

***CITY OF DUNDEE, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2013***

**CITY OF DUNDEE, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2013**

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<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 <sup>st</sup> 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 <sup>th</sup> 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  
720 SW Scotsman Court  
Dundee, Oregon 97115

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

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

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

Honorable Mayor and 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 the aggregate remaining fund information of the City of Dundee, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these modified cash basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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.

### ***Opinion***

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundee, Oregon as of June 30, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

### ***Other Matters***

#### ***Report on Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The supplemental information, management's discussion and analysis, and other schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

### ***Basis of Accounting***

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

### ***Other Reporting Required by Government Auditing Standards***

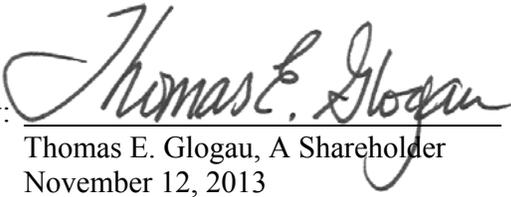
In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance

with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 12, 2013, 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  
November 12, 2013

**CITY OF DUNDEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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,	
	2013	2012
Net position	\$ 3,668,084	\$ 1,857,588
Change in net position	1,810,496	(707,855)
Governmental net position	2,360,607	1,087,632
Proprietary net position	1,307,477	769,956
Change in governmental net position	1,272,975	106,256
Change in proprietary net position	537,521	(814,111)

**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.

**Single Audit** – As a recipient of Federal funds in excess of \$500,000, the City is required to undergo a Single Audit. The results of the Single Audit are included within this report.

### **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 \$3,668,084 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,**

	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,374,920	\$ 1,318,802	\$ 3,693,722	\$ 1,093,014	\$ 782,110	\$ 1,875,124
Deposits	14,313	11,325	25,638	5,382	12,154	17,536
Net Position:						
Restricted	1,150,782	1,110,213	2,260,995	95,926	498,363	594,289
Unrestricted	1,209,825	197,264	1,407,089	991,706	271,593	1,263,299
Total Net Position	\$ 2,360,607	\$ 1,307,477	\$ 3,668,084	\$ 1,087,632	\$ 769,956	\$ 1,857,588

**Statement of Activities** - As of June 30, 2013, there was an increase of \$1,272,975 in the net position of the governmental activities and an increase of \$537,521 in the net position of the business-type activities.

**Statements of Activities (Modified Cash Basis)**

**June 30, 2013**

	2013			2012		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 176,402	\$ 1,761,768	\$ 1,938,170	\$ 209,937	\$ 1,651,379	\$ 1,861,316
Operating grants and contributions	232,596	-	232,596	263,533	-	263,533
Capital grants and contributions	1,239,364	53,246	1,292,610	40	44,571	44,611
General Revenues						
Taxes and assessments	519,903	-	519,903	522,096	-	522,096
Franchise taxes	135,462	-	135,462	135,099	-	135,099
Intergovernmental	70,312	-	70,312	66,388	-	66,388
Issuance of debt	410,508	8,751,440	9,161,948	-	7,048,560	7,048,560
Unrestricted investment earnings	10,971	5,183	16,154	5,451	4,222	9,673
Miscellaneous	200,764	228	200,992	198,596	7,400	205,996
Total Revenues	2,996,282	10,571,865	13,568,147	1,401,140	8,756,132	10,157,272
Expenses						
General government	340,843	-	340,843	348,575	-	348,575
Streets	160,132	-	160,132	256,470	-	256,470
Police service	441,340	-	441,340	428,375	-	428,375
Fire service	802,665	-	802,665	281,989	-	281,989
Community development	66,382	-	66,382	73,620	-	73,620
Water	-	543,911	543,911	-	573,686	573,686
Sewer	-	9,331,203	9,331,203	-	8,824,827	8,824,827
Storm water	-	59,852	59,852	-	77,585	77,585
Total Expenses	1,822,685	9,934,966	11,757,651	1,389,029	9,476,098	10,865,127
Transfers	99,378	(99,378)	-	94,145	(94,145)	-
Change in Net Position	1,272,975	537,521	1,810,496	106,256	(814,111)	(707,855)
Net Position, beginning of year	1,087,632	769,956	1,857,588	981,376	1,584,067	2,565,443
Net Position, end of year	\$ 2,360,607	\$ 1,307,477	\$ 3,668,084	\$ 1,087,632	\$ 769,956	\$ 1,857,588

**Governmental Activities** – Net position increased \$1,173,597 before transfers. There was \$99,378 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 Fire Station Construction Fund was created to pay for the construction of the new fire stations. The City received \$1,239,283 in net bond proceeds from the Dundee Rural Fire Protection District, 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 Street Fund, 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 funding for large capital projects exceeding expenses.

