

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

June 30, 1998

MAYOR AND COUNCILPERSONS

<u>Name\Address</u>	<u>Position</u>	<u>Term Expires</u>
Ron Ross 675 Third Street Post Office Box 817 Lafayette, Oregon 97127	Mayor	December 31, 1998
Jackie Carpenter 818 Ninth Court Lafayette, Oregon 97127	Councilperson	December 31, 2000
Ron Harris 1282 Third Street, Number 1 Lafayette, Oregon 97127	Councilperson	December 31, 2000
Tom Kale 949 Jackson Street Lafayette, Oregon 97127	Councilperson	December 31, 1998
John Miller 904 Bridge Street Post Office Box 925 Lafayette, Oregon 97127	Councilperson	December 31, 1998
Alex Stolk 384 Bridge Street Post Office Box 717 Lafayette, Oregon 97127	Councilperson	December 31, 1998
Theresa Syphers 213 Thirteenth Street Post Office Box 853 Lafayette, Oregon 97127	Councilperson	December 31, 2000

ADMINISTRATION

Robert S. Willoughby City of Lafayette 486 Third Street Post Office Box 55 Lafayette, Oregon 97127 (503) 864-2451	City Administrator/ Recorder
Donna May	Office Manager
Paul Elsner Beery & Elsner LLP 1750 S.W. Harbor Way, Suite 250 Portland, Oregon 97201-5164	City Attorney

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ANNUAL FINANCIAL REPORT

For the year ended June 30, 1998

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CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ANNUAL FINANCIAL REPORT

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GREGOR PROFESSIONAL
CORPORATION

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying general purpose financial statements of the City of Lafayette, Oregon, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The City of Lafayette, Oregon has included such disclosures in Note 13. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the disclosures of the City of Lafayette, Oregon with respect to the year 2000 issue made in Note 13. Further, we do not provide assurance that the City of Lafayette, Oregon is or will be year 2000 ready, that year 2000 remediation efforts of the City of Lafayette, Oregon will be successful in whole or in part, or that parties with which City of Lafayette does business will be year 2000 ready.



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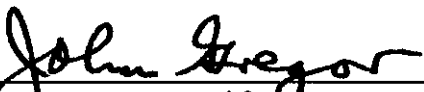
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In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lafayette, Oregon, at June 30, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

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

GREGOR PROFESSIONAL CORPORATION
Certified Public Accountants

By 
John Gregor, President

Eugene, Oregon
November 20, 1998

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FINANCIAL SECTION

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

June 30, 1998

	Governmental Fund Types	
	General	Special Revenue
ASSETS AND OTHER DEBITS		
Cash and cash equivalents	142,222	240,609
Accounts receivable	3,998	21,904
Property taxes receivable	2,265	16,612
Due from other funds	-	-
Preliminary survey and investigation	-	-
Construction in progress	-	-
Fixed assets	-	-
Other debits:		
Amount to be provided for compensated absences	-	-
Amount to be provided for retirement of general long term debt	-	-
	<u>-</u>	<u>-</u>
Total assets and other debits	<u>\$ 148,485</u>	<u>\$ 279,125</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts payable	1,398	10,900
Accrued payroll taxes and related liabilities	9,983	-
Customer deposits	-	-
Deferred revenues	1,595	11,697
Compensated absences payable	-	-
Due to other funds	-	-
Lease payable	-	-
Note payable	-	-
	<u>-</u>	<u>-</u>
Total liabilities	<u>12,976</u>	<u>22,597</u>
Fund Equity and other credits:		
Contributed capital	-	-
Investment in fixed assets	-	-
Retained earnings	-	-
Fund balance:		
Reserved	-	-
Unreserved	135,509	256,528
	<u>135,509</u>	<u>256,528</u>
Total fund equity and other credits	<u>135,509</u>	<u>256,528</u>
Total liabilities, fund equity and other credits	<u>\$ 148,485</u>	<u>\$ 279,125</u>

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Continued

Proprietary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	General Fixed Assets	General Long term Debt	1998
361,515	-	-	744,346
42,828	-	-	68,730
-	-	-	18,877
16,400	-	-	16,400
208,963	-	-	208,963
12,300	-	-	12,300
1,132,120	369,773	-	1,501,893
-	-	7,571	7,571
-	-	12,182	12,182
<u>\$ 1,774,126</u>	<u>\$ 369,773</u>	<u>\$ 19,753</u>	<u>\$ 2,591,262</u>
26,386	-	-	38,684
-	-	-	9,983
4,096	-	-	4,096
-	-	-	13,292
3,912	-	7,571	11,483
16,400	-	-	16,400
-	-	12,182	12,182
79,783	-	-	79,783
<u>130,577</u>	<u>-</u>	<u>19,753</u>	<u>185,903</u>
1,092,190	-	-	1,092,190
-	369,773	-	369,773
551,359	-	-	551,359
-	-	-	-
-	-	-	392,037
<u>1,643,549</u>	<u>369,773</u>	<u>-</u>	<u>2,405,359</u>
<u>\$ 1,774,126</u>	<u>\$ 369,773</u>	<u>\$ 19,753</u>	<u>\$ 2,591,262</u>

The accompanying notes are an integral part of this statement

CITY OF LAFAYETTE

YAMHILL COUNTY, OREGON

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 1998

	General Fund	Special Revenue Fund	Total (Memorandum Only) 1998
REVENUES:			
Taxes	19,153	145,757	164,910
Licenses, fees and permits	174,884	13,100	187,984
Intergovernmental revenues	29,433	68,044	97,477
Fines and forfeitures	-	22,150	22,150
Interest revenue	4,876	11,910	16,786
System development charges	-	18,178	18,178
Miscellaneous revenues	21,970	101	22,071
Total revenues	250,316	279,240	529,556
EXPENDITURES:			
General government	126,118	-	126,118
Planning	40,946	-	40,946
Highways and streets	-	75,608	75,608
Public Safety	-	176,862	176,862
Community development	-	17,634	17,634
Capital outlay	9,085	23,342	32,427
Total expenditures	176,149	293,446	469,595
Excess of revenues over (under) expenditures	74,167	(14,206)	59,961
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	40,900	40,900
Operating transfers (out)	(23,500)	(17,400)	(40,900)
Excess of revenues and other sources over (under) expenditures and other uses	50,667	9,294	59,961
FUND BALANCE - July 1	84,842	247,234	332,076
FUND BALANCE - June 30	\$ 135,509	\$ 256,528	\$ 392,037

The accompanying notes are and integral part of this statement

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CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	20,853	19,153	(1,700)
Licenses, fees and permits	76,304	174,884	98,580
Intergovernmental revenues	20,285	29,433	9,148
Fines and forfeitures	-	-	-
Interest revenue	1,600	4,876	3,276
System development charges	-	-	-
Miscellaneous revenues	4,010	21,970	17,960
Total revenues	123,052	250,316	127,264
EXPENDITURES:			
General government	123,764	126,118	(2,354)
Planning	40,863	40,946	(83)
Highways and streets	-	-	-
Public Safety	-	-	-
Community development	-	-	-
Capital outlay	14,600	9,085	5,515
Contingency	10,325	-	10,325
Total expenditures	189,552	176,149	13,403
Excess of revenues over (under) expenditures	(66,500)	74,167	140,667
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	(23,500)	(23,500)	-
Excess of revenues and other sources over (under) expenditures and other uses	(90,000)	50,667	140,667
FUND BALANCES - July 1	90,000	84,842	(5,158)
FUND BALANCES - June 30	\$ -	\$ 135,509	\$ 135,509

