

*CITY OF DUNDEE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014*



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

CITY OF DUNDEE, OREGON
CITY OFFICIALS
JUNE 30, 2014

<u>Name</u>	<u>MAYOR</u>	<u>Term</u>
Ted Crawford 876 SW View Crest Dr. Dundee, Oregon 97115		December 31, 2014

CITY COUNCIL MEMBERS

Jeannette Adlong 142 SW Redhills Drive Dundee, Oregon 97115		December 31, 2016
Jennifer Munson 759 NW 1 st Street Dundee, Oregon 97115		December 31, 2014
Storr Nelson 290 SE Edwards Drive Dundee, Oregon 97115		December 31, 2014
Doug Pugsley 109 SW Dogwood Drive Dundee, Oregon 97115		December 31, 2014
David Russ 1008 SW 7 th Street Dundee, Oregon 97115		December 31, 2016
Tim Weaver P.O. Box 764 Newberg, Oregon 97132		December 31, 2016

REGISTERED AGENT AND REGISTERED ADDRESS

Rob Daykin, City Administrator
P.O. Box 220
Dundee, Oregon 97115

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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Dundee
P. O. Box 220
Dundee, Oregon 97115

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of City of Dundee, Oregon (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in the notes to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundee, Oregon, as of June 30, 2014, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in the notes to the financial statements.

Basis of Accounting

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

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dundee, Oregon's basic financial statements. Management's discussion and analysis, budgetary comparison information, combining nonmajor fund financial statements, and other schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 27 2014, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Thomas E. Glogau, A Shareholder
October 27, 2014

**CITY OF DUNDEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This discussion and analysis presents the highlights of financial activities and financial position for the City of Dundee. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

	June 30,	
	2014	2013
Net position	\$ 3,137,945	\$ 3,668,084
Change in net position	(530,139)	1,810,496
Governmental net position	1,446,398	2,360,607
Proprietary net position	1,691,547	1,307,477
Change in governmental net position	(914,209)	1,272,975
Change in proprietary net position	384,070	537,521

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position (modified cash basis) - presents information on all the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (modified cash basis) presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position.

The government-wide financial statements are divided into two categories. The Governmental activities include most of the City's basic services such as police, fire, municipal court, street maintenance and improvements, community planning and governance. The Business-type activities include the operation of the City's water, sewer, and stormwater utilities.

Fund financial statements - The *fund financial statements* provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on compliance with finance-related legal requirements, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

The *proprietary funds* are used to account for charges to customers for the services it provides – whether to outside customers or to other units of the City. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position (modified cash basis)* and the *Statement of Activities (modified cash basis)*. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information.

Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information* related to the combining statements for non-major funds and the schedules of revenues, expenditures / expenses and changes in fund balance-budget and actual.

Independent Auditor's Report Required by Oregon State Regulations - These are supplemental communications on the City's compliance and internal controls as required by Oregon statutes.

FINANCIAL SUMMARY AND ANALYSIS

Statement of Net Position - The *Statement of Net Position* is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,137,945 at the close of the most recent fiscal year.

Current liabilities consist of customer deposits.

Net position - restricted represents sources that are subject to external restrictions on their use, such as debt service payments or construction.

Net position - unrestricted are available for general operations of the City.

Statements of Net Position (Modified Cash Basis)

June 30,

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,455,090	\$ 1,702,951	\$ 3,158,041	\$ 2,374,920	\$ 1,318,802	\$ 3,693,722
Deposits	8,692	11,404	20,096	14,313	11,325	25,638
Net Position:						
Restricted	249,283	1,564,791	1,814,074	1,150,782	1,110,213	2,260,995
Unrestricted	1,197,115	126,756	1,323,871	1,209,825	197,264	1,407,089
Total Net Position	\$ 1,446,398	\$ 1,691,547	\$ 3,137,945	\$ 2,360,607	\$ 1,307,477	\$ 3,668,084

Statement of Activities - As of June 30, 2014, there was decrease of \$914,209 in the net position of the governmental activities and an increase of \$384,070 in the net position of the business-type activities.

	2014			2013*		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 196,637	\$ 1,730,653	\$ 1,927,290	\$ 176,402	\$ 1,761,768	\$ 1,938,170
Operating grants and contributions	242,285	-	242,285	228,909	-	228,909
Capital grants and contributions	10,552	608,765	619,317	1,243,051	53,246	1,296,297
General Revenues						
Taxes and assessments	543,970	-	543,970	519,903	-	519,903
Franchise taxes	134,847	-	134,847	135,462	-	135,462
Transient room tax	34,157	-	34,157	-	-	-
Intergovernmental	72,286	-	72,286	70,312	-	70,312
Issuance of debt	1,600,000	833,458	2,433,458	410,508	8,751,440	9,161,948
Unrestricted investment earnings	9,416	9,892	19,308	10,971	5,183	16,154
Miscellaneous	3,739	-	3,739	31,955	228	32,183
Total Revenues	2,847,889	3,182,768	6,030,657	2,827,473	10,571,865	13,399,338
Expenses						
General government	351,511	-	351,511	288,420	-	288,420
Streets	215,813	-	215,813	137,061	-	137,061
Courts	18,193	-	18,193	18,136	-	18,136
Police service	448,799	-	448,799	441,340	-	441,340
Fire service and fire station construction	2,874,294	-	2,874,294	802,665	-	802,665
Community development	151,087	-	151,087	97,879	-	97,879
Interest on long-term debt	4,996	-	4,996	11,323	-	11,323
Water	-	1,114,002	1,114,002	-	472,535	472,535
Sewer	-	1,330,972	1,330,972	-	9,277,191	9,277,191
Storm water	-	51,129	51,129	-	42,292	42,292
Total Expenses	4,064,693	2,496,103	6,560,796	1,796,824	9,792,018	11,588,842
Transfers	302,595	(302,595)	-	242,326	(242,326)	-
Change in Net Position	(914,209)	384,070	(530,139)	1,272,975	537,521	1,810,496
Net Position, beginning of year	2,360,607	1,307,477	3,668,084	1,087,632	769,956	1,857,588
Net Position, end of year	\$ 1,446,398	\$ 1,691,547	\$ 3,137,945	\$ 2,360,607	\$ 1,307,477	\$ 3,668,084

*The 2013 numbers were reclassified to match current year presentation.

