,594,076	\$ 313,493	\$ 1,350	\$ 2,256,095
Liabilities, equity and other credit						
Liabilities:						
Accounts payable	\$ 3,677	\$ 1,270	\$ 236			\$ 5,183
Deposits			4,096			4,096
Due to other funds			1,174			1,174
Deferred revenue:						
Property taxes receivable	1,566	8,587				10,153
Accrued compensated absences payable			2,486		\$ 1,350	3,836
Total liabilities	5,243	9,857	7,992		1,350	24,442
Equity and other credit:						
Investment in general fixed assets				\$ 313,493		313,493
Contributed capital			1,011,466			1,011,466
Retained earnings:						
Unreserved			574,618			574,618
Fund balances:						
Unreserved	84,842	247,234				332,076
Total equity and other credit	84,842	247,234	1,586,084	313,493	—	2,231,653
Total liabilities, equity and other credit	\$ 90,085	\$ 257,091	\$ 1,594,076	\$ 313,493	\$ 1,350	\$ 2,256,095

The accompanying notes are a part of the general purpose financial statements.

CITY OF LAFAYETTE, OREGON  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 for the year ended June 30, 1997

	General Fund	Special Revenue Funds	Total (Memorandum Only)
<b>REVENUES</b>			
Property taxes	\$ 22,960	\$ 131,691	\$ 154,651
Intergovernmental revenues	30,765	80,173	110,938
Licenses and permits	46,458		46,458
Franchise fees	43,351		43,351
Fines and forfeitures		7,092	7,092
Use of property and money	4,693	11,019	15,712
System development charges		45,775	45,775
Miscellaneous	18,378	2,992	21,370
<b>TOTAL REVENUES</b>	<b>166,605</b>	<b>278,742</b>	<b>445,347</b>
<b>EXPENDITURES</b>			
General government	134,755		134,755
Public safety		123,479	123,479
Highways and streets		69,926	69,926
Culture and recreation		11,944	11,944
Capital outlay	23,096	60,309	83,405
<b>TOTAL EXPENDITURES</b>	<b>157,851</b>	<b>265,658</b>	<b>423,509</b>
Excess of revenues over expenditures	8,754	13,084	21,838
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		23,000	23,000
Transfers out	(15,000)	(8,000)	(23,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,000)</b>	<b>15,000</b>	<b>--</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(6,246)	28,084	21,838
Fund balances, unreserved, beginning of year	91,088	219,150	310,238
Fund balances, unreserved, end of year	\$ 84,842	\$ 247,234	\$ 332,076

The accompanying notes are a part of the general purpose financial statements.

CITY OF LAFAYETTE, OREGON  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
for the year ended June 30, 1997

	General Fund			Special Revenue Funds			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Property taxes	\$ 23,393	\$ 22,960	\$ (433)	\$ 131,805	\$ 131,691	\$ (114)	\$ 155,198	\$ 154,651	\$ (547)
Intergovernmental revenues	22,163	30,765	8,602	69,876	80,173	10,297	92,039	110,938	18,899
Licenses and permits	18,000	46,458	28,458				18,000	46,458	28,458
Franchise fees	32,900	43,351	10,451				32,900	43,351	10,451
Assessments				18,750	45,775	27,025	18,750	45,775	27,025
Fines and forfeitures				1,500	7,092	5,592	1,500	7,092	5,592
Use of property and money	1,650	4,693	3,043	3,650	11,019	7,369	5,300	15,712	10,412
Sale of fixed assets				100		(100)	100	--	(100)
Miscellaneous	400	18,378	17,978	200	2,992	2,792	600	21,370	20,770
TOTAL REVENUES	98,506	166,605	68,099	225,881	278,742	52,861	324,387	445,347	120,960
EXPENDITURES									
General governmental	132,612	134,755	(2,143)				132,612	134,755	(2,143)
Public safety				149,372	123,479	25,893	149,372	123,479	25,893
Highways and streets				76,533	69,926	6,607	76,533	69,926	6,607
Culture and recreation				13,116	11,944	1,172	13,116	11,944	1,172
Capital outlay	27,000	23,096	3,904	139,045	60,309	78,736	166,045	83,405	82,640
Contingency	32	--	32	24,449	--	24,449	24,481	--	24,481
TOTAL EXPENDITURES	159,644	157,851	1,793	402,515	265,658	136,857	562,159	423,509	138,650
Excess (deficiency) of revenues over expenditures	(61,138)	8,754	69,892	(176,634)	13,084	189,718	(237,772)	21,838	259,610
OTHER FINANCING SOURCES (USES)									
Transfers in				23,000	23,000	--	23,000	23,000	--
Transfers out	(15,000)	(15,000)	--	(8,000)	(8,000)	--	(23,000)	(23,000)	--
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(15,000)	--	15,000	15,000	--	--	--	--
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(76,138)	(6,246)	69,892	(161,634)	28,084	189,718	(237,772)	21,838	259,610
Fund balance, beginning of year	76,138	91,088	14,950	161,634	219,150	57,516	237,772	310,238	72,466
Fund balance, end of year	\$ --	\$ 84,842	\$ 84,842	\$ --	\$ 247,234	\$ 247,234	\$ --	\$ 332,076	\$ 332,076

The accompanying notes are a part of the general purpose financial statements.

CITY OF LAFAYETTE, OREGON  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE (ENTERPRISE FUNDS)  
for the year ended June 30, 1997

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Operating revenues:	
Water service charges	\$ 135,328
Sewer service charges	145,070
Total operating revenues	<u>280,398</u>
Operating expenses:	
Salaries and wages	138,783
Employee costs	4,014
Utilities	18,041
Operating supplies and maintenance	35,386
Professional services	30,158
Insurance	4,250
Depreciation	45,866
Total operating expenses	<u>276,498</u>
Operating income	<u>3,900</u>
Nonoperating revenues:	
Interest earned on investments	16,587
Miscellaneous	2,489
Total nonoperating revenues	<u>19,076</u>
Net income	<u>22,976</u>
Retained earnings, beginning of year	551,642
Retained earnings, end of year	<u><u>\$ 574,618</u></u>

The accompanying notes are a part of the general purpose financial statements.

CITY OF LAFAYETTE, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE (ENTERPRISE FUND)  
for the year ended June 30, 1997

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Cash flows from operating activities:	
Operating income	\$ 3,900
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	45,866
Changes in assets and liabilities:	
Increase in utility accounts receivable	(9,258)
Increase in prepaid expenses	(2,267)
Decrease in accounts payable	(517)
Increase in accrued compensated absences	277
Increase in customer deposits	1,335
Net cash provided by operating activities	<u>39,336</u>
Cash flows from noncapital financing activities:	
Miscellaneous	2,489
Contribution from system development charges	112,216
Net cash provided by noncapital financing activities	<u>114,705</u>
Cash flows from (used for) capital and related financing activities:	
Purchase of fixed assets	(41,232)
Disposal of fixed assets, net of the depreciation	436
Net cash used for capital and related financing activities	<u>(40,796)</u>
Cash flows from investing activities:	
Interest on investments	16,587
Net increase in cash and cash equivalents	<u>129,832</u>
Cash and investments, beginning of year	269,493
Cash and investments, end of year	<u><u>\$ 399,325</u></u>

The accompanying notes are a part of the general purpose financial statements.