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Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
240,239	145,757	(94,482)	261,092	164,910	(96,182)
96,071	13,100	(82,971)	172,375	187,984	15,609
17,998	68,044	50,046	38,283	97,477	59,194
6,000	22,150	16,150	6,000	22,150	16,150
7,125	11,910	4,785	8,725	16,786	8,061
31,150	18,178	(12,972)	31,150	18,178	(12,972)
5,700	101	(5,599)	9,710	22,071	12,361
<u>404,283</u>	<u>279,240</u>	<u>(125,043)</u>	<u>527,335</u>	<u>529,556</u>	<u>2,221</u>
-	-	-	123,764	126,118	(2,354)
-	-	-	40,863	40,946	(83)
83,225	75,608	7,617	83,225	75,608	7,617
188,103	165,364	22,739	188,103	165,364	22,739
26,153	17,634	8,519	26,153	17,634	8,519
254,071	34,840	219,231	268,671	43,925	224,746
41,819	-	41,819	52,144	-	52,144
<u>593,371</u>	<u>293,446</u>	<u>299,925</u>	<u>782,923</u>	<u>469,595</u>	<u>313,328</u>
(189,088)	(14,206)	174,882	(255,588)	59,961	315,549
40,900	40,900	-	40,900	40,900	-
-	(17,400)	(17,400)	(23,500)	(40,900)	(17,400)
(148,188)	9,294	157,482	(238,188)	59,961	298,149
<u>148,188</u>	<u>247,234</u>	<u>99,046</u>	<u>238,188</u>	<u>332,076</u>	<u>93,888</u>
<u>\$ -</u>	<u>\$ 256,528</u>	<u>\$ 256,528</u>	<u>\$ -</u>	<u>\$ 392,037</u>	<u>\$ 392,037</u>

The accompanying notes are an integral part of this statement

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CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL PROPRIETARY FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 1998

REVENUES:

Charges for services	368,462
Connection charges	<u>-</u>
Total operating revenues	<u>368,462</u>

EXPENSES:

Personal services	177,111
Materials and services	181,624
Depreciation	<u>55,110</u>
Total operating expenses	<u>413,845</u>
Operating income (loss)	<u>(45,383)</u>

NON-OPERATING REVENUES (EXPENSES):

Interest income	17,700
Interest expense	-
Other revenue	<u>4,424</u>
Total non-operating revenues (expenses)	<u>22,124</u>

Income (loss) before operating transfers (23,259)

OPERATING TRANSFERS:

Operating transfers in	-
Operating transfers out	<u>-</u>
Net income (loss)	(23,259)

RETAINED EARNINGS - July 1	575,203
Prior period restatement	<u>(585)</u>

RETAINED EARNINGS - July 1, restated	<u>574,618</u>
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RETAINED EARNINGS - June 30	<u>\$ 551,359</u>
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The accompanying notes are an integral part of this statement

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL PROPRIETARY FUND TYPES

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1998

Cash flows from operating activities:	
Operating income	(45,383)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	55,110
(Increase) decrease in due from other funds	(15,226)
(Increase) decrease in receivables	(347)
(Increase) decrease in prepaids	2,267
Increase (decrease) in accounts payable	26,150
Increase (decrease) in compensated absences payable	1,426
Increase (decrease) due to other funds	15,226
Net cash provided by operating activities	<u>39,223</u>
Cash flows from noncapital financing activities:	
Operating transfers-in from other funds	-
Operating transfers-out to other funds	-
Miscellaneous	4,424
System development charges	<u>80,724</u>
Net cash provided by noncapital financing activities	<u>85,148</u>
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	(259,664)
Note proceeds	79,783
Payment of note principal	<u>-</u>
Net cash provided by capital and related financing activities	<u>(179,881)</u>
Cash flows from investing activities:	
Interest income	<u>17,700</u>
Net cash provided by investing activities	<u>17,700</u>
Net increase in cash and cash equivalents	<u>(37,810)</u>
Cash and cash equivalents, July 1	<u>399,325</u>
Cash and cash equivalents, June 30	<u>\$ 361,515</u>

The accompanying notes are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lafayette was established in 1878 and operates under the charter granted by the State of Oregon. The charter adopted in 1984 superseded the charter enacted in 1958. The government of the City of Lafayette constitutes a Mayor and a City Council, composed of six council members elected at large.

The City of Lafayette is a primary government. A primary government is financially accountable for the organizations (component units) that make up its legal entity. The City has considered all organizations for which the City is financially accountable in preparing these financial statements. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading.

B. 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 accounting 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 available 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 government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects 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.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 1 - Summary of Significant Accounting Policies (continued)

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 can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Taxes and other revenues collected and held by the State at year end on behalf of the

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 1 - Summary of Significant Accounting Policies (continued)

City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For proprietary funds, the City applies all applicable Government Accounting Standards Board (GASB) guidance as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgets

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law.

Budgets for governmental fund types are prepared and adopted, and expenditures are appropriated on the modified accrual basis of accounting, which is in conformity with generally accepted accounting principles. Budgets for proprietary fund types are adopted on a basis as if they were governmental funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

E. Cash and cash equivalents

The cash and cash equivalents reported on the balance sheets and cash flow statements include petty cash and change funds, checking account balances, and

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 1 - Summary of Significant Accounting Policies (continued)

Deposits with the Local Government Investment Pool. Interest earned from pooled investments is allocated to each fund based on each fund's portion of the total investment balance.

F. Receivables

Receivables are recorded on the combined balance sheet in accordance with the policies enumerated in paragraph C above.

All proprietary funds and fiduciary funds are reported using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

G. Due from/to Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 1 - Summary of Significant Accounting Policies (continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over the estimated useful lives that range from five years to fifty years.

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 1 - Summary of Significant Accounting Policies (continued)

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Total Columns on Combined Financial Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Compliance

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 2 - Stewardship, Compliance, and Accountability (continued)

The budget is prepared by fund, department, activity, and line, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed legally budgeted appropriations at level of materials and services, personal services, capital outlay, debt service, or other expenditures for each fund or for each department of the General Fund.

Excess of expenditures over budget appropriations for the year ending June 30, 1998, were as follows:

Fund	Category	Amount
General	General government	\$2,354
General	Planning	\$83
Special revenue- Law Enforcement	Personal services	\$1,961
Special Revenue - Fire Department	Personal services	\$4,189
Special revenue- Park Fund	Materials and services	\$678
Enterprise- Water Fund	Capital outlay	\$25,201
Enterprise- Water Improvement	Materials and services	\$1,702
Enterprise- Sewer Fund	Capital outlay	\$3,699
Enterprise- Plant Improvement	Capital outlay	\$2,273

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 3 - Cash and cash equivalents and Investments

A. Cash and cash equivalents

Cash and cash equivalents of \$744,346 consisted of the following as of June 30, 1998:

Cash on deposit with financial institutions	10,601
Petty cash	75
Local Government Investment Pool	<u>733,670</u>
Total	<u>\$744,346</u>

At year end, the carrying amount of the City's bank deposits was \$10,601 and the bank balance was \$109,754, of which \$100,000 is insured by FDIC.