Governmental Activities – Net position decreased \$1,206,804 before transfers. There was \$302,595 transferred from the business-type activities to the governmental activities, which represents payment to the Equipment Reserve Fund for future equipment replacement and payment in lieu of a franchise fee to the General Fund.

The General Fund is the largest governmental fund and accounts for all of the financial resources of the City, which are not accounted for in any other fund. Principal sources of revenues are property taxes, franchise taxes, building permits, intergovernmental revenues and court fines. Expenditures are made for general governmental activities (administration, finance, court, planning and building), police and fire protection.

The Street Fund receives the City of Dundee's share of State Highway Fund revenues distributed on a per capita basis and local gas tax revenue. Excess revenues not expended on street maintenance activities are transferred to the Street Capital Improvement Fund.

The Fire Station Construction Fund was created to pay for the construction of the new fire station. The City received \$1,239,283 in net bond proceeds from the Dundee Rural Fire Protection District in the prior year, representing about a third of the construction cost. The City is financing its share of the project with a bank line of credit secured by a loan through USDA Rural Development.

The Equipment Reserve Fund is used to accumulate funds via transfers from the General Fund, Street Fund, Water Fund, Sewer Fund, and Storm Water Fund for the purpose of purchasing vehicles and equipment in accordance with a planned equipment replacement schedule.

The other governmental funds are not presented in the basic financial statements, but are individually presented as supplemental information. They include the State Revenue Sharing Fund, Street Reserve Fund, Tourism Fund, Street Capital Improvement Fund, and Parks Fund.

Business-type Activities - The increase in the net position of the business-type activities is primarily due to the reimbursement of costs of a new water reservoir constructed in 2010 with loan proceeds through the State Infrastructure Financing Authority Water/Wastewater Loan Program.

The three business-type activities in Dundee are the water, sewer and stormwater utilities. Each utility is self-sufficient with the primary source of revenues from service charges. System development charges are collected from new development and deposited in the respective CIP funds to help finance capital improvements.

FINANCIAL ANALYSIS OF FUNDS

The City's governmental funds reported a combined fund balance of \$1,446,398 as of June 30, 2014, which is a decrease of \$914,209 from June 30, 2013. This decrease is primarily due to costs incurred for the construction of a new fire station.

The General Fund is the primary operating fund of the City. The General Fund balance was \$412,199 on June 30, 2014, which is an increase of \$31,426 over June 30, 2013. This increase is mainly due expenditures being less than budgeted and not having to use the full amount of the current year contingency amount.

The Street Fund is used to account for the state and local gas tax revenues and street related expenditures. The Street fund balance was \$29,342 on June 30, 2014 which is an increase of \$24,955 over June 30, 2013. The \$8,300 Energy Trust of Oregon cash incentive for converting high pressure sodium street lights to LED fixtures helped offset the declining local gas tax revenue collections. The net increase to the fund balance is primarily due to a decrease in road surface maintenance activities.

The Equipment Reserve Fund is used to account for the purchasing of new equipment for Public Works. The Equipment Reserve Fund balance was \$724,731 on June 30 2014, which is an increase of \$93,508 over June 30, 2013. The primary reason for the increase is an increase in transfers from other funds.

The Fire Station Construction Fund is used to account for expenditures related to the construction of the new fire station. The Fire Station Construction Fund balance was \$135,538 on June 30, 2014, which is a decrease of \$995,804 over June 30, 2013. The decrease is due to the construction of the new fire station.

Proprietary funds provide the same type of information as presented in the government-wide statements of net position and activities, but in more detail. The proprietary funds net position was \$1,691,547 as of June 30, 2014, which is an increase of \$384,070. The increase in net position results primarily from loan proceeds received in the Water Capital Improvement Fund, less unreimbursed costs due from ODOT related to relocation of City-owned utilities in conflict with the Newberg-Dundee Bypass project.

The Water Fund is used to account for the City's water operations. The Water Fund balance was \$70,087 as of June 30, 2014, which is an increase of \$3,481 over June 30, 2013. There were no significant changes in the Water Fund.

The Sewer Fund is used to account for the City's sewer operations. The Sewer Fund balance was \$33,463 as of June 30, 2014, which is a decrease of \$67,746 over June 30, 2013. The primary reason for the decrease is transfers out of the fund into the Equipment Reserve Fund and Sewer Capital Improvements Fund.

The Water Capital Improvement Fund is used to account for transfers from the Water Fund and Water SDC charges to be used for future water related construction projects. The Water Capital Improvement Fund balance was \$988,932 as of June 30, 2014, which is an increase of \$571,342 over June 30, 2013. The primary reasons for the increase are a new issuance of debt for costs incurred in prior years and a reimbursement from ODOT for utility relocation costs.

The Sewer Capital Improvement Fund is used to account for transfers from the Sewer Fund and Sewer SDC charges to be used for future sewer related construction projects. The Sewer Capital Improvement Fund balance was \$503,975 as of June 30, 2014, which is a decrease of \$139,433 over June 30, 2013. The primary reason for the decrease is expenditures related to utility relocation.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one change to the general fund budget during the year in order to increase capital outlay for the purchase of a new city hall sign.

DEBT ADMINISTRATION

The City's governmental activities had a bond anticipation note in the amount of \$2,010,508 outstanding as of June 30, 2014 which represents an increase of \$1,600,000 over June 30, 2013 due to additional debt related to the construction of the new fire station.

The City's business-type activities debt balance was \$10,092,681 as of June 30, 2014 which represents an increase of \$392,681 over June 30, 2014. During the year, the City issued a total of \$833,458 in long-term debt related to business-type activities and paid principal and interest payments on outstanding debt in the amount of \$725,993.

Additional information on long-term obligations of the City may be found in the notes to the basic financial statements.

ECONOMIC FACTORS

The City's water supply is provided by groundwater wells located throughout the community, however, the combined production capacity is barely adequate for the current population. The City plans on bringing a new well into service in 2015 to serve high water demands during the summer months. The City will evaluate long-term water supply alternates in the update to the 2003 Water Master Plan which is expected to be completed by April 2015.

The Riverside District Master Plan was adopted as an ancillary document to the Dundee Comprehensive Plan in 2011. The Plan provides guidance to the development of residential, commercial and light industrial uses for approximately 263 acres of undeveloped property within the Urban Growth Boundary located between the developed part of the City and the Willamette River. The Plan will accommodate about 970 residential units. Implementation of the Plan is dependent upon future actions, including development of water supply and adoption of design standards for the Riverside District zone.