**NOTES TO GENERAL PURPOSE  
FINANCIAL STATEMENTS**



CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies:

The financial statements of the City of Lafayette, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Description of the Reporting Entity**

The general purpose financial statements of the City of Lafayette, Oregon include all significant activities and organizations over which the City exercises oversight authority as demonstrated by financial interdependency and/or authoritative appointment of the governing authority.

There are other governmental agencies including Yamhill County which provide services within the City of Lafayette. These agencies have independently elected governing boards and the City does not manifest any oversight responsibility. Therefore, financial information of these agencies is not included in the accompanying financial statements.

**Fund Accounting**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a city's general activities, including the collection and disbursements of earmarked monies (special revenue funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities which are provided to outside parties are referred to as enterprise funds.

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued:

**Bases of Accounting**

The governmental fund types are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become measurable and available and expenditures are recorded at the time liabilities are incurred, except for interfund transactions for services which are recorded on the accrual basis.

Significant revenues which were measurable and available at June 30, 1997 under the modified accrual basis of accounting were as follows:

- Property tax revenues which are collected within 60 days subsequent to year end.
- Local franchise, state revenue sharing and state shared liquor tax, cigarette tax and other.

The Proprietary Fund Types are accounted for utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred.

The proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989 unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The bases of accounting described above are in accordance with generally accepted accounting principles.

**Total (Memorandum Only) Columns**

The Total (Memorandum Only) Columns on the combined financial statements represent an aggregate of the columnar statements by fund types and account group; they do not represent consolidated financial information.

**Statement of Cash Flows**

For the purposes of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued:

**Receivables**

Property taxes receivable which have been collected within 60 days subsequent to year end are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred property tax revenues and, accordingly, have not been recognized as revenues. Property taxes are levied and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15.

Assessments, if any, are recognized as receivables at the time property owners are assessed for property improvements and are offset by deferred revenues. Accordingly, such assessments are not recorded as revenue until collected. There were no assessments receivable at June 30, 1997.

Receivables for grants and state shared revenues, included in accounts receivable, are recorded as revenues in the governmental funds types as earned.

Receivables of the proprietary fund types are recorded as revenues as earned, including services earned but not billed.

**General Fixed Assets**

Fixed assets are stated at cost and estimated historical cost. The total amount of fixed assets stated at estimated historical cost is not available. Purchases are recorded as expenditures in governmental funds types and capitalized in the General Fixed Assets Account Group. Maintenance and repairs are charged to expenditures as incurred and not capitalized. Upon disposal, the General Fixed Assets Account Group is relieved of the cost or estimated original cost of the asset; any receipt from such disposal is usually accounted for as revenue of the General Fund. Depreciation is not computed on general fixed assets.

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

**Proprietary Fund Type Fixed Assets**

Fixed assets are stated at cost and estimated historical cost. The total amount of fixed assets stated at estimated historical cost is not available. Donated assets are recorded at estimated market value at date of donation. Maintenance and repairs are expended as incurred. Expenditures which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives of the related assets:

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued:

**Proprietary Fund Type Fixed Assets**, Continued:

Water systems	40 to 50 years
Sewer systems	40 to 50 years
Equipment	5 to 10 years
Vehicles	5 years

Upon disposal of such assets, the accounts are relieved of the related costs or other basis and accumulated depreciation and resulting gains or losses are reflected in income.

**Capitalized Interest**

Interest costs in the enterprise funds when material are capitalized as part of the cost of fixed assets during the period of construction.

**Long-Term Debt**

Long-term debt directly related and expected to be paid from the enterprise funds is included in such funds. All other long-term debt is recorded in the General Long-Term Debt Account Group and is repaid from the governmental funds.

**Contributed Capital**

Contributed capital in the enterprise funds represents the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. Such contributions are recorded directly to contributed capital and, accordingly, are not recognized as revenue. Contributed capital is adjusted for an amount equal to depreciation on the assets funded by contributions. The following transactions are recorded as contributions in the enterprise funds:

- Receipts of Federal and state grants specifically designed for acquisition of fixed assets
- Fixed assets contributed from other funds or the General Fixed Assets Account Group
- Contributions from customers for the acquisition of fixed assets.

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued:

**Accrued Compensated Absences**

Accumulated vested vacation pay is accrued in the enterprise funds as it is earned by employees. In governmental funds types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds. Amounts not expected to be liquidated with expendable available resources are recorded as liabilities in the General Long-Term Debt Group of Accounts. Accumulated sick leave does not vest and is therefore recorded in all funds when leave is taken.

**Budget**

A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Total expenditures by major categories for each department is the level of control for the General Fund established by the resolution. Other funds expenditures are appropriated by major categories under the appropriation resolution. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories.

Also, the detailed budget allocations in the detail budget document are used by the City for its administration control purposes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City adopted one supplemental budget during the year ended June 30, 1997. Appropriations lapse as of year end.

2. Organization and Description of Funds and Account Groups:

The City of Lafayette in Yamhill County, Oregon was established in 1878 under the name of "City of Lafayette". The charter was adopted in 1984 and superseded the charter enacted in 1958.

The government of the City of Lafayette is vested in a City Council and a Mayor. The Council is composed of six councilors elected from the City at large to serve terms of four years. The Mayor is elected at each biennial general election to serve a term of two years.

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

---

2. Organization and Description of Funds and Account Groups, Continued:

The City's financial operations are accounted for in the following funds and account groups:

*Governmental Fund Types*

**General Fund**

This fund accounts for the City's general operations. It is used to account for all transactions not specifically related to the City's other funds. Its major sources of revenue are property taxes, franchise and business license fees, and shared state taxes.

**Special Revenue Funds**

These funds account for funds derived from specific taxes or other earmarked revenue sources which are legally restricted to finance particular functions or activities. Funds included in this fund category are:

- State Tax Street Fund
- Law Enforcement Fund
- Fire Department Fund
- Fire Department Improvement Fund
- Park Fund.

*Proprietary Fund Type*

**Enterprise Funds**

These funds account for the acquisition, operation and maintenance of City facilities and services which are entirely or predominately self-supporting through service charges to customers. Included are:

- Water Fund - accounts for operation of the water public utility
- Sewer Fund - accounts for operation of the sewer public utility.

*Account Groups*

**General Fixed Assets Account Group**

This account group records the City's investment in fixed assets, with the exception of those assets held by the proprietary fund types.

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

2. Organization and Description of Funds and Account Groups, Continued:

*Account Groups, Continued:*

**General Long-Term Debt Account Group**

This account group records the City's general long-term debt, except for that of the enterprise funds.

3. Cash and Cash Equivalents:

Cash and cash equivalents for all funds consists of their equity in the pooled cash, demand deposits, and short-term time deposits with banks. Such investments are stated at cost, which approximates market value. Interest earned on pooled investments is allocated to each fund based on each fund's equity in the total cash and investment balances.

Oregon statutes require each depository, throughout the periods of its possession of public funds, to maintain on deposit securities with a value of not less than 25% of the certificates issued by its collateral pool manager. The bank demand deposits and the investments in time certificates during the fiscal year 1997 were insufficiently collateralized during 10 of the 12 months of the fiscal year in violation of Oregon statutes by Federal depository insurance and certificates issued by the State Collateral Pool Manager in the City's name.