Note 4 - Property taxes

Property taxes levied for the City for fiscal year 1997-98 were:

Total levy	<u>\$172,618</u>
------------	------------------

Yamhill County makes all assessments of property value, and levies and collects the taxes for the City of Lafayette and all other taxing districts within the County. Assessments of property values are as of June 30 of each year. Taxes levied are a lien on the properties as of July 1 of each year. Taxes are due November 15 and a 3% discount is allowed for payment on time.

Note 5 - Changes in Fixed Assets

All assets are stated at cost or estimated costs. Changes in general fixed assets, excluding infrastructure and public domain assets, which are not capitalized, are as follows:

	Balance July 1, <u>1997</u>	<u>Additions</u>	Deletions/ <u>Adjustments</u>	Balance June 30, <u>1998</u>
GENERAL FIXED ASSETS:				
Land and improvements	74,368	17,735	0	92,103
Buildings	58,054	9,085	0	67,139
Vehicles	117,230	2,600	0	119,830
Equipment	<u>63,841</u>	<u>26,860</u>	<u>0</u>	<u>90,701</u>
General Fixed Assets	<u>\$ 313,493</u>	<u>\$ 56,280</u>	<u>\$ 0</u>	<u>\$ 369,773</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 5 - Changes in Fixed Assets (continued)

The composition of fixed assets in the enterprise funds at June 30, 1998 are as follows:

	Balance 7/1/97	Additions	Deletions	Balance 6/30/98
Water Fund:				
Land & improvements	31,000			31,000
Buildings	10,588			10,588
Water facilities	990,056			990,056
Equipment and vehicles	9,037	10,426	-	19,463
	1,040,681	10,426	-	1,051,107
Less: accumulated depreciation	(422,821)	(31,048)	-	(453,869)
Total water fund	\$ 617,860	\$ (20,622)	\$ -	\$ 597,238

	Balance 7/1/97	Additions	Deletions	Balance 6/30/98
Water Improvement Fund:				
Preliminary survey & Investigation	-	208,963		208,963
Buildings	-			-
Water Facilities	103,695	30,667		134,362
Equipment	7,785	-	-	7,785
	111,480	239,630	-	351,110
Less: accumulated depreciation	(5,217)	(4,138)	-	(9,355)
Total	\$ 106,263	\$ 235,492	\$ -	\$ 341,755

	Balance 7/1/97	Additions	Deletions	Balance 6/30/98
Sewer Fund				
Land & improvements	9,440			9,440
Buildings	27,945			27,945
Sewer facilities	600,302			600,302
Equipment and vehicles	27,056	3,458	-	30,514
	664,743	3,458	-	668,201
Less: accumulated depreciation	(364,321)	(17,651)	-	(381,972)
Total	\$ 300,422	\$ (14,193)	\$ -	\$ 286,229

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 5 - Changes in Fixed Assets (continued)

	July 1, <u>1997</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	June 30, <u>1998</u>
Sewer Plant Improvement Fund:				
Land and improvements	31,758	0	0	31,758
Sewer facilities	<u>90,922</u>	<u>0</u>	<u>0</u>	<u>90,922</u>
	122,680	0	0	122,680
Less Accumulated depreciation	<u>(4,546)</u>	<u>(2,273)</u>	<u>0</u>	<u>(6,819)</u>
General Fixed Assets	<u>118,134</u>	<u>\$ (2,273)</u>	<u>\$ 0</u>	<u>\$ 115,861</u>

	Balance <u>7/1/97</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/98</u>
Sewer Master Plan Fund				
Construction in progress	<u>\$ 6,150</u>	<u>\$ 6,150</u>	<u>\$ -</u>	<u>\$ 12,300</u>
Total net enterprise funds	<u>\$ 1,148,829</u>	<u>\$ 204,554</u>	<u>\$ -</u>	<u>\$ 1,353,383</u>

Note 6 - Compensated Absences

Sick leave can be taken only in the event of illness. Accumulated sick leave at June 30, 1998 was \$8,940.

Vacation pay and compensatory time is vested when earned and recorded as an expenditure when it is paid. At June 30, 1998, the City's liability for vacation pay and compensatory time was \$56,323, and was recorded in the following funds:

General Long-Term	
Debt Account Group	7,571
Water Fund	1,470
Sewer Fund	<u>2,442</u>
Total	<u>\$11,483</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 7 - Contributed Capital:

The changes in the contributed capital in the enterprise funds for the year ended June 30, 1998 were as follows:

	<u>Water Improvement</u>	<u>Sewer Improvement</u>	<u>Total</u>
Balance July 1, 1997	161,417	126,689	288,106
System development charges	<u>46,760</u>	<u>33,964</u>	<u>80,724</u>
Balance June 30, 1998	<u>\$ 208,177</u>	<u>\$ 160,653</u>	<u>\$ 368,830</u>

Note 8 - Pension Plan

A. PLAN DESCRIPTION

The City of Lafayette, Oregon, participates in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. All full-time employees of the City are covered by the plan after six months of employment. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally allowed at age 55 with reduced benefits. Retirement benefits are based on salary and length of service calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by statute.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Oregon Public Employees Retirement System, Post Office Box 23700, Tigard, Oregon, 97281-3700.

B. FUNDING POLICY

The rate of employee contribution is established by law at 6% of employee compensation. The rate of employer contribution is set by the Public Employees Retirement Board, based upon actuarial valuations. The rates shown below are based on the actuarial valuation of the system as of December 31, 1995, and are subject to change as a result of subsequent valuations or legislative amendments.

	<u>% of current-year covered payroll</u>
Effective for fiscal year beginning July 1, 1997	6.63%
Effective for fiscal year beginning July 1, 1999	6.63%

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 8 - Pension Plan (continued)

C. ANNUAL PENSION COST

Employer contributions are calculated in conformance with the provisions of GASB Statement No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions.

For the year ended June 30, 1998, the City's annual pension cost of \$23,564 was equal to the required and actual contributions of the City. The required contribution was determined as part of the December 31, 1995, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% per year, (b) projected salary increases of 5.0% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (c) projected automatic cost-of-living benefit increases of 2.0% per year, and (d) demographic assumptions that were chosen to reflect the best estimate of emerging experience of the members of the System.

D. THREE-YEAR TREND INFORMATION

Three-year trend information for the City of Lafayette is as follows (presenting only the required information for the transition year, in conformity with GASB 27):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/98	\$12,728	100%	\$0

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 8 - Pension Plan (continued)

E. REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Funding Progress for the City of Lafayette is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/93	\$50,000	\$55,000	\$5,000	90.9%	\$30,000	16.7%
12/31/95	\$65,000	\$70,000	\$5,000	92.9%	\$35,000	14.3%
12/31/97	\$70,000	\$75,000	\$5,000	93.3%	\$45,000	11.1%

Note 9 - Note Payable

In August 1995, pursuant to Chapter 190 of Oregon revised Statutes, the City entered into an intergovernmental agreement with the City of Dayton to jointly develop well fields and transmission main from those fields to each City. Title to the property is held by City of Dayton and City of Lafayette as tenants in common. The total capital outlay expenditures on this project of \$208,963 have been classified as Preliminary Survey and Investigation in the balance sheet.

As of June 30, 1998, the City owes \$79,783 to the City of Dayton for the joint water project. There is no fixed repayment plan. The interest on the outstanding balance accrues at the prevalent Local Government Investment Pool rate. The principal and the interest will be paid back in two years.