Construction of Phase 1 of the Newberg-Dundee Bypass was started in 2013 and is expected to be completed in 2017. The Bypass will provide significant relief to the traffic congestion on Highway 99W in Dundee. In anticipation of the new Bypass facility, the process to update the 2003 Dundee Transportation System Plan was started in 2012 and expected to be completed in 2015.

The City obtained a \$1.55 million Transportation Enhancement (TE) grant for sidewalk construction and streetscape improvements along Highway 99W in Dundee. In addition to the TE local match of \$177,600; the project budget was amended in 2013 to include property assessments in the amount of \$397,700, representing a share of the sidewalk, driveway and curb construction costs. ODOT was contracted to design the project to coincide with the State's resurfacing of Highway 99W in Dundee and construction is expected to be completed by the end of 2015.

Following voter approval in May 2012 for the issuance of general obligation bonds to construct a new fire station, property has been acquired and construction of the new facility is underway. The cost of this \$3.8 million project is shared between the City and the Dundee Rural Fire Protection District, two-thirds and one-third, respectively. Construction is expected to be substantially completed by October 2014.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability.

If you have questions about the report or need additional financial information, please contact the City Administrator at P.O. Box 220, Dundee, Oregon 97115.

BASIC FINANCIAL STATEMENTS

CITY OF DUNDEE, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 1,455,090	\$ 1,702,951	\$ 3,158,041
LIABILITIES			
Deposits	8,692	11,404	20,096
NET POSITION			
Restricted for:			
Construction	135,538	1,564,791	1,700,329
Streets	113,745	-	113,745
Unrestricted	1,197,115	126,756	1,323,871
<i>Total Net Position</i>	<u>\$ 1,446,398</u>	<u>\$ 1,691,547</u>	<u>\$ 3,137,945</u>

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

CITY OF DUNDEE, OREGON

STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2014

<i>FUNCTIONS/PROGRAMS</i>	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<i>Governmental activities:</i>				
General government	\$ 351,511	\$ -	\$ -	\$ 552
Streets	215,813	-	227,197	-
Courts	18,193	54,248	-	-
Police service	448,799	-	15,088	-
Fire service	275,456	70,876	-	-
Fire station construction	2,598,838	-	-	5,000
Community development	151,087	71,513	-	5,000
Interest on long-term debt	4,996	-	-	-
<i>Total Governmental activities</i>	<i>4,064,693</i>	<i>196,637</i>	<i>242,285</i>	<i>10,552</i>
<i>Business-type activities:</i>				
Water	1,114,002	556,680	-	436,638
Sewer	1,330,972	1,087,698	-	159,695
Storm water	51,129	86,275	-	12,432
<i>Total Business-type activities</i>	<i>2,496,103</i>	<i>1,730,653</i>	<i>-</i>	<i>608,765</i>
<i>Total Activities</i>	<i>\$ 6,560,796</i>	<i>\$ 1,927,290</i>	<i>\$ 242,285</i>	<i>\$ 619,317</i>

General Revenues:

- Property taxes
- Franchise taxes
- Transient room taxes
- Intergovernmental
- Issuance of debt
- Investment earnings
- Miscellaneous

Total General Revenues

Transfers

Change in Net Position

Net Position - beginning of year

Net Position - end of year

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (350,959)	\$ -	\$ (350,959)
11,384	-	11,384
36,055	-	36,055
(433,711)	-	(433,711)
(204,580)	-	(204,580)
(2,593,838)	-	(2,593,838)
(74,574)	-	(74,574)
(4,996)	-	(4,996)
(3,615,219)	-	(3,615,219)
-	(120,684)	(120,684)
-	(83,579)	(83,579)
-	47,578	47,578
-	(156,685)	(156,685)
(3,615,219)	(156,685)	(3,771,904)
543,970	-	543,970
134,847	-	134,847
34,157	-	34,157
72,286	-	72,286
1,600,000	833,458	2,433,458
9,416	9,892	19,308
3,739	-	3,739
2,398,415	843,350	3,241,765
302,595	(302,595)	-
(914,209)	384,070	(530,139)
2,360,607	1,307,477	3,668,084
\$ 1,446,398	\$ 1,691,547	\$ 3,137,945

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

CITY OF DUNDEE, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2014

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Equipment Reserve Fund</u>
ASSETS			
Cash and cash equivalents	\$ 420,891	\$ 29,342	\$ 724,731
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ 8,692	\$ -	\$ -
Fund Balance:			
Restricted for:			
Construction	-	-	-
Streets	-	29,342	-
Committed to:			
Community development	-	-	-
Construction	-	-	724,731
Unassigned	412,199	-	-
<i>Total Fund Balance</i>	412,199	29,342	724,731
Total Liabilities and Fund Balance	\$ 420,891	\$ 29,342	\$ 724,731

<i>Projects</i>		
<i>Fire Station Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 135,538	\$ 144,588	\$ 1,455,090
\$ -	\$ -	\$ 8,692
135,538	-	135,538
-	84,403	113,745
-	17,945	17,945
-	42,240	766,971
-	-	412,199
135,538	144,588	1,446,398
\$ 135,538	\$ 144,588	\$ 1,455,090

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

CITY OF DUNDEE, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2014**

		<u>Special Revenue</u>	<u>Capital</u>
	<u>General Fund</u>	<u>Street</u>	<u>Equipment Reserve Fund</u>
REVENUES			
Taxes and assessments	\$ 554,217	\$ 36,638	\$ -
Fines and forfeitures	54,248	-	-
Licenses and permits	199,399	-	-
Charges for services	8,493	-	-
Intergovernmental	133,212	182,259	-
Miscellaneous	6,474	8,416	3,277
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	956,043	227,313	3,277
EXPENDITURES			
Current			
General government	291,829	-	-
Streets	-	115,821	-
Courts	18,193	-	-
Police service	448,799	-	-
Fire service	270,259	-	-
Community development	83,959	-	-
Debt Service			
Interest	-	-	-
Capital outlay	6,810	-	58,069
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	1,119,849	115,821	58,069
REVENUES OVER (UNDER) EXPENDITURES			
	(163,806)	111,492	(54,792)
OTHER FINANCING SOURCES (USES)			
Transfers in	263,832	-	148,300
Transfers out	(68,600)	(86,537)	-
Issuance of debt	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	195,232	(86,537)	148,300
NET CHANGE IN FUND BALANCE	31,426	24,955	93,508
FUND BALANCE, beginning of year	380,773	4,387	631,223
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 412,199	\$ 29,342	\$ 724,731
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Projects</i>		
<i>Fire Station Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 23,910	\$ 614,765
-	-	54,248
-	-	199,399
-	-	8,493
-	23,608	339,079
8,030	5,708	31,905
8,030	53,226	1,247,889
-	-	291,829
-	-	115,821
-	-	18,193
-	-	448,799
157,814	-	428,073
-	50,481	134,440
4,996	-	4,996
2,441,024	116,639	2,622,542
2,603,834	167,120	4,064,693
(2,595,804)	(113,894)	(2,816,804)
-	48,100	460,232
-	(2,500)	(157,637)
1,600,000	-	1,600,000
1,600,000	45,600	1,902,595
(995,804)	(68,294)	(914,209)
1,131,342	212,882	2,360,607
\$ 135,538	\$ 144,588	\$ 1,446,398