The demand deposits and short-term time deposits with banks are classified into three categories of credit risk, in the summary below based upon the following:

<u>Category</u>	<u>Description</u>
1	The deposits are insured or collateralized by securities held by the City or its agent in the City's name.
2	The deposits are collateralized by securities held by the pledging financial institution's trust department or agent in the City's name.
3	The deposits are collateralized which includes deposits collateralized by securities held by the pledging financial institution or by its trust department but not in the City's name.

CITY OF LAFAYETTE, OREGON  
NOTES ON GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

3. Cash and Cash Equivalents, Continued:

The amounts at June 30, 1997 comprise:

Description	City's Carrying Amount	Bank Balances		Market Value
		Category 1	Category 2	
Demand deposits with bank	\$ 57,392	\$ 99,501		
Certificate of deposit	59,073	59,073		
Cash held by fiscal agent	2,883		\$ 2,883	
		<u>\$ 158,574</u>	<u>\$ 2,883</u>	
<b>Uncategorized:</b>				
Cash on hand	75			<u>\$ 75</u>
Investment in Oregon State Treasury Local Government Investment Pool	594,231			<u>\$ 594,231</u>
Total cash and cash equivalents	<u>\$ 713,654</u>			

4. Interfund Receivable and Payable:

The interfund receivable and payable at June 30, 1997 comprise:

DUE TO	DUE FROM	ENTERPRISE FUND
		Sewer Master Plan Fund

Sewer Improvement Fund	<u>\$ 1,174</u>
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CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

5. Fixed Assets:

Fixed assets and related changes therein for the year ended June 30, 1997 are as follows:

	Balance June 30, 1996	Additions	Transfers and Deletions	Balance June 30, 1997
<b>PROPRIETARY FUND TYPE</b>				
<i>Enterprise Funds:</i>				
<b>Water Fund:</b>				
Land and improvements	\$ 31,000			\$ 31,000
Buildings	10,588			10,588
Water facilities	1,071,126	\$ 22,626		1,093,752
Equipment	6,464	10,782	\$ (425)	16,821
	1,119,178	33,408	(425)	1,152,161
Less accumulated depreciation	401,678	26,445	(85)	428,038
	717,500	6,963	(340)	724,123
<b>Sewer Fund:</b>				
Land and improvements	41,197			41,197
Buildings	27,946			27,946
Sewer facilities	691,224			691,224
Equipment	25,902	1,674	(520)	27,056
Construction in progress	-	6,150		6,150
	786,269	7,824	(520)	793,573
Less accumulated depreciation	349,870	19,421	(424)	368,867
	436,399	(11,597)	(96)	424,706
Total Enterprise Funds	\$ 1,153,899	\$ (4,634)	\$ (436)	\$ 1,148,829

**GENERAL FIXED ASSETS ACCOUNT GROUP**

Land improvements	\$ 51,321	\$ 23,047		\$ 74,368
Buildings	58,054			58,054
Vehicles	117,230			117,230
Equipment	68,360	23,338	\$ (27,857)	63,841
Total General Fixed Assets	\$ 294,965	\$ 46,385	\$ (27,857)	\$ 313,493

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

6. Contributed Capital:

The Proprietary Fund Type contributed capital changes in the year ended June 30, 1997 were as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Contributed capital from capital grants and other contributions for acquisition of fixed assets:</u>			
Balances, June 30, 1996	\$ 682,424	\$ 216,826	\$ 899,250
System development charges	58,742	53,474	112,216
Balances, June 30, 1997	<u>\$ 741,166</u>	<u>\$ 270,300</u>	<u>\$ 1,011,466</u>

7. Defined Benefit Pension Plan:

**Plan Description**

The City contributes to the Oregon Public Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investments and administrative agent for member political subdivisions of the State of Oregon. The plan is a defined benefit pension plan. The City's payroll for employees covered by the System for the year ended June 30, 1997 was \$144,394 and the City's total payroll was \$168,266.

Substantially all employees, after six months of employment, are participants in the System. Benefits vest after an employee makes contributions during five different calendar years. A combination of age and years of service determine the retirement benefit, however, the general employee may retire at age 58 with full benefits regardless of years of service. Several alternatives for receiving benefits are available. Police employees may retire at an earlier age with fewer years of service.

The City has agreed to "pick-up", assume or pay the employee contribution to the System. The "pick-up" is equal to 6% of the annual covered payroll and totaled \$8,664 for the year ended June 30, 1997. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

**Funding Status and Progress**

The amount shown below as the "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

7. Defined Benefit Pension Plan, Continued:

**Funding Status and Progress**, Continued:

The pension benefit obligation applicable to the City's employees shown below in the total amount of \$96,315 was computed as part of an actuarial valuation performed as of December 31, 1995. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year, (b) projected salary increases of 5 percent a year attributable to general wage adjustments with additional increases for promotions and longevity that vary by age and service, (c) projected automatic cost-of-living benefit increases of 2 percent a year, and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members in the System.

Pension benefit obligation (excludes the liabilities for retired members, beneficiaries and for the Retiree Health Insurance Account which are shared among all PERS employees):

Current members:

Accumulated member contributions	\$ 48,232
Vested employer-financed benefits	30,145
Non-Vested employer-financed benefits	<u>17,938</u>
Total pension benefit obligation	
as of December 31, 1995	<u>\$ 96,315</u>

Net assets available for benefits:

PERS book value of assets	
as of December 31, 1995	<u>\$ 140,043</u>
Actuarial value of assets	
as of December 31, 1995	<u>\$ 142,122</u>

**Historical Trend Information**

Trend information indicates progress made in accumulating sufficient assets to pay benefits when due. Trend information, for the latest five calendar years available, is presented below:

	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
Net assets available for benefits as % of pension benefit obligation	145.4%	88.8%	115.2%	120.2%	131.1%
Assets in excess of (less than) pension benefit obligation as % of annual covered payroll	36.2%	(18.3)%	20.1%	22.8%	30.4%
City's contribution (actuarially determined) as % of covered payroll	6.0%	6.0%	9.3%	11.5%	13.9%

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

7. Defined Benefit Pension Plan, Continued:

**Actuarially Determined Contribution Requirements and Contributions Made**

The System's funding policy provides for an actuarially determined periodic contribution rate that will provide for systematic contributions designed to (a) accumulate sufficient assets to pay benefits when due and (b) fund pension obligations as they arise.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described in **Funding Status and Progress** above.

The contribution to the System for the year ended June 30, 1997 of \$9,183, in addition to the employer "pick-up" was made in accordance with actuarially determined requirements computed through an actuarial update performed as of December 31, 1995.

The employer's contribution rate is 6.00 percent but effective July 1, 1997 it will increase to 6.63% as a result of actuarial valuation performed as of December 31, 1995.

8. Segment Information for Enterprise Funds:

The City maintains two enterprise funds which are used to finance and account for the acquisition, operation and maintenance of City facilities which are supported by user charges. Included are:

Water Fund - accounts for operation of water public utility.

Sewer Fund - accounts for operation of the sewer public utility.