Total

\$ 79,783

Note 10 - Leases

The City entered into a capital lease/purchase contract in November 13, 1996 for the purchase of a self-contained breathing apparatus to be used for fire fighting purposes. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 10 - Leases (continued)

minimum lease payments as of the inception date in the general fixed assets account group.

The minimum required future lease payments are as follows:

Year ending June 30,

1999	3,979
2000	3,979
2001	3,979
2002	3,979
Less amount representing interest	<u>(3,734)</u>
Total	<u>\$ 12,182</u>

The City leases a Mita copier under month to month operating lease. Total costs for the lease was \$1,764 for the year ending June 30, 1998. The future minimum lease payments for the copier lease are as follows:

Year ending June 30,

1999	2,020
2000	2,148
2001	2,148
2002	2,148
2003	<u>716</u>
Total	<u>\$ 9,180</u>

Note 11 - Prior Period Restatement:

The beginning retained earnings of Water, Sewer and Sewer Plant Improvement Funds have been restated by (\$256), (\$20) and (\$309), respectively to reconcile to prior year's respective ending retained earning balances and to correct erroneous entries.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 12 - Subsequent Events

The City is a defendant in a lawsuit filed by an employee alleging violation of civil rights by the City. The City believes that the claims in the litigation are without legal merit and it will prevail on all claims.

Pursuant to the improvement agreement between the City and a Developer, certain public utility improvement with an estimated cost of \$250,000 was transferred by the Developer to the City. The City will include the improvements as part of its public works facilities.

Note 13 - Contingent liabilities:

The year 2000 (Y2K) issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. The computer hardware and software failures may cause programs to process data inaccurately, or stop processing data altogether, thereby, disrupting the daily operations of the City.

The City has been assessing all its internal hardware and software and the resources needed to be Y2K compliant. The management is proactively taking actions to remedy deficiencies. The total cost to date associated with this endeavor is not ascertainable at this time. This situation has been discussed in a letter to management dated November 20, 1998.

The management has represented that there are no contingent liabilities, other than those outlined in this note and Note 12, which were understood to include among other things: notes or accounts receivable which have been discounted; pending suits; proceedings; hearings or negotiations possibly involving retroactive judgments or claims; taxes in dispute; endorsements or guarantees options given that would require disclosure under Statement of Financial Accounting Standards Number 5.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Note 14 - Segment Information for Enterprise Funds

The City of Lafayette maintains enterprise funds which provide water service, sewage service, provisions for expansion, and capital construction of sewer and water facilities. Selected segment information for the year ended June 30, 1998, is presented below:

	Water	Water Improve- ment	Sewer	Sewer Improve- ment	Sewer Plant Improve- ment	Sewer Master Plan	Total
Operating revenues	\$ 206,751	\$ -	\$ 161,711	\$ -	\$ -	\$ -	\$ 368,462
Depreciation	31,048	4,138	17,651	-	2,273	-	55,110
Operating income	28,789	(67,538)	19,564	(10,750)	(2,273)	(13,175)	(45,383)
Net income	34,276	(60,511)	23,496	(5,740)	(1,605)	(13,175)	(23,259)
Contributed capital:							
Additions	-	46,760	-	33,964	-	-	80,724
Fixed assets:							
Additions	10,426	239,630	3,458	-	-	6,150	259,664
Net working capital	120,152	(17,022)	120,428	158,045	8,845	(20,499)	369,949
Total assets	725,810	342,509	410,756	158,045	124,706	12,300	1,774,126
Note payable	-	79,783	-	-	-	-	79,783
Total equity	717,390	244,950	406,657	158,045	124,706	(8,199)	1,643,549

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND OTHER SCHEDULES**

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GENERAL FUND:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues consist of property taxes, franchise fees, State liquor and cigarette taxes, various fees and fines for services provided, and interest income from temporary investments. Expenses are recorded in the following departments:

General Government
Planning

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	20,853	19,153	(1,700)
Licenses, fees and permits	76,304	174,884	98,580
Intergovernmental revenues	20,285	29,433	9,148
Fines and forfeitures	-	-	-
Interest revenues	1,600	4,876	3,276
Miscellaneous revenues	4,010	21,970	17,960
Total revenues	<u>123,052</u>	<u>250,316</u>	<u>127,264</u>
EXPENDITURES:			
General government	123,764	126,118	(2,354)
Planning	40,863	40,946	(83)
Capital outlay	14,600	9,085	5,515
Contingency	10,325	-	10,325
Total expenditures	<u>189,552</u>	<u>176,149</u>	<u>13,403</u>
Excess of revenues over (under) expenditures	<u>(66,500)</u>	<u>74,167</u>	<u>140,667</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	(23,500)	(23,500)	-
Excess of revenues and other sources over (under) expenditures and other uses	<u>(90,000)</u>	<u>50,667</u>	<u>140,667</u>
FUND BALANCE - July 1	<u>90,000</u>	<u>84,842</u>	<u>(5,158)</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 135,509</u>	<u>\$ 135,509</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

GENERAL FUND

STATEMENT OF REVENUES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor- able)</u>
REVENUES:			
Taxes:			
Current year's taxes	19,745	18,620	(1,125)
Prior years' taxes	<u>1,108</u>	<u>533</u>	<u>(575)</u>
Total taxes	<u>20,853</u>	<u>19,153</u>	<u>(1,700)</u>
Licenses, fees and permits:			
Franchise fees	42,404	43,974	1,570
Licenses and permits	8,900	24,764	15,864
Systems development	-	-	-
Planning fees	<u>25,000</u>	<u>106,146</u>	<u>81,146</u>
Total licenses, fees and permits	<u>76,304</u>	<u>174,884</u>	<u>98,580</u>
Intergovernmental revenues:			
Liquor tax	12,762	11,076	(1,686)
Cigarette tax	4,523	4,516	(7)
Other	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total intergovernmental revenues	<u>20,285</u>	<u>15,592</u>	<u>(4,693)</u>
Fines and forfeitures:	<u>-</u>	<u>-</u>	<u>-</u>
Interest revenue	<u>1,600</u>	<u>4,876</u>	<u>3,276</u>
Miscellaneous:			
City equipment rental	-	-	-
Miscellaneous	4,000	20,911	16,911
Tax revenue anticipation loan	-	-	-
Donation	<u>10</u>	<u>1,059</u>	<u>1,049</u>
Total miscellaneous	<u>4,010</u>	<u>21,970</u>	<u>17,960</u>
Total revenues	<u>\$ 123,052</u>	<u>\$ 236,475</u>	<u>\$ 113,423</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

GENERAL FUND

STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

EXPENDITURES:	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government			
Personal services:			
Clerk	10,580	9,527	1,053
Office manager	18,650	17,450	1,200
Public works supervisor	990	1,269	(279)
Engineer	27,500	21,125	6,375
Recorder	5,625	5,008	617
Part time office help	4,000	3,725	275
Social security	3,613	2,581	1,032
Health and life insurance	9,300	8,433	867
Worker's compensation	200	285	(85)
Unemployment insurance	160	121	39
PERS: employee retirement	3,886	3,778	108
Total personal services	<u>84,504</u>	<u>73,302</u>	<u>11,202</u>
Materials and services:			
Insurance and bonds	1,000	749	251
Printing	500	624	(124)
Office equipment maintenance	2,000	5,802	(3,802)
Audit	950	1,070	(120)
Attorney fees	16,000	17,657	(1,657)
Telephone	2,000	1,815	185
Office supplies and postage	5,000	5,926	(926)
Utilities	4,500	8,550	(4,050)
Dues and meetings	4,500	4,527	(27)
Miscellaneous	2,810	6,096	(3,286)
Total materials and services	<u>39,260</u>	<u>52,816</u>	<u>(13,556)</u>
Capital outlay			
City hall improvement	9,000	1,989	7,011
Office furniture	5,600	7,096	(1,496)
Total capital outlay	<u>14,600</u>	<u>9,085</u>	<u>5,515</u>
Operating contingency	<u>10,325</u>	<u>-</u>	<u>10,325</u>
Total general government	<u>148,689</u>	<u>135,203</u>	<u>* 13,486</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