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

CITY OF DUNDEE, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS

JUNE 30, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 81,491	\$ 33,463	\$ 988,932
LIABILITIES			
Deposits	11,404	-	-
NET POSITION:			
Restricted for:			
Construction	-	-	988,932
Unrestricted	70,087	33,463	-
<i>Total Net Position</i>	<u>\$ 70,087</u>	<u>\$ 33,463</u>	<u>\$ 988,932</u>

<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 503,975	\$ 95,090	\$ 1,702,951
-	-	11,404
503,975	71,884	1,564,791
-	23,206	126,756
<u>\$ 503,975</u>	<u>\$ 95,090</u>	<u>\$ 1,691,547</u>

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

CITY OF DUNDEE, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>
OPERATING REVENUES		
Charges for services	\$ 556,680	\$ 1,087,698
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Operating Revenues</i>	556,680	1,087,698
OPERATING EXPENSES		
Personal services	151,902	117,178
Materials and services	101,897	210,896
	<hr/>	<hr/>
<i>Total Operating Expenses</i>	253,799	328,074
OPERATING INCOME	302,881	759,624
NONOPERATING REVENUES (EXPENSES)		
<i>Noncapital Financing Revenues (Expenses)</i>		
Transfers in	-	-
Transfers out	(283,882)	(827,607)
	<hr/>	<hr/>
<i>Total Noncapital Financing Revenues (Expenses)</i>	(283,882)	(827,607)
<i>Capital Financing Revenues (Expenses)</i>		
Capital contributions	-	-
Issuance of debt	-	-
Capital outlay	(16,046)	-
Debt service		
Principal	-	-
Interest	-	-
	<hr/>	<hr/>
<i>Total Capital Financing Revenues (Expenses)</i>	(16,046)	-
Investing Revenues		
Interest revenue	528	237
	<hr/>	<hr/>
<i>Total Nonoperating Revenues (Expenses)</i>	(299,400)	(827,370)
CHANGE IN NET POSITION	3,481	(67,746)
NET POSITION, beginning of year	66,606	101,209
	<hr/>	<hr/>
NET POSITION, end of year	\$ 70,087	\$ 33,463
	<hr/> <hr/>	<hr/> <hr/>

<i>Water Capital Improvement</i>	<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 86,275	\$ 1,730,653
-	-	-	-
-	-	86,275	1,730,653
-	-	36,060	305,140
-	-	15,459	328,252
-	-	51,519	633,392
-	-	34,756	1,097,261
140,000	700,000	10,000	850,000
-	-	(41,106)	(1,152,595)
140,000	700,000	(31,106)	(302,595)
436,638	159,695	12,432	608,765
833,458	-	-	833,458
(782,612)	(338,060)	-	(1,136,718)
(55,091)	(385,686)	-	(440,777)
(6,454)	(278,762)	-	(285,216)
425,939	(842,813)	12,432	409,223
5,403	3,380	344	9,892
571,342	(139,433)	(18,330)	(713,191)
571,342	(139,433)	16,426	384,070
417,590	643,408	78,664	1,307,477
\$ 988,932	\$ 503,975	\$ 95,090	\$ 1,691,547

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

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basic Financial Statements

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

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

The Statement of Net Position (Modified Cash Basis) presents information on the assets and liabilities of the City of Dundee as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Net position is shown subject to net position - restricted and net position - unrestricted. When expenses are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

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

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

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds. The City reports the following governmental funds as major:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenues are property taxes, licenses and permits, franchise taxes and State shared revenues. Primary expenditures are for administration, police and fire protection, planning, and municipal court.

Street Fund

Gas tax apportionments received from the State are recorded in this fund. Expenditures are for road maintenance activities, including street lighting.

Equipment Reserve Fund

This fund is used to accumulate resources to purchase equipment by transfers from other funds.

Fire Station Construction Fund

This fund was created to pay for the construction of the new fire stations. Revenues are primarily from the fire district.

The City reports the following proprietary funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers.

Water Fund

Financial activities of the City's water utility are recorded in this fund. Revenues consist primarily of user charges. Expenditures are primarily for operation of the utility and for acquisition of property, plant, and equipment.

Sewer Fund

Financial activities of the City's sewer utility are recorded in this fund. Revenues consist primarily of user charges. Expenditures are primarily for operation of the utility and for acquisition of property, plant, and equipment.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Water CIP Fund

This fund was established to account for revenues received from water system development charges and to provide for future improvements to the water system.

Sewer CIP Fund

This fund was established to account for revenues received from sewer system development charges and to provide for future improvements to the sewer system.

The City reports the following nonmajor governmental funds:

State Revenue Sharing Fund

This fund accounts for the City's share of State liquor revenue received from the State pursuant to ORS 221.770.

Tourism Fund

This fund accounts for revenues received from room taxes and is used for promotion of tourism.

Street Reserve

This fund accounts for funds set aside for future improvements to Third Street. Revenues are from interest earned.

Street CIP Fund

This fund accounts for transfers from the Street fund and grants to be used for street improvement projects, including sidewalks, street overlays and street reconstruction.

Parks Fund

This fund accounts for funds received from the State Revenue Sharing Fund for use in the maintenance and improvement of the parks.

The City reports the following nonmajor proprietary funds:

Stormwater Fund

This fund accounts for user maintenance of the City's stormwater system. Revenues consist primarily of user charges.