Segment information for the year ended June 30, 1997 follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues	\$ 135,328	\$ 145,070	\$ 280,298
Depreciation	26,445	19,421	45,866
Operating income (loss)	(7,506)	11,406	3,900
Net income	3,246	19,730	22,976
Contributed Capital:			
Additions	58,742	53,474	112,216
Fixed assets:			
Additions	33,408	7,824	41,232
Disposals	(425)	(520)	(945)
Net working capital	217,692	219,563	437,255
Total assets	947,314	646,762	1,594,076
Total equity	941,815	644,269	1,586,084

CITY OF LAFAYETTE, OREGON  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

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9. Contingencies:

The City attorney is aware of no pending litigation or existing claims that will result in material liability to the City.

10. Overexpenditures of Appropriations:

The City has over expended its appropriations for fiscal year ended June 30, 1997 as follows:

	<u>Appropriation Overexpenditures</u>	
	<u>Personal Services</u>	<u>Materials and Services</u>
General Fund	<u>\$ 355</u>	<u>\$ 1,788</u>

11. Working Capital Deficiency:

The following fund had a working capital deficiency on a budgetary basis as June 30, 1997:

Sewer Master Plan Fund	<u>\$ 1,174</u>
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12. Concentration of Credit Risk:

Financial instruments which potentially subject the City to significant concentrations of credit risk consist principally of cash, cash equivalents, investments and accounts receivable. Accounts receivable are principally from the General Fund (property taxes) and from the Enterprise Funds (water and sewer user charges) and other governmental agencies.

13. Subsequent Events:

The City Council adopted Resolution 98-1 on July 10, 1997 authorizing the issuance of Water Revenue Bonds in an amount not to exceed \$ 4,500,000 to develop and improve the City's water system and facilities.

**SUPPLEMENTARY  
INFORMATION**

(Combining and Individual Fund and  
Other Financial Schedules)

## GENERAL FUND

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This fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, state shared revenues, licenses and permits, and franchise fees. Primary expenditures in the General Fund are made for general government.

CITY OF LAFAYETTE, OREGON  
GENERAL FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 23,393	\$ 22,960	\$ (433)
Intergovernmental revenues	22,163	30,765	8,602
Franchise fees	32,900	43,351	10,451
Licenses and permits	18,000	46,458	28,458
Use of property and money	1,650	4,693	3,043
Miscellaneous revenue	400	18,378	17,978
<b>TOTAL REVENUES</b>	<b>98,506</b>	<b>166,605</b>	<b>68,099</b>
<b>EXPENDITURES</b>			
Personal services	39,777	40,132	(355)
Materials and services	92,835	94,623	(1,788)
Capital outlay	27,000	23,096	3,904
Contingency	32	--	32
<b>TOTAL EXPENDITURES</b>	<b>159,644</b>	<b>157,851</b>	<b>1,793</b>
Excess (deficiency) of revenues over expenditures	(61,138)	8,754	69,892
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Park Fund	(15,000)	(15,000)	--
Excess (deficiency) of revenues over expenditures and other sources (uses)	(76,138)	(6,246)	69,892
Fund balance, beginning of year	76,138	91,088	14,950
Fund balance, end of year	\$ -	\$ 84,842	\$ 84,842



## **SPECIAL REVENUE FUNDS**

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The Special Revenue Funds account for revenue derived from specific tax or other earmarked revenue sources which are legally restricted to finance particular functions or activities.

CITY OF LAFAYETTE, OREGON  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1997

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	State Tax Street Fund	Law Enforcement Fund	Fire Department Fund	Fire Department Improvement Fund	Park Fund	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ 83,636	\$ 59,399	\$ 39,681	\$ 18,666	\$ 29,163	\$ 230,545
Taxes receivable		6,063	3,875			9,938
Accounts receivable	14,111	5	1,577			15,693
Prepaid expenses	585	183	37		110	915
	<u>\$ 98,332</u>	<u>\$ 65,650</u>	<u>\$ 45,170</u>	<u>\$ 18,666</u>	<u>\$ 29,273</u>	<u>\$ 257,091</u>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
Accounts payable		\$ 382	\$ 549		\$ 339	\$ 1,270
Deferred revenue:						
Property taxes receivable		5,239	3,348			8,587
Total liabilities		5,621	3,897		339	9,857
Fund balances	\$ 98,332	60,029	41,273	\$ 18,666	28,934	247,234
	<u>\$ 98,332</u>	<u>\$ 65,650</u>	<u>\$ 45,170</u>	<u>\$ 18,666</u>	<u>\$ 29,273</u>	<u>\$ 257,091</u>

CITY OF LAFAYETTE, OREGON  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
for the year ended June 30, 1997

	State Tax Street Fund	Law Enforcement Fund	Fire Department Fund	Fire Department Improvement Fund	Park Fund	Total
Revenues:						
Property taxes		\$ 77,875	\$ 53,816			\$ 131,691
System development charges	\$ 31,049				\$ 14,726	45,775
Intergovernmental revenues	73,469		6,704			80,173
Fines and forfeitures		7,092				7,092
Use of property and money	3,681	3,617	2,080	\$ 666	975	11,019
Miscellaneous revenue	624		250		2,118	2,992
Total revenues	108,823	88,584	62,850	666	17,819	278,742
Expenditures:						
Public safety		91,759	31,720			123,479
Highways and streets	69,926					69,926
Culture and recreation					11,944	11,944
Capital outlay	28,802		6,019		25,488	60,309
Total expenditures	98,728	91,759	37,739	--	37,432	265,658
Excess of revenues over (under) expenditures	10,095	(3,175)	25,111	666	(19,613)	13,084
Other financing sources (uses):						
Transfers in (out)			(8,000)	8,000	15,000	15,000
Excess of revenues and other financing sources over expenditures and other financing uses	10,095	(3,175)	17,111	8,666	(4,613)	28,084
Fund balances, beginning of year	88,237	63,204	24,162	10,000	33,547	219,150
Fund balances, end of year	\$ 98,332	\$ 60,029	\$ 41,273	\$ 18,666	\$ 28,934	\$ 247,234

CITY OF LAFAYETTE, OREGON  
STATE TAX STREET FUND  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
REVENUES			
Intergovernmental revenues	\$ 65,353	\$ 73,469	\$ 8,116
System development charges	10,000	31,049	21,049
Use of property and money	1,000	3,681	2,681
Miscellaneous revenue	100	624	524
TOTAL REVENUES	76,453	108,823	32,370
EXPENDITURES			
Personal services	46,208	44,532	1,676
Materials and services	30,300	25,394	4,906
Capital outlay	75,280	28,802	46,478
Contingency	2,465	--	2,465
TOTAL EXPENDITURES	154,253	98,728	55,525
Excess (deficiency) of revenues over expenditures	(77,800)	10,095	87,895
Fund balance at beginning of year	77,800	88,237	10,437
Fund balance at end of year	\$ -	\$ 98,332	\$ 98,332

CITY OF LAFAYETTE, OREGON  
LAW ENFORCEMENT FUND  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
REVENUES			
Property taxes	\$ 76,184	\$ 77,875	\$ 1,691
Fines and forfeitures	1,500	7,092	5,592
Use of property and money	2,000	3,617	1,617
TOTAL REVENUES	79,684	88,584	8,900
EXPENDITURES			
Personal services	7,736	7,681	55
Materials and services	90,200	84,078	6,122
Contingency	16,748	--	16,748
TOTAL EXPENDITURES	114,684	91,759	22,925
Excess (deficiency) of revenues over expenditures	(35,000)	(3,175)	31,825
Fund balance, beginning of year	35,000	63,204	28,204
Fund balance, end of year	\$ -	\$ 60,029	\$ 60,029