GENERAL FUND

STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

EXPENDITURES:	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Planning Department:			
Personal services			
Salaries	2,625	2,337	288
Payroll tax expenses	<u>1,198</u>	<u>693</u>	<u>505</u>
Total personal services	<u>3,823</u>	<u>3,030</u>	<u>793</u>
Materials and services:			
Contract services	24,800	33,770	(8,970)
Supplies	2,700	690	2,010
Conference and travel	1,000	165	835
Miscellaneous	<u>8,540</u>	<u>3,291</u>	<u>5,249</u>
Total materials and services	<u>37,040</u>	<u>37,916</u>	<u>(876)</u>
Total Planning Department	<u>40,863</u>	<u>40,946</u>	<u>(83)</u>
Total expenditures	<u>\$ 189,552</u>	<u>\$ 176,149</u>	<u>13,403</u>

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SPECIAL REVENUE FUNDS:

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments recorded in debt service funds, expendable trusts, or for major capital projects) that are legally restricted to expenditures for specified purposes.

The Special Revenue Funds consist of the following:

- Street Fund
- Law Enforcement Fund
- Fire Department Fund
- Park Fund
- Fire Department Improvement Fund
- Community Facilities Fund
- City Hall Building Fund

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1998

	<u>Street Fund</u>	<u>Law Enforcement</u>	<u>Fire Department</u>
ASSETS			
Cash and investments	84,793	38,365	36,194
Accounts receivable	15,291	4,790	1,823
Taxes receivable	-	7,929	8,683
Total assets	\$ 100,084	\$ 51,084	\$ 46,700
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	1,916	913	4,255
Deferred revenue	-	5,583	6,114
Total liabilities	1,916	6,496	10,369
Fund Equity:			
Fund balance:			
Reserved	-	-	-
Unreserved	98,168	44,588	36,331
Total fund equity	98,168	44,588	36,331
Total liabilities and fund equity	\$ 100,084	\$ 51,084	\$ 46,700

Continued

Continued

<u>Park</u>	<u>Fire Department Improvement</u>	<u>Community Facilities</u>	<u>City Hall Building</u>	<u>Totals 1998</u>
35,913	36,948	2,396	6,000	240,609
-	-	-	-	21,904
-	-	-	-	16,612
<u>\$ 35,913</u>	<u>\$ 36,948</u>	<u>\$ 2,396</u>	<u>\$ 6,000</u>	<u>\$ 279,125</u>
516	-	3,300	-	10,900
-	-	-	-	11,697
<u>516</u>	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>22,597</u>
-	-	-	-	-
<u>35,397</u>	<u>36,948</u>	<u>(904)</u>	<u>6,000</u>	<u>256,528</u>
<u>35,397</u>	<u>36,948</u>	<u>(904)</u>	<u>6,000</u>	<u>256,528</u>
<u>\$ 35,913</u>	<u>\$ 36,948</u>	<u>\$ 2,396</u>	<u>\$ 6,000</u>	<u>\$ 279,125</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Year Ended June 30, 1998

	Street Fund	Law Enforcement	Fire Department
REVENUES:			
Taxes	-	66,084	79,673
Licenses, fees and permits	-	-	-
Intergovernmental revenues	68,044	-	-
Fines and forfeitures	-	22,150	-
Interest revenue	4,159	3,634	2,328
System development charges	18,178	-	-
Miscellaneous revenues	91	10	-
Total revenues	90,472	91,878	82,001
EXPENDITURES:			
Highways and streets	75,608	-	-
Public Safety	-	107,319	69,543
Community development	-	-	-
Capital outlay	15,028	-	-
Total expenditures	90,636	107,319	69,543
Excess of revenues over (under) expenditures	(164)	(15,441)	12,458
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(17,400)
Excess of revenues and other sources over (under) expenditures and other uses	(164)	(15,441)	(4,942)
FUND BALANCE - July 1	98,332	60,029	41,273
FUND BALANCE - June 30	\$ 98,168	\$ 44,588	\$ 36,331

Continued

Continued

Park	Fire Department Improvement	Community Facilities	City Hall Building	Totals
				1998
-	-	-	-	145,757
13,100	-	-	-	13,100
-	-	-	-	68,044
-	-	-	-	22,150
907	882	-	-	11,910
-	-	-	-	18,178
-	-	-	-	101
<u>14,007</u>	<u>882</u>	<u>-</u>	<u>-</u>	<u>279,240</u>
-	-	-	-	75,608
-	-	-	-	176,862
14,230	-	3,404	-	17,634
8,314	-	-	-	23,342
<u>22,544</u>	<u>-</u>	<u>3,404</u>	<u>-</u>	<u>293,446</u>
(8,537)	882	(3,404)	-	(14,206)
15,000	17,400	2,500	6,000	40,900
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,400)</u>
6,463	18,282	(904)	6,000	9,294
<u>28,934</u>	<u>18,666</u>	<u>-</u>	<u>-</u>	<u>247,234</u>
<u>\$ 35,397</u>	<u>\$ 36,948</u>	<u>\$ (904)</u>	<u>\$ 6,000</u>	<u>\$ 256,528</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	83,377	-	(83,377)
Licenses, fees and permits	69,449	-	(69,449)
Intergovernmental revenues	-	68,044	68,044
Fines and forfeitures	-	-	-
Interest revenue	2,000	4,159	2,159
System development charges	31,150	18,178	(12,972)
Miscellaneous revenues	500	91	(409)
Total revenues	<u>186,476</u>	<u>90,472</u>	<u>(96,004)</u>
EXPENDITURES:			
Personal services	52,500	49,412	3,088
Materials and services	30,725	26,196	4,529
Capital outlay	162,039	15,028	147,011
Contingency	-	-	-
Total expenditures	<u>245,264</u>	<u>90,636</u>	<u>154,628</u>
Excess of revenues over (under) expenditures	(58,788)	(164)	58,624
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(58,788)	(164)	58,624
FUND BALANCE - July 1	<u>58,788</u>	<u>98,332</u>	<u>39,544</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 98,168</u>	<u>\$ 98,168</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

LAW ENFORCEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	71,986	66,084	(5,902)
Licenses, fees and permits	-	-	-
Intergovernmental revenues	7,998	-	(7,998)
Fines and forfeitures	6,000	22,150	16,150
Interest revenue	3,600	3,634	34
System development charges	-	-	-
Miscellaneous revenues	4,000	10	(3,990)
Total revenues	<u>93,584</u>	<u>91,878</u>	<u>(1,706)</u>
EXPENDITURES:			
Personal services	8,373	10,334	(1,961)
Materials and services	102,900	96,985	5,915
Capital outlay	-	-	-
Contingency	22,311	-	22,311
Total expenditures	<u>133,584</u>	<u>107,319</u>	<u>26,265</u>
Excess of revenues over (under) expenditures	(40,000)	(15,441)	24,559
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(40,000)	(15,441)	24,559
FUND BALANCE - July 1	<u>40,000</u>	<u>60,029</u>	<u>20,029</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 44,588</u>	<u>\$ 44,588</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