Stormwater CIP Fund

This fund was established to account for revenues received from stormwater system development charges and to account for capital outlay and debt service payments related to the stormwater system.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

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

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

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

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund. In addition, certain Special Revenue Funds are reported as part of the General Fund because their source of funds is primarily transfers from the General Fund.

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Cash and Cash Equivalents

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

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

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

Investments are stated at cost, which approximates fair value.

Accrued Compensated Absences

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

Budget and Budgetary Accounting

The City adopts the budget on an object basis, therefore, cash expenditures of a specific object within a fund may not legally exceed that object's appropriations for cash expenditures. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

CASH AND CASH EQUIVALENTS

The City maintains a pool of cash and cash equivalents that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and cash equivalents. Interest earned on pooled cash and cash equivalents is allocated to participating funds based upon their combined cash and investment balances.

The City's deposits and investments at June 30, 2014 are as follows:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 50	\$ 50
Deposits with financial institutions	112,658	112,658
Investments		
Local Government Investment Pool	3,045,333	3,045,333
	<u>\$ 3,158,041</u>	<u>\$ 3,158,041</u>

Deposits

The City's deposits with various financial institutions had a bank balance of \$220,734 and a book balance of \$112,658 at June 30, 2014. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Custodial Risk – Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2014, all of the City's bank balances were covered by the FDIC.

Local Government Investment Pool

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

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

CASH AND CASH EQUIVALENTS (Continued)

Local Government Investment Pool (Continued)

Council (ORS 294.805 to 294.895). At June 30, 2014, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Risk - Investments

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

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

LONG-TERM DEBT

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

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2014</u>	<u>Next Year Requirements</u>
<i>Governmental Activities</i>					
Key Bank Bond Anticipation Note, \$2,578,000 authorized with varying interest. Interest rate at June 30, 2014 was 0.84%.	\$ 410,508	\$ 1,600,000	\$ -	\$ 2,010,508	\$ 2,010,508
<i>Business-type Activities</i>					
Wastewater loan issued during 2012, original loan of \$9,700,000 with an interest rate of 2.65%.	\$ 9,700,000	\$ -	\$ (385,686)	\$ 9,314,314	\$ 395,974
Business Oregon IFA Note, Water reservoir loan issued during 2013, original loan of \$833,458 with an interest rate of 4.04%.	-	833,458	(55,091)	778,367	30,099
	<u>\$ 9,700,000</u>	<u>\$ 833,458</u>	<u>\$ (440,777)</u>	<u>\$ 10,092,681</u>	<u>\$ 426,073</u>

Repayment of the Key Bank bond anticipation loan is due when the new bonds are issued. The interest rate on the loan is (LIBOR Rate plus 1.10%) x 65.01%.

The Wastewater Loan requires a reserve in the amount of \$315,244. The City was in compliance with this requirement at June 30, 2014.

Future debt service requirements are as follows:

Governmental Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,010,508	\$ 8,256	\$ 2,018,764

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT (Continued)

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 426,073	\$ 275,670	\$ 701,743
2016	437,853	263,890	701,743
2017	449,963	251,780	701,743
2018	462,412	239,331	701,743
2019	475,212	226,530	701,742
2020-2024	2,581,045	927,668	3,508,713
2025-2029	2,959,739	548,976	3,508,715
2030-2033	2,300,384	128,714	2,429,098
	<u>\$ 10,092,681</u>	<u>\$ 2,862,559</u>	<u>\$ 12,955,240</u>

PENSION PLAN

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon, 97281-3700 or by calling 503-598-7377.

CITY OF DUNDEE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2014

PENSION PLAN (Continued)

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 13.08%, 9.47% and 12.20%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2014, 2013, and 2012 were \$86,508, \$86,291 and \$81,543, respectively, which equaled the required contribution for the year.

INTERFUND TRANSACTIONS

The City charges an internal administration charge to the Street, Water, Sewer, and Storm Water Funds for charges associated with general government operations recorded in the General Fund. These charges are recorded as revenue and expenditures in the budgetary statements and transfers in the financial statements. The charges recorded for the year ended June 30, 2014 were as follows:

	<i>Internal Administration Charge</i>
Street	\$ 27,737
Water	77,115
Sewer	59,487
Storm Water	18,306
	\$ 182,645

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

INTERFUND TRANSACTIONS (Continued)

	<i>Budgetary</i>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 81,187	\$ 68,600
Equipment Reserve	148,300	-
Street	-	58,800
State Revenue Sharing	600	2,500
Street CIP	45,000	-
Parks	2,500	-
Water	-	206,767
Sewer	-	768,120
Water CIP	140,000	-
Sewer CIP	700,000	-
Storm Water	-	22,800
Storm Water CIP	10,000	-
	<u>\$ 1,127,587</u>	<u>\$ 1,127,587</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) for interfund charges.

CONTINGENCIES

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

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

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits expenditures of a fund in excess of Council approved appropriations.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2014 occurred as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Station Construction Fund			
Materials and services	\$ 154,500	\$ 157,814	\$ (3,314)

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

NEW PRONOUNCEMENTS

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement was implemented in the current year.

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

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF DUNDEE, OREGON

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

JUNE 30, 2014

	<i>Special Revenue</i>		<i>Capital</i>
	<i>State Revenue</i>	<i>Tourism</i>	<i>Street Reserve</i>
	<i>Sharing</i>		
ASSETS			
Cash and cash equivalents	\$ 1,098	\$ 7,752	\$ 42,240
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Streets	-	-	-
Committed to:			
Community development	1,098	7,752	-
Construction	-	-	42,240
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	1,098	7,752	42,240
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 1,098	\$ 7,752	\$ 42,240
	<hr/>	<hr/>	<hr/>

Projects

<u>Street Capital Improvement</u>	<u>Parks</u>	<u>Total</u>
\$ 84,403	\$ 9,095	\$ 144,588
\$ -	\$ -	\$ -
84,403	-	84,403
-	9,095	17,945
-	-	42,240
84,403	9,095	144,588
\$ 84,403	\$ 9,095	\$ 144,588