CITY OF LAFAYETTE, OREGON  
FIRE DEPARTMENT FUND  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 55,621	\$ 53,816	\$ (1,805)
Intergovernmental revenues	4,523	6,704	2,181
Use of property and money	400	2,080	1,680
Miscellaneous	--	250	250
Sale of assets	100	--	(100)
<b>TOTAL REVENUES</b>	<b>60,644</b>	<b>62,850</b>	<b>2,206</b>
<b>EXPENDITURES</b>			
Personal services	9,764	5,559	4,205
Materials and services	41,672	26,161	15,511
Capital outlay	11,500	6,019	5,481
Contingency	3,892	--	3,892
<b>TOTAL EXPENDITURES</b>	<b>66,828</b>	<b>37,739</b>	<b>29,089</b>
Excess (deficiency) of revenues over expenditures	(6,184)	25,111	31,295
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to Fire Department Improvement Fund	(8,000)	(8,000)	--
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(14,184)	17,111	31,295
Fund balance, beginning of year	14,184	24,162	9,978
Fund balance, end of year	\$ -	\$ 41,273	\$ 41,273

CITY OF LAFAYETTE, OREGON  
FIRE DEPARTMENT IMPROVEMENT FUND  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
REVENUES			
Use of property and money	\$ -	\$ 666	\$ 666
EXPENDITURES			
Capital outlay	18,000	-	18,000
Excess (deficiency) of revenues over expenditures	(18,000)	666	18,666
OTHER FINANCING SOURCES			
Transfer from Fire Department Fund	8,000	8,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(10,000)	8,666	18,666
Fund balance, beginning of year	10,000	10,000	-
Fund balance, end of year	\$ -	\$ 18,666	\$ 18,666

CITY OF LAFAYETTE, OREGON  
PARK FUND  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
REVENUES			
System development charges	\$ 8,750	\$ 14,726	\$ 5,976
Use of property and money	250	975	725
Miscellaneous revenue	100	2,118	2,018
TOTAL REVENUES	9,100	17,819	8,719
EXPENDITURES			
Personal services	9,216	8,715	501
Materials and services	3,900	3,229	671
Capital outlay	34,290	25,488	8,802
Contingency	1,344	--	1,344
TOTAL EXPENDITURES	48,750	37,432	11,318
Excess (deficiency) of revenues over expenditures	(39,650)	(19,613)	20,037
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	15,000	15,000	--
Excess (deficiency) of revenues over expenditures and other sources (uses)	(24,650)	(4,613)	20,037
Fund balance, beginning of year	24,650	33,547	8,897
Fund balance, end of year	\$ -	\$ 28,934	\$ 28,934



## ENTERPRISE FUNDS

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These funds are used to finance and account for the acquisition, operation and maintenance of City facilities which are supported by user charges. Included are:

### COMBINED WATER FUND:

- *Water Fund* - accounts for operation of water public utility.
- *Water Improvement Fund* - accounts for water system connection fees and system development charges fees and for water systems expansion.
- *Water Improvement Plan Fund* - accounts for the water system improvement plan (no fiscal 1997 activity).

### COMBINED SEWER FUND:

- *Sewer Fund* - accounts for operation of sewer public utility.
- *Sewer Improvement Fund* - accounts for sewer system connection fees and system development charges fees and for sewer systems expansion.
- *Sewer Plant Improvement Fund* - accounts for sewer system capital projects fund by intergovernmental grants.
- *Sewer Master Plan Fund* - accounts for the sewer system master plan.

CITY OF LAFAYETTE, OREGON  
ENTERPRISE FUNDS  
COMBINING BALANCE SHEET  
June 30, 1997  
(with comparative totals for 1996)

	1997			Total
	Water Fund	Sewer Fund	Total	1996
Assets:				
Current assets:				
Cash and cash equivalents	\$ 200,601	\$ 198,724	\$ 399,325	\$ 269,493
Accounts receivable	21,493	20,988	42,481	33,223
Prepaid expenses	1,097	1,170	2,267	
Due from other funds		1,174	1,174	
Total current assets	223,191	222,056	445,247	302,716
Fixed assets, net	724,123	424,706	1,148,829	1,153,899
Total assets	<u>\$ 947,314</u>	<u>\$ 646,762</u>	<u>\$ 1,594,076</u>	<u>\$ 1,456,615</u>
Current liabilities and equity:				
Current liabilities:				
Accounts payable		\$ 236	\$ 236	\$ 753
Accrued compensated absences payable	\$ 1,403	1,083	2,486	2,209
Customer deposits	4,096		4,096	2,761
Due to other funds		1,174	1,174	
Total current liabilities	5,499	2,493	7,992	5,723
Equity:				
Contributed capital	741,166	270,300	1,011,466	899,250
Retained earnings	200,649	373,969	574,618	551,642
Total equity	941,815	644,269	1,586,084	1,450,892
Total liabilities and equity	<u>\$ 947,314</u>	<u>\$ 646,762</u>	<u>\$ 1,594,076</u>	<u>\$ 1,456,615</u>

CITY OF LAFAYETTE, OREGON  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
for the year ended June 30, 1997  
(with comparative totals for 1996)

	1997			Total 1996
	Water Fund	Sewer Fund	Total	
Operating revenues:				
Water service charges	\$ 135,328		\$ 135,328	\$ 106,700
Sewer service charges		\$ 145,070	145,070	125,301
Total operating revenues	135,328	145,070	280,398	232,001
Operating expenses:				
Salaries and wages	69,156	69,627	138,783	118,499
Employee costs	2,216	1,798	4,014	2,295
Utilities	10,075	7,966	18,041	14,100
Operating supplies and maintenance	15,880	19,506	35,386	34,664
Professional services	16,962	13,196	30,158	36,405
Insurance	2,100	2,150	4,250	7,352
Depreciation	26,445	19,421	45,866	44,283
Total operating expenses	142,834	133,664	276,498	257,598
Operating income (loss)	(7,506)	11,406	3,900	(25,597)
Nonoperating revenues (expenses):				
Interest earned on investments	8,539	8,048	16,587	8,967
Miscellaneous	2,213	276	2,489	4,704
Total nonoperating revenues	10,752	8,324	19,076	13,671
Net income (loss)	3,246	19,730	22,976	(11,926)
Retained earnings, beginning of year	197,403	354,239	551,642	563,568
Retained earnings, end of year	\$ 200,649	\$ 373,969	\$ 574,618	\$ 551,642

CITY OF LAFAYETTE, OREGON  
WATER FUND  
COMBINING BALANCE SHEET  
June 30, 1997  
(with comparative totals for 1996)