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 \$2,360,607 as of June 30, 2013, which is an increase of \$1,272,975 from June 30, 2012. This increase is primarily due to the establishment of the Fire Station Construction Fund, which had an ending fund balance of \$1,131,342.

The General Fund is the primary operating fund of the City. The General Fund balance was \$380,773 on June 30, 2013, which is an increase of \$23,728 over June 30, 2012. This increase is mainly due to expenditures less than what was budgeted, and not having to use the current year contingency amount.

The fund balances for governmental funds in total also increased from transfers in which exceeded transfers out.

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 \$1,307,477 as of June 30, 2013, which is an increase of \$537,521. The increase in net position results primarily from a positive income from operations and the replacement of construction financing on the wastewater treatment facilities project with a loan through DEQ's Clean Water State Revolving Fund loan program.

#### **BUDGETARY HIGHLIGHTS**

One supplemental budget was adopted during the year to provide for the expenditure of additional 911 revenue and a private contribution.

#### **DEBT ADMINISTRATION**

The City's governmental activities had a bond anticipation note in the amount of \$410,508 outstanding as of June 30, 2013.

During the year, the City issued a total of \$8,751,440 in long-term debt related to business-type activities. The City

also repaid \$6,100,000 of a line of credit that was outstanding at the beginning of the year.

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

### **ECONOMIC FACTORS**

Construction of the new wastewater treatment facilities, started in May 2011, was completed and operating by October 2012. The new wastewater treatment facilities produce Class A water and replaced the facultative sewer lagoons, which were not adequately meeting the demands of the current population. A feasibility study on reuse of the treated water was completed in 2013.

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. A 2012 review of the data from an exploratory well drilled by the City in 2005, and the information obtained from regional wells by Oregon Water Resources Department, resulted in the City's consulting hydrologist recommendation to develop the test well into a production well. Following abandonment of the lower section of the test well in order to comply with Water Resources Department well development rules, the City will pursue a water right for the test well and complete its development as a production well. The City will also update the 2003 Water Master Plan to incorporate recycled water facility improvements augmenting domestic water supply in order to accommodate long-term development.

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 by the end of 2016. 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 2014.

The City obtained a \$1.55 million Transportation Enhancement (TE) grant for sidewalk construction and streetscape improvements along Highway 99W in Dundee. Design of the project was contracted with ODOT to coincide with the State's resurfacing of Highway 99W in 2013; however, due to design complications with the resurfacing project, ODOT separated the TE project for construction in 2014.

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 April 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, 2013**

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,374,920	\$ 1,318,802	\$ 3,693,722
<b>LIABILITIES</b>			
Deposits	14,313	11,325	25,638
<b>NET POSITION</b>			
Restricted for:			
Construction	1,131,342	1,110,213	2,241,555
Streets	19,440	-	19,440
Unrestricted	1,209,825	197,264	1,407,089
<i>Total Net Position</i>	<u>\$ 2,360,607</u>	<u>\$ 1,307,477</u>	<u>\$ 3,668,084</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, 2013**

<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 340,843	\$ 94,333	\$ 3,687	\$ 81
Streets	160,132	-	213,578	-
Police service	441,340	-	15,331	-
Fire service	802,665	82,069	-	1,239,283
Community development	66,382	-	-	-
Interest on long-term debt	11,323	-	-	-
<i>Total Governmental activities</i>	1,822,685	176,402	232,596	1,239,364
<b>Business-type activities:</b>				
Water	543,911	604,624	-	34,864
Sewer	9,331,203	1,071,188	-	15,238
Storm water	59,852	85,956	-	3,144
<i>Total Business-type activities</i>	9,934,966	1,761,768	-	53,246
<i>Total Activities</i>	\$ 11,757,651	\$ 1,938,170	\$ 232,596	\$ 1,292,610
<b>General Revenues:</b>				
Property taxes				
Franchise taxes				
Intergovernmental				
Proceeds from issuance of debt				
Investment earnings				
Miscellaneous				
<i>Total General Revenues</i>				
<b>Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position - beginning of year</b>				
<b>Net Position - end of year</b>				