CITY OF DUNDEE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2014

	<i>Special Revenue</i>		<i>Capital</i>
	<i>State Revenue Sharing</i>	<i>Tourism</i>	<i>Street Reserve</i>
REVENUES			
Taxes and assessments	\$ -	\$ 23,910	\$ -
Intergovernmental	23,608	-	-
Miscellaneous	18	5,036	224
<i>Total Revenues</i>	23,626	28,946	224
EXPENDITURES			
Community development	12,121	38,029	-
Capital outlay	13,311	2,605	-
<i>Total Expenditures</i>	25,432	40,634	-
REVENUES OVER (UNDER) EXPENDITURES	(1,806)	(11,688)	224
OTHER FINANCING SOURCES (USES)			
Transfers in	600	-	-
Transfers out	(2,500)	-	-
<i>Total Other Financing Sources and Uses</i>	(1,900)	-	-
NET CHANGE IN FUND BALANCE	(3,706)	(11,688)	224
FUND BALANCE, beginning of year	4,804	19,440	42,016
FUND BALANCE, end of year	\$ 1,098	\$ 7,752	\$ 42,240

<i>Projects</i>		
<i>Street Capital Improvement</i>	<i>Parks</i>	<i>Total</i>
\$ -	\$ -	\$ 23,910
-	-	23,608
395	35	5,708
395	35	53,226
-	331	50,481
99,992	731	116,639
99,992	1,062	167,120
(99,597)	(1,027)	(113,894)
45,000	2,500	48,100
-	-	(2,500)
45,000	2,500	45,600
(54,597)	1,473	(68,294)
139,000	7,622	212,882
\$ 84,403	\$ 9,095	\$ 144,588

CITY OF DUNDEE, OREGON

COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) –

NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2014

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 23,206	\$ 71,884	\$ 95,090
LIABILITIES	-	-	-
NET POSITION:			
Restricted for:			
Construction	-	71,884	71,884
Unrestricted	23,206	-	23,206
<i>Total Net Position</i>	<u>\$ 23,206</u>	<u>\$ 71,884</u>	<u>\$ 95,090</u>

CITY OF DUNDEE, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 86,275	\$ -	\$ 86,275
OPERATING EXPENSES			
Personal services	36,060	-	36,060
Materials and services	15,459	-	15,459
<i>Total Operating Expenses</i>	<u>51,519</u>	<u>-</u>	<u>51,519</u>
OPERATING INCOME	34,756	-	34,756
NONOPERATING REVENUES (EXPENSES)			
Noncapital Financing Revenues (Expenses)			
Transfers in	-	10,000	10,000
Transfers out	(41,106)	-	(41,106)
<i>Total Noncapital Financing Revenues (Expenses)</i>	<u>(41,106)</u>	<u>10,000</u>	<u>(31,106)</u>
Capital Financing Revenues (Expenses)			
Capital contributions	-	12,432	12,432
Investing Revenues			
Interest revenue	107	237	344
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(40,999)</u>	<u>22,669</u>	<u>(18,330)</u>
CHANGE IN NET POSITION	(6,243)	22,669	16,426
NET POSITION, beginning of year	<u>29,449</u>	<u>49,215</u>	<u>78,664</u>
NET POSITION, end of year	<u>\$ 23,206</u>	<u>\$ 71,884</u>	<u>\$ 95,090</u>

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 535,400	\$ 535,400	\$ 554,217	\$ 18,817
Fines and forfeitures	52,000	52,000	54,248	2,248
Licenses and permits	184,100	184,100	199,399	15,299
Charges for services	193,800	193,800	191,138	(2,662)
Intergovernmental	135,200	135,200	133,212	(1,988)
Miscellaneous	4,400	4,400	6,474	2,074
<i>Total Revenues</i>	1,104,900	1,104,900	1,138,688	33,788
EXPENDITURES				
Administration/Finance	301,200	304,100	293,442	10,658
Courts	19,700	19,700	18,193	1,507
Police service	450,900	450,900	448,799	2,101
Fire service	332,000	332,000	275,456	56,544
Community development	90,500	90,500	83,959	6,541
Contingency	40,000	36,500	-	36,500
<i>Total Expenditures</i>	1,234,300	1,233,700	1,119,849	113,851
REVENUES OVER (UNDER) EXPENDITURES	(129,400)	(128,800)	18,839	147,639
OTHER FINANCING SOURCES (USES)				
Transfers in	82,800	82,800	81,187	(1,613)
Transfers out	(68,000)	(68,600)	(68,600)	-
<i>Total Other Financing Sources and Uses</i>	14,800	14,200	12,587	(1,613)
NET CHANGE IN FUND BALANCE	(114,600)	(114,600)	31,426	146,026
FUND BALANCE, beginning of year	364,700	364,700	380,773	16,073
FUND BALANCE, end of year	\$ 250,100	\$ 250,100	\$ 412,199	\$ 162,099

CITY OF DUNDEE, OREGON

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET FUND
YEAR ENDED JUNE 30, 2014*

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 45,000	\$ 45,000	\$ 36,638	\$ (8,362)
Intergovernmental	181,700	181,700	182,259	559
Miscellaneous	200	200	8,416	8,216
<i>Total Revenues</i>	226,900	226,900	227,313	413
EXPENDITURES				
Personal services	57,500	57,500	54,638	2,862
Materials and services	111,200	111,200	88,920	22,280
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	173,700	173,700	143,558	30,142
REVENUES OVER (UNDER) EXPENDITURES	53,200	53,200	83,755	30,555
OTHER FINANCING SOURCES (USES)				
Transfers out	(58,800)	(58,800)	(58,800)	-
NET CHANGE IN FUND BALANCE	(5,600)	(5,600)	24,955	30,555
FUND BALANCE, beginning of year	7,000	7,000	4,387	(2,613)
FUND BALANCE, end of year	\$ 1,400	\$ 1,400	\$ 29,342	\$ 27,942

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - EQUIPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 3,277	\$ 277
EXPENDITURES				
Capital outlay	967,400	967,400	58,069	909,331
REVENUES OVER (UNDER) EXPENDITURES	(964,400)	(964,400)	(54,792)	909,608
OTHER FINANCING SOURCES (USES)				
Transfers in	128,300	128,300	148,300	20,000
Issuance of debt	200,000	200,000	-	(200,000)
<i>Total Other Financing Sources and Uses</i>	328,300	328,300	148,300	(180,000)
NET CHANGE IN FUND BALANCE	(636,100)	(636,100)	93,508	729,608
FUND BALANCE, beginning of year	636,100	636,100	631,223	(4,877)
FUND BALANCE, end of year	\$ -	\$ -	\$ 724,731	\$ 724,731