	1997			Total 1996
	Water Fund	Water Improvement Fund	Total	
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 48,163	\$ 152,438	\$ 200,601	\$ 149,093
Accounts receivable	21,493		21,493	16,699
Prepaid expense	1,097		1,097	
Total current assets	70,753	152,438	223,191	165,792
Fixed assets, net	617,860	106,263	724,123	717,500
Total assets	<u>\$ 688,613</u>	<u>\$ 258,701</u>	<u>\$ 947,314</u>	<u>\$ 883,292</u>
<b>Current liabilities and equity:</b>				
Current liabilities:				
Accounts payable				\$ 267
Accrued compensated absences payable	\$ 1,403		\$ 1,403	1,147
Customer deposits	4,096		4,096	2,051
Total current liabilities	<u>5,499</u>		<u>5,499</u>	<u>3,465</u>
<b>Equity:</b>				
Contributed capital	579,749	\$ 161,417	741,166	682,424
Retained earnings	103,365	97,284	200,649	197,403
Total equity	683,114	258,701	941,815	879,827
Total liabilities and equity	<u>\$ 688,613</u>	<u>\$ 258,701</u>	<u>\$ 947,314</u>	<u>\$ 883,292</u>

CITY OF LAFAYETTE, OREGON  
WATER FUND  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
for the year ended June 30, 1997  
(with comparative totals for 1996)

	1997			Total
	Water	Water		1996
	Fund	Improvement	Total	
	Fund	Fund		
Operating revenues:				
Water service charges	\$ 135,328		\$ 135,328	\$ 106,700
Operating expenses:				
Salaries and wages	69,156		69,156	59,214
Employee costs	2,216		2,216	1,240
Utilities	10,075		10,075	6,187
Operating supplies and maintenance	15,880		15,880	17,764
Professional services	16,962		16,962	18,365
Insurance	2,100		2,100	3,676
Depreciation	23,705	\$ 2,740	26,445	25,074
Total operating expenses	140,094	2,740	142,834	131,520
Operating income (loss)	(4,766)	(2,740)	(7,506)	(24,820)
Nonoperating revenues:				
Interest on investments	1,804	6,735	8,539	5,784
Miscellaneous	380	1,833	2,213	2,648
Total nonoperating revenues	2,184	8,568	10,752	8,432
Net income (loss)	(2,582)	5,828	3,246	(16,388)
Retained earnings, beginning of year	105,947	91,456	197,403	213,791
Retained earnings, end of year	\$ 103,365	\$ 97,284	\$ 200,649	\$ 197,403

CITY OF LAFAYETTE, OREGON  
WATER FUND  
RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)  
TO COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
for the year ended June 30, 1997

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Budgetary basis revenues and expenditures (see pages 34 to 36).

	Revenues and Transfers	Expenditures and Transfers	Revenues over (under) Expenditures
Water Fund	\$ 137,838	\$ 119,713	\$ 18,125
Water Improvement Fund	67,310	30,411	36,899
Water Improvement Plan Fund	--	--	--
	<u>\$ 205,148</u>	<u>\$ 150,124</u>	55,024
Add:			
Capital outlay expenditures capitalized as fixed assets			33,408
Rounding			1
Less:			
Depreciation expense			(26,445)
System development charges reported as contributed capital			<u>(58,742)</u>
Net income as reported on the Combining Statement of Revenues, Expenses, and Changes in Retained Earnings (Page 32)			<u>\$ 3,246</u>

CITY OF LAFAYETTE, OREGON  
WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
REVENUES			
Charges for services	\$ 111,200	\$ 135,328	\$ 24,128
Use of property and money	1,000	1,804	804
Miscellaneous	50	706	656
TOTAL REVENUES	112,250	137,838	25,588
EXPENDITURES			
Personal services	73,957	69,412	4,545
Materials and services	49,915	47,354	2,561
Capital outlay	7,608	2,947	4,661
Contingency	5,770	--	5,770
TOTAL EXPENDITURES	137,250	119,713	17,537
Excess (deficiency) of revenues over expenditures	(25,000)	18,125	43,125
Working capital, beginning of year	25,000	46,789	21,789
Working capital, end of year	\$ -	\$ 64,914	\$ 64,914

Reconciliation of working capital at the end of the year from budgetary to GAAP basis:

Working Capital, budgetary basis	\$ 64,914
Add:	
Disposal of fixed assets, net accumulated depreciation	340
Working Capital, GAAP basis	<u>\$ 65,254</u>

CITY OF LAFAYETTE, OREGON  
WATER IMPROVEMENT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
<b>REVENUES</b>			
System development charges	\$ 18,750	\$ 58,742	\$ 39,992
Use of property and money	--	6,735	6,735
Miscellaneous	--	1,833	1,833
<b>TOTAL REVENUES</b>	<b>18,750</b>	<b>67,310</b>	<b>48,560</b>
<b>EXPENDITURES</b>			
Capital outlay	83,646	30,411	53,235
Contingency	5,000	--	5,000
<b>TOTAL EXPENDITURES</b>	<b>88,646</b>	<b>30,411</b>	<b>58,235</b>
Excess (deficiency) of revenues over expenditures	(69,896)	36,899	106,795
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Water Improvement Plan Fund	(5,000)	--	5,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(74,896)	36,899	111,795
Working capital, beginning of year	74,896	115,538	40,642
Working capital, end of year	\$ -	\$ 152,437	\$ 152,437

Reconciliation of working capital at the end of the year from budgetary to GAAP basis:

Working Capital, budgetary basis	\$ 152,437
Add:	
Rounding	1
Working Capital, GAAP basis	<u>\$ 152,438</u>



CITY OF LAFAYETTE, OREGON  
WATER IMPROVEMENT PLAN FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
for the year ended June 30, 1997

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	Budget	Actual	Variance-- favorable (unfavorable)
<b>REVENUES</b>			
Intergovernmental revenues	\$ 195,580		\$ (195,580)
Use of property and money	10		(10)
<b>TOTAL REVENUES</b>	<u>195,590</u>	<u>\$ -</u>	<u>(195,590)</u>
<b>EXPENDITURES</b>			
Materials and services	15,010		15,010
Capital outlay	185,580		185,580
<b>TOTAL EXPENDITURES</b>	<u>200,590</u>	<u>--</u>	<u>200,590</u>
Excess (deficiency) of revenues over expenditures	(5,000)	--	5,000
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Water Improvement Fund	5,000	--	(5,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	--	--	--
Working capital, beginning of year			--
Working capital, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAFAYETTE, OREGON  
SEWER FUND  
COMBINING BALANCE SHEET  
June 30, 1997  
(with comparative totals for 1996)

	1997				Total 1996
	Sewer Fund	Sewer Improvement Fund	Sewer Plant Improvement Fund	Sewer Master Plan Fund	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 61,900	\$ 128,647	\$ 8,177		\$198,724 \$120,400
Accounts receivable	20,988				20,988
Prepaid expenses	1,170				1,170
Due from other funds		1,174			1,174 16,524
Total current assets	84,058	129,821	8,177		222,056 136,924
Fixed assets, net	300,422		118,134	\$ 6,150	424,706 436,399
Total assets	<u>\$384,480</u>	<u>\$ 129,821</u>	<u>\$ 126,311</u>	<u>\$ 6,150</u>	<u>\$646,762 \$573,323</u>
<b>Current liabilities and equity:</b>					
Current liabilities:					
Accounts payable	\$ 236				\$ 236 \$ 486
Accrued compensated absences payable	1,083				1,083 1,062
Customer deposits					710
Due to other funds				\$ 1,174	1,174
Total current liabilities	<u>1,319</u>			<u>1,174</u>	<u>2,493 2,258</u>
<b>Equity:</b>					
Contributed capital	30,061	\$ 126,689	\$ 113,550		270,300 216,826
Retained earnings	353,100	3,132	12,761	4,976	373,969 354,239
Total equity	383,161	129,821	126,311	4,976	644,269 571,065
Total liabilities and equity	<u>\$384,480</u>	<u>\$ 129,821</u>	<u>\$ 126,311</u>	<u>\$ 6,150</u>	<u>\$646,762 \$573,323</u>