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

<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Total</i></b>
\$ (242,742)	\$ -	\$ (242,742)
53,446	-	53,446
(426,009)	-	(426,009)
518,687	-	518,687
(66,382)	-	(66,382)
(11,323)	-	(11,323)
(174,323)	-	(174,323)
-	95,577	95,577
-	(8,244,777)	(8,244,777)
-	29,248	29,248
-	(8,119,952)	(8,119,952)
(174,323)	(8,119,952)	(8,294,275)
519,903	-	519,903
135,462	-	135,462
70,312	-	70,312
410,508	8,751,440	9,161,948
10,971	5,183	16,154
200,764	228	200,992
1,347,920	8,756,851	10,104,771
99,378	(99,378)	-
1,272,975	537,521	1,810,496
1,087,632	769,956	1,857,588
<b>\$ 2,360,607</b>	<b>\$ 1,307,477</b>	<b>\$ 3,668,084</b>

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

**CITY OF DUNDEE, OREGON****BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**JUNE 30, 2013

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		<u>Capital Projects</u>	
	<u>General</u>	<u>Equipment Reserve Fund</u>	<u>Fire Station Construction</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 395,086	\$ 631,223	\$ 1,131,342
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Deposits	\$ 14,313	\$ -	\$ -
<b>Fund Balance:</b>			
Restricted for:			
Construction	-	-	1,131,342
Streets	-	-	-
Committed to:			
Community development	-	-	-
Construction	-	631,223	-
Unassigned	380,773	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	380,773	631,223	1,131,342
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 395,086	\$ 631,223	\$ 1,131,342
	<hr/>	<hr/>	<hr/>

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<i>Other Governmental Funds</i>	<i>Total</i>
\$ 217,269	\$ 2,374,920
-	14,313
-	1,131,342
19,440	19,440
16,813	16,813
181,016	812,239
-	380,773
217,269	2,360,607
\$ 217,269	\$ 2,374,920

*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, 2013**

	<u>General Fund</u>	<u>Capital Projects</u>	
		<u>Equipment Reserve Fund</u>	<u>Fire Station Construction</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 527,290	\$ -	\$ -
Fines and forfeitures	56,771	-	-
Licenses and permits	167,015	-	-
Charges for services	179,638	-	-
Intergovernmental	139,833	-	1,239,283
Miscellaneous	10,740	5,716	4,495
<i>Total Revenues</i>	<u>1,081,287</u>	<u>5,716</u>	<u>1,243,778</u>
<b>EXPENDITURES</b>			
Current			
General government	273,468	-	268,317
Streets	-	-	-
Courts	18,136	-	-
Police service	63,592	-	-
Fire service	441,340	-	-
Community development	18,747	-	-
Debt Service			
Interest	-	-	11,323
Capital outlay	279,154	8,095	243,304
<i>Total Expenditures</i>	<u>1,094,437</u>	<u>8,095</u>	<u>522,944</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(13,150)</u>	<u>(2,379)</u>	<u>720,834</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	82,878	76,300	-
Transfers out	(46,000)	-	-
Proceeds from issuance of debt	-	-	410,508
<i>Total Other Financing Sources (Uses)</i>	<u>36,878</u>	<u>76,300</u>	<u>410,508</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>23,728</u>	<u>73,921</u>	<u>1,131,342</u>
<b>FUND BALANCE, beginning of year</b>	<u>357,045</u>	<u>557,302</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 380,773</u>	<u>\$ 631,223</u>	<u>\$ 1,131,342</u>

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<i>Other Governmental Funds</i>	<i>Total</i>
\$ 57,396	\$ 584,686
-	56,771
-	167,015
-	179,638
196,558	1,575,674
1,039	21,990
254,993	2,585,774
-	541,785
149,259	149,259
-	18,136
-	63,592
-	441,340
34,086	52,833
-	11,323
13,864	544,417
197,209	1,822,685
57,784	763,089
75,000	234,178
(88,800)	(134,800)
-	410,508
(13,800)	509,886
43,984	1,272,975
173,285	1,087,632
\$ 217,269	\$ 2,360,607

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

**CITY OF DUNDEE, OREGON**

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

**JUNE 30, 2013**

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	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 77,931	\$ 101,209	\$ 417,590
<b>LIABILITIES</b>			
Deposits	11,325	-	-
<b>NET POSITION:</b>			
Restricted for:			
Construction	-	-	417,590
Unrestricted	66,606	101,209	-
<i>Total Net Position</i>	<u>\$ 66,606</u>	<u>\$ 101,209</u>	<u>\$ 417,590</u>