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - FIRE STATION CONSTRUCTION FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 79,500	\$ 79,500	\$ 8,030	\$ (71,470)
EXPENDITURES				
Materials and services	124,500	154,500	157,814	(3,314)
Debt service				
Interest	2,577,100	2,577,100	4,996	2,572,104
Capital outlay	3,250,500	3,220,500	2,441,024	779,476
<i>Total Expenditures</i>	<u>5,952,100</u>	<u>5,952,100</u>	<u>2,603,834</u>	<u>3,348,266</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,872,600)	(5,872,600)	(2,595,804)	3,276,796
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	-	(20,000)
Issuance of debt	4,727,800	4,727,800	1,600,000	(3,127,800)
<i>Total Other Financing Sources and Uses</i>	<u>4,747,800</u>	<u>4,747,800</u>	<u>1,600,000</u>	<u>(3,147,800)</u>
NET CHANGE IN FUND BALANCE	(1,124,800)	(1,124,800)	(995,804)	128,996
FUND BALANCE, beginning of year	<u>1,124,800</u>	<u>1,124,800</u>	<u>1,131,342</u>	<u>6,542</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,538</u>	<u>\$ 135,538</u>

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STATE REVENUE SHARING FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 23,000	\$ 23,000	\$ 23,608	\$ 608
Miscellaneous	100	100	18	(82)
<i>Total Revenues</i>	23,100	23,100	23,626	526
EXPENDITURES				
Materials and services	11,600	12,700	12,121	579
Capital outlay	14,000	13,500	13,311	189
<i>Total Expenditures</i>	25,600	26,200	25,432	768
REVENUES OVER (UNDER) EXPENDITURES	(2,500)	(3,100)	(1,806)	1,294
OTHER FINANCING SOURCES (USES)				
Transfers in	-	600	600	-
Transfers out	(2,500)	(2,500)	(2,500)	-
<i>Total Other Financing Sources and Uses</i>	(2,500)	(1,900)	(1,900)	-
NET CHANGE IN FUND BALANCE	(5,000)	(5,000)	(3,706)	1,294
FUND BALANCE, beginning of year	5,000	5,000	4,804	(196)
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,098	\$ 1,098

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - TOURISM FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 21,000	\$ 22,000	\$ 23,910	\$ 1,910
Miscellaneous	100	5,100	5,036	(64)
<i>Total Revenues</i>	21,100	27,100	28,946	1,846
EXPENDITURES				
Materials and services	35,000	41,500	38,029	3,471
Capital outlay	3,000	3,000	2,605	395
<i>Total Expenditures</i>	38,000	44,500	40,634	3,866
NET CHANGE IN FUND BALANCE	(16,900)	(17,400)	(11,688)	5,712
FUND BALANCE, beginning of year	18,900	19,400	19,440	40
FUND BALANCE, end of year	\$ 2,000	\$ 2,000	\$ 7,752	\$ 5,752

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET RESERVE FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 200	\$ 200	\$ 224	\$ 24
EXPENDITURES				
Capital outlay	42,200	42,200	-	42,200
NET CHANGE IN FUND BALANCE	(42,000)	(42,000)	224	42,224
FUND BALANCE, beginning of year	42,000	42,000	42,016	16
FUND BALANCE, end of year	\$ -	\$ -	\$ 42,240	\$ 42,240

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET CIP FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 420,000	\$ 420,000	\$ -	\$ (420,000)
Miscellaneous	800	800	395	(405)
<i>Total Revenues</i>	420,800	420,800	395	(420,405)
EXPENDITURES				
Debt service				
Interest	3,000	3,000	-	3,000
Capital outlay	889,000	889,000	99,992	789,008
<i>Total Expenditures</i>	892,000	892,000	99,992	792,008
REVENUES OVER (UNDER) EXPENDITURES	(471,200)	(471,200)	(99,597)	371,603
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	45,000	45,000	-
Proceeds from issuance of debt	284,000	284,000	-	(284,000)
<i>Total Other Financing Sources and Uses</i>	329,000	329,000	45,000	(284,000)
NET CHANGE IN FUND BALANCE	(142,200)	(142,200)	(54,597)	87,603
FUND BALANCE, beginning of year	142,600	142,600	139,000	(3,600)
FUND BALANCE, end of year	\$ 400	\$ 400	\$ 84,403	\$ 84,003

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARKS FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Miscellaneous	100	100	35	(65)
<i>Total Revenues</i>	<u>75,100</u>	<u>75,100</u>	<u>35</u>	<u>(75,065)</u>
EXPENDITURES				
Materials and services	4,800	4,800	331	4,469
Capital outlay	77,500	77,500	731	76,769
<i>Total Expenditures</i>	<u>82,300</u>	<u>82,300</u>	<u>1,062</u>	<u>81,238</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,200)</u>	<u>(7,200)</u>	<u>(1,027)</u>	<u>6,173</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(4,700)</u>	<u>(4,700)</u>	<u>1,473</u>	<u>6,173</u>
FUND BALANCE, beginning of year	<u>4,700</u>	<u>4,700</u>	<u>7,622</u>	<u>2,922</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,095</u>	<u>\$ 9,095</u>

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 577,200	\$ 577,200	\$ 556,680	\$ (20,520)
Miscellaneous	1,100	1,100	528	(572)
<i>Total Revenues</i>	578,300	578,300	557,208	(21,092)
EXPENDITURES				
Personal services	158,600	158,600	151,902	6,698
Materials and services	213,900	213,900	179,012	34,888
Capital outlay	28,000	28,000	16,046	11,954
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	420,500	420,500	346,960	73,540
REVENUES OVER (UNDER) EXPENDITURES	157,800	157,800	210,248	52,448
OTHER FINANCING SOURCES (USES)				
Transfers out	(207,900)	(207,900)	(206,767)	1,133
CHANGE IN FUND BALANCE	(50,100)	(50,100)	3,481	53,581
FUND BALANCE, beginning of year	61,900	61,900	66,606	4,706
FUND BALANCE, end of year	\$ 11,800	\$ 11,800	\$ 70,087	\$ 58,287

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,095,000	\$ 1,095,000	\$ 1,087,698	\$ (7,302)
Miscellaneous	600	600	237	(363)
<i>Total Revenues</i>	1,095,600	1,095,600	1,087,935	(7,665)
EXPENDITURES				
Personal services	123,300	123,300	117,178	6,122
Materials and services	270,700	270,700	270,383	317
Capital outlay	12,000	12,000	-	12,000
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	426,000	426,000	387,561	38,439
REVENUES OVER (UNDER) EXPENDITURES	669,600	669,600	700,374	30,774
OTHER FINANCING SOURCES (USES)				
Transfers out	(768,600)	(768,600)	(768,120)	480
CHANGE IN FUND BALANCE	(99,000)	(99,000)	(67,746)	31,254
FUND BALANCE, beginning of year	111,100	111,100	101,209	(9,891)
FUND BALANCE, end of year	\$ 12,100	\$ 12,100	\$ 33,463	\$ 21,363