CITY OF LAFAYETTE, OREGON  
SEWER FUND  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
for the year ended June 30, 1997  
(with comparative totals for 1996)

	1997					
	Sewer Fund	Sewer Improvement Fund	Sewer Plant Improvement Fund	Sewer Master Plan Fund	Total	Total 1996
Operating revenues:						
Sewer service charges	\$ 145,070				\$ 145,070	\$ 125,301
Total operating revenues	<u>145,070</u>				<u>145,070</u>	<u>125,301</u>
Operating expenses:						
Salaries and wages	69,627				69,627	59,285
Employee costs	1,798				1,798	1,055
Utilities	7,966				7,966	7,913
Operating supplies and maintenance	18,345	\$ 1,137		\$ 24	19,506	16,900
Professional services	13,196				13,196	18,040
Insurance	2,150				2,150	3,676
Depreciation	17,148		\$ 2,273		19,421	19,209
Total operating expenses	<u>130,230</u>	<u>1,137</u>	<u>2,273</u>	<u>24</u>	<u>133,664</u>	<u>126,078</u>
Operating income (loss)	<u>14,840</u>	<u>(1,137)</u>	<u>(2,273)</u>	<u>(24)</u>	<u>11,406</u>	<u>(777)</u>
Nonoperating revenues:						
Interest earned on investments	2,215	5,464	369		8,048	3,183
Miscellaneous	276				276	2,056
Total nonoperating revenues	<u>2,491</u>	<u>5,464</u>	<u>369</u>	<u>--</u>	<u>8,324</u>	<u>5,239</u>
Income (loss) before operating transfers	<u>17,331</u>	<u>4,327</u>	<u>(1,904)</u>	<u>(24)</u>	<u>19,730</u>	<u>4,462</u>
Operating transfers:						
Transfers in				5,000	5,000	72,409
Transfers out		(5,000)			(5,000)	(72,409)
Total operating transfers	<u>--</u>	<u>(5,000)</u>	<u>--</u>	<u>5,000</u>	<u>--</u>	<u>--</u>
Net income (loss)	<u>17,331</u>	<u>(673)</u>	<u>(1,904)</u>	<u>4,976</u>	<u>19,730</u>	<u>4,462</u>
Retained earnings, beginning of year	<u>335,769</u>	<u>3,805</u>	<u>14,665</u>	<u>--</u>	<u>354,239</u>	<u>349,777</u>
Retained earnings, end of year	<u>\$ 353,100</u>	<u>\$ 3,132</u>	<u>\$ 12,761</u>	<u>\$ 4,976</u>	<u>\$ 373,969</u>	<u>\$ 354,239</u>

CITY OF LAFAYETTE, OREGON  
SEWER FUND  
RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)  
TO COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
for the year ended June 30, 1997

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Budgetary basis revenues and expenditures (see pages 40 through 43).

	Revenues and Transfers	Expenditures and Transfers	Revenues over (under) Expenditures
Sewer Fund	\$ 147,561	\$ 114,757	\$ 32,804
Sewer Improvement Fund	58,938	6,137	52,801
Sewer Plant Improvement Fund	369	--	369
Sewer Master Plan Fund	5,000	6,174	(1,174)
	<u>\$ 211,868</u>	<u>\$ 127,068</u>	84,800
Add:			
Capital outlay expenditures capitalized as fixed assets			7,824
Rounding			1
Less:			
Depreciation expense			(19,421)
System development charges reported as contributed capital			<u>(53,474)</u>
Net income as reported on the Combining Statement of Revenues, Expenses, and Changes in Retained Earnings (Page 38)			<u>\$ 19,730</u>

CITY OF LAFAYETTE, OREGON  
SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
<b>REVENUES</b>			
Charges for services	\$ 120,000	\$ 145,070	\$ 25,070
Use of property and money	1,000	2,215	1,215
Miscellaneous	100	276	176
<b>TOTAL REVENUES</b>	<b>121,100</b>	<b>147,561</b>	<b>26,461</b>
<b>EXPENDITURES</b>			
Personal services	72,621	70,260	2,361
Materials and services	42,175	37,947	4,228
Capital outlay	10,275	6,550	3,725
Contingency	6,029	--	6,029
<b>TOTAL EXPENDITURES</b>	<b>131,100</b>	<b>114,757</b>	<b>16,343</b>
Excess (deficiency) of revenues over expenditures	(10,000)	32,804	42,804
Working capital at beginning of year	10,000	49,838	39,838
Working capital at end of year	\$ -	\$ 82,642	\$ 82,642

Reconciliation of working capital at the end of the year from budgetary to GAAP basis:

Working Capital, budgetary basis	\$ 82,642
Add:	
Disposal of fixed assets, net accumulated depreciation	96
Rounding	1
Working Capital, GAAP basis	<u>\$ 82,739</u>

CITY OF LAFAYETTE, OREGON  
SEWER IMPROVEMENT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
<b>REVENUES</b>			
System development charges	\$ 16,250	\$ 53,474	\$ 37,224
Use of property and money	1,200	5,464	4,264
Miscellaneous	10	--	(10)
<b>TOTAL REVENUES</b>	<b>17,460</b>	<b>58,938</b>	<b>41,478</b>
<b>EXPENDITURES</b>			
Materials and services	1,697	788	909
Capital outlay	44,425	349	44,076
Contingency	1,000	--	1,000
<b>TOTAL EXPENDITURES</b>	<b>47,122</b>	<b>1,137</b>	<b>45,985</b>
Excess (deficiency) of revenues over expenditures	(29,662)	57,801	87,463
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Sewer Master Plan Fund	(5,000)	(5,000)	--
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>--</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(34,662)	52,801	87,463
Working capital, beginning of year	34,662	73,270	38,608
Working capital, end of year	\$ -	\$ 126,071	\$ 126,071

Reconciliation of working capital at the end of the year from budgetary to GAAP basis:

Working Capital, budgetary basis	\$ 126,071
Add:	
Contributed capital included in working capital on GAAP Basis	3,750
Working Capital, GAAP basis	<u>\$ 129,821</u>

CITY OF LAFAYETTE, OREGON  
SEWER PLANT IMPROVEMENT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
for the year ended June 30, 1997

	Budget	Actual	Variance-- favorable (unfavorable)
REVENUES			
Use of property and money	\$ -	\$ 369	\$ 369
Working capital, beginning of year	--	7,809	7,809
Working capital, end of year	\$ -	\$ 8,178	\$ 7,809

Reconciliation of working capital at the end of the year from budgetary to GAAP basis:

Working Capital, budgetary basis	\$ 8,178
Less:	
Rounding	(1)
Working Capital, GAAP basis	<u>\$ 8,177</u>