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<i><b>Sewer Capital Improvement</b></i>	<i><b>Other Business- type Funds</b></i>	<i><b>Total</b></i>
\$ 643,408	\$ 78,664	\$ 1,318,802
-	-	11,325
643,408	49,215	1,110,213
-	29,449	197,264
<u>\$ 643,408</u>	<u>\$ 78,664</u>	<u>\$ 1,307,477</u>

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

**CITY OF DUNDEE, OREGON****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION****(MODIFIED CASH BASIS) - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2013**

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	<u>Water</u>	<u>Sewer</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 604,624	\$ 1,071,188
Miscellaneous	100	38
	<hr/>	<hr/>
<i>Total Operating Revenues</i>	604,724	1,071,226
<b>OPERATING EXPENSES</b>		
Personal services	148,645	112,481
Materials and services	188,615	220,306
	<hr/>	<hr/>
<i>Total Operating Expenses</i>	337,260	332,787
<b>OPERATING INCOME</b>	267,464	738,439
<b>NONOPERATING REVENUES (EXPENSES)</b>		
<b>Noncapital Financing Revenues (Expenses)</b>		
Transfers in	-	-
Transfers out	(309,219)	(777,359)
	<hr/>	<hr/>
<i>Total Noncapital Financing Revenues (Expenses)</i>	(309,219)	(777,359)
<b>Capital Financing Revenues (Expenses)</b>		
Capital contributions	-	-
Proceeds from issuance of debt	-	-
Capital outlay	(8,657)	-
Debt service		
Principal	-	-
Interest	-	-
	<hr/>	<hr/>
<i>Total Capital Financing Revenues (Expenses)</i>	(8,657)	-
<b>Investing Revenues</b>		
Interest revenue	1,148	519
	<hr/>	<hr/>
<i>Total Nonoperating Revenues (Expenses)</i>	(316,728)	(776,840)
<b>CHANGE IN NET POSITION</b>	(49,264)	(38,401)
<b>NET POSITION, beginning of year</b>	115,870	139,610
	<hr/>	<hr/>
<b>NET POSITION, end of year</b>	\$ 66,606	\$ 101,209
	<hr/> <hr/>	<hr/> <hr/>

<i><b>Water Capital Improvement</b></i>	<i><b>Sewer Capital Improvement</b></i>	<i><b>Other Business- type Funds</b></i>	<i><b>Total</b></i>
\$ - 21,767	\$ - -	\$ 85,956 13	\$ 1,761,768 21,918
21,767	-	85,969	1,783,686
-	-	36,570	297,696
-	-	23,335	432,256
-	-	59,905	729,952
21,767	-	26,064	1,053,734
270,000	720,000	10,000	1,000,000
-	-	(12,800)	(1,099,378)
270,000	720,000	(2,800)	(99,378)
13,097	15,238	3,144	31,479
-	8,751,440	-	8,751,440
(197,994)	(2,735,219)	-	(2,941,870)
-	(6,100,000)	-	(6,100,000)
-	(163,144)	-	(163,144)
(184,897)	(231,685)	3,144	(5,100,000)
1,382	1,944	267	5,260
86,485	490,259	611	(516,213)
108,252	490,259	26,675	537,521
309,338	153,149	51,989	769,956
\$ 417,590	\$ 643,408	\$ 78,664	\$ 1,307,477

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Dundee, Oregon 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, 2013

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**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.

*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.

*Equipment Reserve Fund*

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

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.

*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.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

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

*Basis of Presentation (Continued)*

*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:

*Street Fund*

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

*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.

*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.

*Street Reserve*

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

*Parks Fund*

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

*Tourism Fund*

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

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, 2013

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**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, 2013

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**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, 2013

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**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, 2013

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**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, 2013 are as follows:

	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Cash</b>		
Cash on hand	\$ 50	\$ 50
Deposits with financial institutions	222,687	222,687
<b>Investments</b>		
Local Government Investment Pool	3,470,985	3,470,985
	<u>\$ 3,693,722</u>	<u>\$ 3,693,722</u>

*Deposits*

The City's deposits with various financial institutions had a bank balance of \$367,423 and a book balance of \$222,687 at June 30, 2013. 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, 2013, \$117,423 of the City's bank balances were covered by the PFCP.