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER CIP FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 13,000	\$ 13,000	\$ 15,506	\$ 2,506
Intergovernmental	440,000	663,200	421,132	(242,068)
Miscellaneous	2,000	2,000	5,403	3,403
<i>Total Revenues</i>	455,000	678,200	442,041	(236,159)
EXPENDITURES				
Debt service				
Principal	-	55,100	55,091	9
Interest	-	6,500	6,454	46
Capital outlay	815,000	844,000	782,612	61,388
<i>Total Expenditures</i>	815,000	905,600	844,157	61,443
REVENUES OVER (UNDER) EXPENDITURES	(360,000)	(227,400)	(402,116)	(174,716)
OTHER FINANCING SOURCES (USES)				
Transfers in	140,000	140,000	140,000	-
Issuance of interfund loan	(200,000)	(200,000)	-	200,000
Proceeds from issuance of debt	-	833,500	833,458	(42)
<i>Total Other Financing Sources and Uses</i>	(60,000)	773,500	973,458	199,958
CHANGE IN FUND BALANCE	(420,000)	546,100	571,342	25,242
FUND BALANCE, beginning of year	420,700	420,700	417,590	(3,110)
FUND BALANCE, end of year	\$ 700	\$ 966,800	\$ 988,932	\$ 22,132

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER CIP FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 24,900	\$ 24,900	\$ 44,844	\$ 19,944
Intergovernmental	-	209,500	69,280	(140,220)
Miscellaneous	53,200	53,200	48,951	(4,249)
<i>Total Revenues</i>	78,100	287,600	163,075	(124,525)
EXPENDITURES				
Debt service				
Principal	385,700	385,700	385,686	14
Interest	278,800	278,800	278,762	38
Capital outlay	135,000	344,500	338,060	6,440
<i>Total Expenditures</i>	799,500	1,009,000	1,002,508	6,492
REVENUES OVER (UNDER) EXPENDITURES	(721,400)	(721,400)	(839,433)	(118,033)
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	700,000	700,000	-
CHANGE IN FUND BALANCE	(21,400)	(21,400)	(139,433)	(118,033)
FUND BALANCE, beginning of year	655,000	655,000	643,408	(11,592)
FUND BALANCE, end of year	\$ 633,600	\$ 633,600	\$ 503,975	\$ (129,625)

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORM WATER FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 86,200	\$ 86,200	\$ 86,275	\$ 75
Miscellaneous	100	100	107	7
<i>Total Revenues</i>	86,300	86,300	86,382	82
EXPENSES				
Personal services	37,800	37,800	36,060	1,740
Materials and services	39,200	39,200	33,765	5,435
Capital outlay	1,000	1,000	-	1,000
Contingency	5,000	5,000	-	5,000
<i>Total Expenses</i>	83,000	83,000	69,825	13,175
REVENUES OVER (UNDER) EXPENSES	3,300	3,300	16,557	13,257
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,800)	(22,800)	(22,800)	-
CHANGE IN NET POSITION	(19,500)	(19,500)	(6,243)	13,257
NET POSITION, beginning of year	21,400	21,400	29,449	8,049
NET POSITION, end of year	\$ 1,900	\$ 1,900	\$ 23,206	\$ 21,306

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORM WATER CIP FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 6,500	\$ 6,500	\$ 12,432	\$ 5,932
Miscellaneous	200	200	237	37
<i>Total Revenues</i>	6,700	6,700	12,669	5,969
EXPENDITURES				
Capital outlay	65,000	65,000	-	65,000
REVENUES OVER (UNDER) EXPENDITURES	(58,300)	(58,300)	12,669	70,969
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
CHANGE IN FUND BALANCE	(48,300)	(48,300)	22,669	70,969
FUND BALANCE, beginning of year	49,200	49,200	49,215	15
FUND BALANCE, end of year	\$ 900	\$ 900	\$ 71,884	\$ 70,984

OTHER SCHEDULES

CITY OF DUNDEE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014

	<u>2013-2014</u> <u>Levy</u>	<u>Balances</u> <u>July 1,</u> <u>2013</u>	<u>Adjustments &</u> <u>Added to</u> <u>Rolls</u>	<u>Interest,</u> <u>Discounts and</u> <u>Adjustments</u>	<u>Collections</u>	<u>Balances</u> <u>June 30,</u> <u>2014</u>
2013-2014	\$ 553,953	\$ -	\$ 2,363	\$ (15,784)	\$ (517,279)	\$ 23,253
2012-2013	-	24,810	-	(1,113)	(10,682)	13,015
2011-2012	-	11,648	-	(80)	(4,144)	7,424
2010-2011	-	7,360	-	(222)	(3,089)	4,049
2009-2010	-	3,747	-	(165)	(1,163)	2,419
2008-2009	-	826	-	(121)	(121)	584
2007-2008	-	591	-	(44)	(136)	411
Prior years	-	2,229	-	(461)	(288)	1,480
	<u>\$ 553,953</u>	<u>\$ 51,211</u>	<u>\$ 2,363</u>	<u>\$ (17,990)</u>	<u>\$ (536,902)</u>	<u>\$ 52,635</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

City Council Members
City of Dundee, Oregon
P. O. Box 220
Dundee, Oregon 97115

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Dundee (the City) as of and for the year ended June 30, 2014, and have issued our report thereon dated October 27, 2014.

Compliance and Other Matters

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

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

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

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

1. The City only maintains capital asset cost and depreciation records for assets acquired after June 30, 2007.
2. The City had expenditures in excess of appropriations as described in the notes to the financial statements.

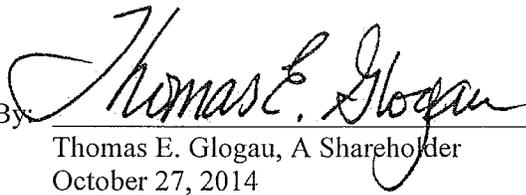
Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By 
Thomas E. Glogau, A Shareholder
October 27, 2014