CITY OF LAFAYETTE, OREGON  
STATEMENT OF GENERAL FIXED ASSETS - BY SOURCES  
June 30, 1997

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GENERAL FIXED ASSETS

Land and improvements	\$ 74,368
Buildings	58,054
Vehicles	117,230
Equipment	63,841
	<u>\$ 313,493</u>

INVESTMENT IN GENERAL FIXED ASSETS

Balance, June 30, 1996	\$ 294,965
Additions were provided by:	
General Fund	18,100
Street Fund	2,947
Park Fund	25,338
Total additions	<u>46,385</u>
Less: disposals	<u>(27,857)</u>
Total investment in general fixed assets, June 30, 1997	<u>\$ 313,493</u>



CITY OF LAFAYETTE, OREGON  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS - BY SOURCES  
June 30, 1997

	Land and Improvements	Buildings	Vehicles	Equipment	Total
Balances, June 30, 1996	\$ 51,321	\$ 58,054	\$ 117,230	\$ 68,360	\$ 294,965
Add:					
Expenditures from:					
General Fund	5,750			12,350	18,100
Street Fund				2,947	2,947
Park Fund	17,297			8,041	25,338
Less disposals				(27,857)	(27,857)
Balances, June 30, 1997	\$ 74,368	\$ 58,054	\$ 117,230	\$ 63,841	\$ 313,493

**OTHER FINANCIAL SCHEDULES**

CITY OF LAFAYETTE, OREGON  
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES  
for the year ended June 30, 1997

	Taxes Uncollected June 30, 1996	Add Levy as Extended by Assessor	(Deduct) Discounts Allowed	Add Interest Received	Add (Deduct) Cancellations and Adjustments	(Deduct) Interest and Tax Collected	Taxes Uncollected June 30, 1997
1996-97		\$ 158,983	\$ (3,737)	\$ 140	\$ (611)	\$ (147,588)	\$ 7,187
1995-96	\$ 6,379		4	308	(181)	(3,972)	2,538
1994-95	2,292		1	213	(50)	(1,270)	1,186
1993-94	1,266			234	(7)	(1,023)	470
1992-93	506			152	(3)	(536)	119
1991-92	85			6	(7)	(25)	59
1990-91	47			5	(2)	(13)	37
1989-90 and prior	109			17	81	(38)	169
	<u>\$ 10,684</u>	<u>\$ 158,983</u>	<u>\$ (3,732)</u>	<u>\$ 1,075</u>	<u>\$ (780)</u>	<u>\$ (154,465)</u>	<u>\$ 11,765</u>

Other collections turned over to the City:

Interest on unsegregated taxes	(250)
Severance Tax	(99)
Increase in property taxes subject to accrual	(86)
	<u>\$ (154,900)</u>

Receivable  
June 30, 1997

Summary:

General Fund	\$ 22,960	\$ 1,827
Fire Department Fund	53,816	3,875
Law Enforcement Fund	77,875	6,063
Included in interest:		<u>\$ 11,765</u>
General Fund	37	
Fire Department Fund	87	
Law Enforcement Fund	125	
	<u>\$ 154,900</u>	

CITY OF LAFAYETTE, OREGON  
COMPUTATION OF LEGAL DEBT MARGIN  
June 30, 1997

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ORS 287.004 provides a debt limit of 3% of the true cash value within the City Boundaries.

True cash value (1996-97) (1)	\$ 50,653,378
	<u>X 3%</u>
	\$ 1,519,601

General obligation debt limit

Gross bonded debt principal	\$ -
Debt subject to limitation	-
Less amount available for general obligation debt service	<u>-</u>
Net debt subject to 3% limitation	<u>-</u>
Legal debt margin - amount available for future indebtedness	<u><u>\$ 1,519,601</u></u>

(1) Provided by Yamhill County Assessor's Office.

Source: Current year financial statements.

**STATE OF OREGON  
COMPLIANCE SECTION**

# Nixon, Abbey & Company, PC

## Certified Public Accountants

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Member

**Private Companies Practice Section**  
**The AICPA Alliance for CPA Firms**

### **Report of Independent Auditors on the Internal Controls Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor and City Council  
City of Lafayette, Oregon

We have audited the general purpose financial statements of the City of Lafayette, Oregon (the City) as of and for the year ended June 30, 1997, and have issued our report thereon dated January 28, 1998.

We conducted our audit in accordance with generally accepted auditing standards and **Government Auditing Standards** issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the City is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the City for the year ended June 30, 1997, we obtained an understanding of the internal controls. With respect to the internal controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

Honorable Mayor and City Council  
City of Lafayette, Oregon  
Page 2

Our consideration of the internal controls would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls and their operation that we considered to be material weaknesses as defined above.

However, we noted certain matters involving the internal controls and their operations that we have reported to the management of the City in a separate letter dated January 28, 1998.

This report is intended for the information of the Honorable Mayor and Council, management, and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.

*Nixon, Abbey & Company, PC*

Tigard, Oregon  
January 28, 1998

# Nixon, Abbey & Company, PC

## Certified Public Accountants

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Member

**Private Companies Practice Section**  
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### **Report of Independent Auditors on Compliance Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor and City Council  
City of Lafayette, Oregon

We have audited the general purpose financial statements of the City of Lafayette, Oregon (the City) as of and for the year ended June 30, 1997, and have issued our report thereon dated January 28, 1998.

We conducted our audit in accordance with generally accepted auditing standards and **Government Auditing Standards** issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, contracts, and grants applicable to the City is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants including applicable provisions of the Oregon Revised Statutes as set forth below:

- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds
- The legal requirements relating to debt
- The legal requirements relating to the preparation, adoption, and execution of the annual budget for fiscal years 1996-97 and 1997-98 and a supplemental budget for fiscal year 1996-97
- The legal requirements relating to insurance and fidelity bond coverage
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies
- The legal requirements pertaining to the investment of public funds



- The legal requirements pertaining to the awarding of public contracts and the construction of public improvements
- The legal requirements pertaining to the use of revenue from taxes on motor vehicle use fuel.

However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed that the City has complied with statutory provisions in the preparation, adoption, and execution of the 1996-97 budget and the preparation and adoption of the 1997-98 budget. The following expenditures in fiscal 1997 were not in compliance with ORS 294.435(4):

	<u>Personal</u>	<u>Materials</u>
	<u>Services</u>	<u>and Services</u>
General Fund	\$ 355	\$ 1,788

The fiscal 1997 appropriations were adopted by separate object classifications of personal services, materials and services, capital outlay, and interfund revenue transfers in all funds.

The following fund had a working capital deficiency, on a budgetary basis at June 30, 1997:

Sewer Master Plan Fund	\$ 1,174
------------------------	----------

The results of our tests disclosed one instance of noncompliance that is required to be reported herein under **Government Auditing Standards**. We reviewed the records of the City for compliance with the requirements of ORS Chapter 295 regarding collateral securing depository balances and found the City to be out of compliance during ten of the twelve months during fiscal year 1997. The City was in compliance in September and June of 1997.

This report is intended for the information of the Honorable Mayor and Council, and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.

*Nixon, Abbey & Company, PC*

Tigard, Oregon  
January 28, 1998