FIRE DEPARTMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	84,876	79,673	(5,203)
Licenses, fees and permits	-	-	-
Intergovernmental revenues	-	-	-
Fines and forfeitures	-	-	-
Interest revenue	1,050	2,328	1,278
System development charges	-	-	-
Miscellaneous revenues	1,100	-	(1,100)
Total revenues	<u>87,026</u>	<u>82,001</u>	<u>(5,025)</u>
EXPENDITURES:			
Personal services	8,250	12,439	(4,189)
Materials and services	68,580	45,606	22,974
Capital outlay	20,900	11,498	9,402
Contingency	19,296	-	19,296
Total expenditures	<u>117,026</u>	<u>69,543</u>	<u>47,483</u>
Excess of revenues over (under) expenditures	(30,000)	12,458	42,458
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	(17,400)	(17,400)
Excess of revenues and other sources over (under) expenditures and other uses	(30,000)	(4,942)	25,058
FUND BALANCE - July 1	<u>30,000</u>	<u>41,273</u>	<u>11,273</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 36,331</u>	<u>\$ 36,331</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

PARK FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	-	-	-
Licenses, fees and permits	26,622	13,100	(13,522)
Intergovernmental revenues	-	-	-
Fines and forfeitures	-	-	-
Interest revenue	250	907	657
System development charges	-	-	-
Miscellaneous revenues	100	-	(100)
Total revenues	<u>26,972</u>	<u>14,007</u>	<u>(12,965)</u>
EXPENDITURES:			
Personal services	10,193	10,117	76
Materials and services	3,435	4,113	(678)
Capital outlay	29,132	8,314	20,818
Contingency	212	-	212
Total expenditures	<u>42,972</u>	<u>22,544</u>	<u>20,428</u>
Excess of revenues over (under) expenditures	(16,000)	(8,537)	7,463
OTHER FINANCING SOURCES (USES):			
Operating transfers in	15,000	15,000	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,000)	6,463	7,463
FUND BALANCE - July 1	<u>1,000</u>	<u>28,934</u>	<u>27,934</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 35,397</u>	<u>\$ 35,397</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

FIRE DEPARTMENT IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	-	-	-
Licenses, fees and permits	-	-	-
Intergovernmental revenues	-	-	-
Fines and forfeitures	-	-	-
Interest revenue	200	882	682
System development charges	-	-	-
Miscellaneous revenues	-	-	-
Total revenues	<u>200</u>	<u>882</u>	<u>682</u>
EXPENDITURES:			
Personal services	-	-	-
Materials and services	-	-	-
Capital outlay	36,000	-	36,000
Contingency	-	-	-
Total expenditures	<u>36,000</u>	<u>-</u>	<u>36,000</u>
Excess of revenues over (under) expenditures	(35,800)	882	36,682
OTHER FINANCING SOURCES (USES):			
Operating transfers in	17,400	17,400	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(18,400)	18,282	36,682
FUND BALANCE - July 1	<u>18,400</u>	<u>18,666</u>	<u>266</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 36,948</u>	<u>\$ 36,948</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

COMMUNITY FACILITIES FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	-	-	-
Licenses, fees and permits	-	-	-
Intergovernmental revenues	10,000	-	(10,000)
Fines and forfeitures	-	-	-
Interest revenue	25	-	(25)
System development charges	-	-	-
Miscellaneous revenues	-	-	-
Total revenues	<u>10,025</u>	<u>-</u>	<u>(10,025)</u>
EXPENDITURES:			
Personal services	-	-	-
Materials and services	12,525	3,404	9,121
Capital outlay	-	-	-
Contingency	-	-	-
Total expenditures	<u>12,525</u>	<u>3,404</u>	<u>9,121</u>
Excess of revenues over (under) expenditures	(2,500)	(3,404)	(904)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	2,500	2,500	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(904)	(904)
FUND BALANCE - July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ (904)</u>	<u>\$ (904)</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

CITY HALL BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	-	-	-
Licenses, fees and permits	-	-	-
Intergovernmental revenues	-	-	-
Fines and forfeitures	-	-	-
Interest revenue	-	-	-
System development charges	-	-	-
Miscellaneous revenues	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Personal services	-	-	-
Materials and services	-	-	-
Capital outlay	6,000	-	6,000
Contingency	-	-	-
Total expenditures	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Excess of revenues over (under) expenditures	(6,000)	-	6,000
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,000	6,000	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	6,000	6,000
FUND BALANCE - July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - June 30	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>

ENTERPRISE FUNDS:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Enterprise Funds consist of the following:

Enterprise Fund:

Water Fund

Water Improvement Fund

Sewer Fund

Sewer Improvement Fund

Sewer Plant Improvement Fund

Sewer Master Plan Fund

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL ENTERPRISE FUNDS

COMBINING BALANCE SHEET

June 30, 1998

	<u>Water</u>	<u>Water Improvement</u>	<u>Sewer</u>
ASSETS			
Cash and cash equivalents	100,623	754	109,648
Accounts receivable	27,949	-	14,879
Due from other funds	-	-	-
Preliminary survey and investigation	-	208,963	-
Construction in progress	-	-	-
Fixed assets, net of depreciation	<u>597,238</u>	<u>132,792</u>	<u>286,229</u>
Total assets	<u>\$ 725,810</u>	<u>\$ 342,509</u>	<u>\$ 410,756</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	2,854	17,776	1,657
Customer deposits	4,096	-	-
Compensated absences payable	1,470	-	2,442
Due to other funds	-	-	-
Note payable	<u>-</u>	<u>79,783</u>	<u>-</u>
Total liabilities	<u>8,420</u>	<u>97,559</u>	<u>4,099</u>
Fund Equity:			
Fund balance:			
Contributed capital	579,749	208,177	30,061
Retained earnings:			
Reserved	-	-	-
Unreserved	<u>137,641</u>	<u>36,773</u>	<u>376,596</u>
Total fund equity	<u>717,390</u>	<u>244,950</u>	<u>406,657</u>
Total liabilities and fund equity	<u>\$ 725,810</u>	<u>\$ 342,509</u>	<u>\$ 410,756</u>

Continued

Continued

<u>Sewer Improvement</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Master Plan</u>	<u>Totals June 30, 1998</u>
141,645	8,845	-	361,515
-	-	-	42,828
16,400	-	-	16,400
-	-	-	208,963
-	-	12,300	12,300
-	115,861	-	1,132,120
<u>\$ 158,045</u>	<u>\$ 124,706</u>	<u>\$ 12,300</u>	<u>\$ 1,774,126</u>
-	-	4,099	26,386
-	-	-	4,096
-	-	-	3,912
-	-	16,400	16,400
-	-	-	79,783
<u>-</u>	<u>-</u>	<u>20,499</u>	<u>130,577</u>
160,653	113,550	-	1,092,190
-	-	-	-
<u>(2,608)</u>	<u>11,156</u>	<u>(8,199)</u>	<u>551,359</u>
<u>158,045</u>	<u>124,706</u>	<u>(8,199)</u>	<u>1,643,549</u>
<u>\$ 158,045</u>	<u>\$ 124,706</u>	<u>\$ 12,300</u>	<u>\$ 1,774,126</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 1997

	<u>Water</u>	<u>Water Improvement</u>	<u>Sewer</u>
REVENUES:			
Charges for services	206,751	-	161,711
Connection charges	-	-	-
Total operating revenues	<u>206,751</u>	<u>-</u>	<u>161,711</u>
EXPENSES:			
Personal services	87,638	-	89,473
Materials and services	59,276	63,400	35,023
Depreciation	<u>31,048</u>	<u>4,138</u>	<u>17,651</u>
Total operating expenses	<u>177,962</u>	<u>67,538</u>	<u>142,147</u>
Operating income (loss)	<u>28,789</u>	<u>(67,538)</u>	<u>19,564</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1,787	7,027	3,208
Interest expense	-	-	-
Other revenue	<u>3,700</u>	<u>-</u>	<u>724</u>
Total non-operating revenues (expenses)	<u>5,487</u>	<u>7,027</u>	<u>3,932</u>
Income (loss) before operating transfers	34,276	(60,511)	23,496
OPERATING TRANSFERS:			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	34,276	(60,511)	23,496
RETAINED EARNINGS - July 1	103,621	97,284	353,120
Prior period restatement	<u>(256)</u>	<u>-</u>	<u>(20)</u>
RETAINED EARNINGS - July 1, restated	<u>103,365</u>	<u>97,284</u>	<u>353,100</u>
RETAINED EARNINGS - June 30	<u>\$ 137,641</u>	<u>\$ 36,773</u>	<u>\$ 376,596</u>

Continued

Continued

<u>Sewer Improvement</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Master Plan</u>	<u>Totals June 30, 1998</u>
-	-	-	368,462
-	-	-	-
-	-	-	368,462
-	-	-	177,111
10,750	-	13,175	181,624
-	2,273	-	55,110
10,750	2,273	13,175	413,845
(10,750)	(2,273)	(13,175)	(45,383)
5,010	668	-	17,700
-	-	-	-
-	-	-	4,424
5,010	668	-	22,124
(5,740)	(1,605)	(13,175)	(23,259)
-	-	-	-
-	-	-	-
(5,740)	(1,605)	(13,175)	(23,259)
3,132	13,070	4,976	575,203
-	(309)	-	(585)
3,132	12,761	4,976	574,618
\$ (2,608)	\$ 11,156	\$ (8,199)	\$ 551,359

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

ALL ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1998

	Water	Water Improvement	Sewer
Cash flows from operating activities:			
Operating income	28,789	(67,538)	19,564
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	31,048	4,138	17,651
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in receivables	(6,456)	-	6,109
(Increase) decrease in prepaids	1,097	-	1,170
Increase (decrease) in accounts payable	2,854	17,776	1,421
Increase (decrease) in compensated absences payable	67	-	1,359
Increase (decrease) due to other funds	-	-	-
Net cash provided by operating activities	57,399	(45,624)	47,274
Cash flows from noncapital financing activities:			
Operating transfers-in from other funds	-	-	-
Operating transfers-out to other funds	-	-	-
Miscellaneous	3,700	-	724
System development charges	-	46,760	-
Net cash provided by noncapital financing activities	3,700	46,760	724
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(10,426)	(239,630)	(3,458)
Note proceeds	-	79,783	-
Payment of note principal	-	-	-
Net cash provided by capital and related financing activities	(10,426)	(159,847)	(3,458)
Cash flows from investing activities:			
Interest income	1,787	7,027	3,208
Net cash provided by investing activities	1,787	7,027	3,208
Net increase in cash and cash equivalents	52,460	(151,684)	47,748
Cash and cash equivalents, July 1	48,163	152,438	61,900
Cash and cash equivalents, June 30	\$ 100,623	\$ 754	\$ 109,648

Continued

Continued

<u>Sewer Improvement</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Master Plan</u>	<u>Totals June 30, 1998</u>
(10,750)	(2,273)	(13,175)	(45,383)
-	2,273	-	55,110
(15,226)	-	-	(15,226)
-	-	-	(347)
-	-	-	2,267
-	-	4,099	26,150
-	-	-	-
-	-	-	1,426
-	-	15,226	15,226
<u>(25,976)</u>	<u>-</u>	<u>6,150</u>	<u>39,223</u>
-	-	-	-
-	-	-	-
-	-	-	4,424
<u>33,964</u>	<u>-</u>	<u>-</u>	<u>80,724</u>
<u>33,964</u>	<u>-</u>	<u>-</u>	<u>85,148</u>
-	-	(6,150)	(259,664)
-	-	-	79,783
-	-	-	-
<u>-</u>	<u>-</u>	<u>(6,150)</u>	<u>(179,881)</u>
<u>5,010</u>	<u>668</u>	<u>-</u>	<u>17,700</u>
<u>5,010</u>	<u>668</u>	<u>-</u>	<u>17,700</u>
<u>12,998</u>	<u>668</u>	<u>-</u>	<u>(37,810)</u>
<u>128,647</u>	<u>8,177</u>	<u>-</u>	<u>399,325</u>
<u>\$ 141,645</u>	<u>\$ 8,845</u>	<u>\$ -</u>	<u>\$ 361,515</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Service charges	130,000	206,751	76,751
Connection charges	-	-	-
Investment income	1,200	1,787	587
Other revenue	2,200	3,700	1,500
Total revenues	133,400	212,238	78,838
EXPENDITURES:			
Personal services	93,355	87,638	5,717
Materials and services	57,570	53,623	3,947
Capital outlay	11,500	36,701	(25,201)
Contingency	10,975	-	10,975
Total expenditures	173,400	177,962	(4,562)
Excess of revenues over (under) expenditures	(40,000)	34,276	74,276
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(40,000)	34,276	74,276
RETAINED EARNINGS - July 1	40,000	103,621	63,621
Prior period restatement	-	(256)	(256)
RETAINED EARNINGS - July 1, restated	40,000	103,365	63,365
RETAINED EARNINGS - June 30	\$ -	\$ 137,641	\$ 137,641

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

WATER IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Service charges	34,500	-	(34,500)
Connection charges	-	-	-
Investment income	2,000	7,027	5,027
Other revenue	55,563	-	(55,563)
Total revenues	92,063	7,027	(85,036)
EXPENDITURES:			
Personal services	-	-	-
Materials and services	-	1,702	(1,702)
Capital outlay	256,120	65,836	190,284
Contingency	7,010	-	7,010
Total expenditures	263,130	67,538	195,592
Excess of revenues over (under) expenditures	(171,067)	(60,511)	110,556
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(171,067)	(60,511)	110,556
RETAINED EARNINGS - July 1	171,067	97,284	(73,783)
RETAINED EARNINGS - June 30	\$ -	\$ 36,773	\$ 36,773

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

SEWER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Service charges	138,569	161,711	23,142
Connection charges	-	-	-
Investment income	500	3,208	2,708
Other revenue	500	724	224
Total revenues	139,569	165,643	26,074
EXPENDITURES:			
Personal services	92,326	89,473	2,853
Materials and services	50,930	31,475	19,455
Capital outlay	17,500	21,199	(3,699)
Contingency	8,813	-	8,813
Total expenditures	169,569	142,147	27,422
Excess of revenues over (under) expenditures	(30,000)	23,496	53,496
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(30,000)	23,496	53,496
RETAINED EARNINGS - July 1	30,000	353,120	323,120
Prior period restatement	-	(20)	(20)
RETAINED EARNINGS - July 1, restated	30,000	353,100	323,100
RETAINED EARNINGS - June 30	\$ -	\$ 376,596	\$ 376,596

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

SEWER IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Service charges	-	-	-
Connection charges	28,980	-	(28,980)
Investment income	3,000	5,010	2,010
Other revenue	10	-	(10)
	<u>31,990</u>	<u>5,010</u>	<u>(26,980)</u>
Total revenues	<u>31,990</u>	<u>5,010</u>	<u>(26,980)</u>
EXPENDITURES:			
Personal services	-	-	-
Materials and services	-	-	-
Capital outlay	148,281	10,750	137,531
Contingency	4,010	-	4,010
	<u>152,291</u>	<u>10,750</u>	<u>141,541</u>
Total expenditures	<u>152,291</u>	<u>10,750</u>	<u>141,541</u>
Excess of revenues over (under) expenditures	(120,301)	(5,740)	114,561
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(120,301)	(5,740)	114,561
RETAINED EARNINGS - July 1	<u>120,301</u>	<u>3,132</u>	<u>(117,169)</u>
RETAINED EARNINGS - June 30	<u>\$ -</u>	<u>\$ (2,608)</u>	<u>\$ (2,608)</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

SEWER PLANT IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Service charges	-	-	-
Connection charges	-	-	-
Investment income	-	668	668
Other revenue	-	-	-
Total revenues	<u>-</u>	<u>668</u>	<u>668</u>
EXPENDITURES:			
Personal services	-	-	-
Materials and services	-	-	-
Capital outlay	-	2,273	(2,273)
Contingency	-	-	-
Total expenditures	<u>-</u>	<u>2,273</u>	<u>(2,273)</u>
Excess of revenues over (under) expenditures	-	(1,605)	(1,605)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(1,605)	(1,605)
RETAINED EARNINGS - July 1	-	13,070	13,070
Prior period restatement	-	(309)	(309)
RETAINED EARNINGS - July 1, restated	-	12,761	12,761
RETAINED EARNINGS - June 30	<u>\$ -</u>	<u>\$ 11,156</u>	<u>\$ 11,156</u>

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

SEWER MASTER PLAN FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Service charges	42,485	-	(42,485)
Connection charges	-	-	-
Investment income	-	-	-
Other revenue	-	-	-
Total revenues	42,485	-	(42,485)
EXPENDITURES:			
Personal services	-	-	-
Materials and services	42,485	13,175	29,310
Capital outlay	-	-	-
Contingency	-	-	-
Total expenditures	42,485	13,175	29,310
Excess of revenues over (under) expenditures	-	(13,175)	(13,175)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(13,175)	(13,175)
RETAINED EARNINGS - July 1	-	4,976	4,976
RETAINED EARNINGS - June 30	\$ -	\$ (8,199)	\$ (8,199)

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OTHER SCHEDULES

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 1998

<u>Fiscal Year</u>	<u>1997-98 levy and balance at 7/1/97</u>	<u>Interest Discounts & Adjustments</u>	<u>Collections</u>	<u>Balance 6/30/98</u>
1997-98	172,618	(7,400)	151,504	13,714
1996-97	7,187	2,081	6,211	3,057
1995-96	2,538	294	1,561	1,271
1994-95	1,186	32	813	405
1993-94	470	407	766	111
1992-93	119	9	45	83
1991-92	59	(6)	6	47
Prior years	<u>206</u>	<u>13</u>	<u>31</u>	<u>188</u>
Totals	<u>\$ 184,383</u>	<u>\$ (4,569)</u>	<u>\$ 160,937</u>	<u>\$ 18,877</u>

Reconciliation to revenue:

Cash collections	160,937
Prior year accruals	(1,612)
Current year accruals	<u>5,585</u>
Property tax revenue	<u>\$ 164,910</u>

COMMENTS OF INDEPENDENT AUDITORS

CITIZENS BUILDING
975 OAK STREET
SUITE 1010
EUGENE, OREGON 97401-3174



GREGOR PROFESSIONAL
CORPORATION

541/686-8777
Facsimile 541/686-8779

Honorable Mayor and City Council
City of Lafayette, Oregon

We have audited the general purpose financial statements of the City of Lafayette, Oregon, as of and for the year ended June 30, 1998, and have issued our report thereon dated November 20, 1998.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The State of Oregon Minimum Standards for Audits of Oregon Municipal Corporations requires that we make comments and disclosures relating to our review of fiscal affairs and compliance with legal requirements. Our comments and disclosures are enclosed with this report.

GREGOR PROFESSIONAL CORPORATION
Certified Public Accountants

By John Gregor
John Gregor, President

Eugene, Oregon
November 20, 1998

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

COMMENTS OF INDEPENDENT ACCOUNTANTS REQUIRED BY STATE OF OREGON
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS

For the year ended June 30, 1998

ACCOUNTING AND INTERNAL CONTROL SYSTEMS

We found the accounting records, the accounting system, and the internal control system to be adequate. Our specific recommendations for improvements to the internal controls are contained in a separate management letter to the City Council, dated November 20, 1998.

COLLATERAL

We reviewed compliance with legal requirements pertaining to the amount and adequacy of collateral pledged by depositories to secure the deposit of public funds. We noted that the bank demand deposit was not sufficiently collateralized by the financial institution during the course of the fiscal year.

INDEBTEDNESS

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements, including any restrictions on the use of moneys available to retire indebtedness. We found no instances in which the City had not complied with these legal or contractual provisions relating to short-term or long-term debt.

INSURANCE AND FIDELITY BONDS

We reviewed compliance with legal requirements relating to insurance and fidelity bond coverage. During our audit, we found no instances of noncompliance with these legal requirements pertaining to insurance and fidelity bond coverage.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

During our audit, we found no material instances of noncompliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.

BUDGET

We reviewed budget procedures for compliance with Oregon local budget law. We found that the budget for the year ended June 30, 1998, was prepared, adopted, and executed substantially in accordance with local budget law (see Note 2 to the financial statements). We found that the budget for the year ending June 30, 1999, was prepared and adopted in accordance with local budget law.

THEORY

The theory of the present work is based on the following assumptions:

1. The system is in a steady state.

2. The system is in a steady state.

3. The system is in a steady state.

4. The system is in a steady state.

5. The system is in a steady state.

6. The system is in a steady state.

7. The system is in a steady state.

8. The system is in a steady state.

CITY OF LAFAYETTE
YAMHILL COUNTY, OREGON

COMMENTS OF INDEPENDENT ACCOUNTANTS REQUIRED BY STATE OF OREGON
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(continued)

For the year ended June 30, 1998

HIGHWAY FUNDS

We reviewed the constitutional and statutory requirements pertaining to revenue from motor vehicle fuel tax. During our audit we found no instance of noncompliance with these laws and regulations.

FINANCIAL REPORTING REQUIREMENTS

During our audit, we reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. Nothing came to our attention to indicate that these reports and data are not in agreement with and supported by the accounting records.

INVESTMENTS

We reviewed policies and procedures relating to investments of public funds. During our audit, nothing came to our attention to indicate that the City does not materially comply with legal requirements relating to investment of public funds.

PUBLIC CONTRACTS AND PURCHASING

We reviewed procedures relating to awarding of public contracts and the construction of public improvements. During our audit, we found no evidence to indicate that the City does not materially comply with legal requirements pertaining to public contracts and purchasing.