*Local Government Investment Pool*

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2013, the fair value of the position in the Oregon State

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

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**CASH AND CASH EQUIVALENTS (Continued)**

*Local Government Investment Pool (Continued)*

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, 2013

**LONG-TERM DEBT (Continued)**

	<u>Outstanding July 1, 2012</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2013</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, 2013 was 0.88%.	\$ -	\$ 410,508	\$ -	\$ 410,508	\$ 410,508
<i>Business-type Activities</i>					
Wastewater loan issued during 2012, original loan of \$9,700,000 with an interest rate of 2.65%.	\$ 1,056,560	\$ 8,643,440	\$ -	\$ 9,700,000	\$ 385,686
Bank of America Line of Credit, \$6,100,000 authorized with interest varying from .5% to 1.4%.	5,992,000	108,000	(6,100,000)	-	-
	<u>\$ 7,048,560</u>	<u>\$ 8,751,440</u>	<u>\$ (6,100,000)</u>	<u>\$ 9,700,000</u>	<u>\$ 385,686</u>

Repayment of the Key Bank bond anticipation loan is due when the new bonds are issued.

The Wastewater Loan requires a reserve in the amount of \$315,244. The City was in compliance with this requirement at June 30, 2013.

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>
2014	\$ 410,508	\$ 3,613	\$ 414,121

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

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**LONG-TERM DEBT (Continued)**

*Business-type Activities*

<b><i>Fiscal Year Ending June 30,</i></b>	<b><i>Principal</i></b>	<b><i>Interest</i></b>	<b><i>Total</i></b>
2014	\$ 385,686	\$ 254,512	\$ 640,198
2015	395,974	244,224	640,198
2016	406,538	233,660	640,198
2017	417,383	222,815	640,198
2018	428,516	211,682	640,198
2019-2023	2,320,267	880,723	3,200,990
2024-2028	2,646,696	554,294	3,200,990
2029-2033	2,698,940	181,942	2,880,882
	<b><u>\$ 9,700,000</u></b>	<b><u>\$ 2,783,852</u></b>	<b><u>\$ 12,483,852</u></b>

**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, OR, 97281-3700 or by calling 503-598-7377.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

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**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, 2013 were 12.76%, 9.14% and 11.85%, 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, 2013, 2012, and 2011 were \$86,291, \$81,543 and \$54,191, respectively, which equaled the required contribution for the year.

**INTERFUND TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 82,878	\$ 46,000
Street	-	78,800
Equipment Reserve	76,300	-
State Revenue Sharing	-	10,000
Street CIP	75,000	-
Sewer	-	777,359
Water	-	309,219
Water CIP	50,000	-
Sewer CIP	720,000	-
Storm Water	-	12,800
Storm Water CIP	10,000	-
	<u>\$ 1,014,178</u>	<u>\$ 1,234,178</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, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF DUNDEE, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2013*

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**CONTINGENCIES**

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

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

**NEW PRONOUNCEMENTS**

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34." This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement was implemented in the current year.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement was implemented in the current year.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. 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. 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 is effective for fiscal years beginning after December 15, 2012.

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. 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 is effective for fiscal years beginning after June 15, 2013.

***CITY OF DUNDEE, OREGON***

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2013*

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***SUBSEQUENT EVENTS***

The City follows the provisions of Accounting Standards Codification (ASC) 855. ASC 855 established accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 12, 2013, 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, 2013

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	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Street</u>	<u>State Revenue Sharing</u>	<u>Tourism</u>	<u>Street Reserve</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,387	\$ 4,804	\$ 19,440	\$ 42,016
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance:</b>				
Restricted for:				
Streets	-	-	19,440	-
Committed to:				
Community development	4,387	4,804	-	-
Construction	-	-	-	42,016
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	4,387	4,804	19,440	42,016
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 4,387	\$ 4,804	\$ 19,440	\$ 42,016
	<hr/>	<hr/>	<hr/>	<hr/>

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***Capital Projects***

<b><i>Street Capital Improvement</i></b>	<b><i>Parks</i></b>	<b><i>Total</i></b>
\$ 139,000	\$ 7,622	\$ 217,269
\$ -	\$ -	\$ -
-	-	19,440
-	7,622	16,813
139,000	-	181,016
139,000	7,622	217,269
\$ 139,000	\$ 7,622	\$ 217,269

**CITY OF DUNDEE, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>Special Revenue</b>		
	<b>Street</b>	<b>State Revenue Sharing</b>	<b>Tourism</b>
<b>REVENUES</b>			
Taxes and assessments	\$ 40,160	\$ -	\$ 17,236
Intergovernmental	173,418	23,140	-
Miscellaneous	160	39	118
<i>Total Revenues</i>	213,738	23,179	17,354
<b>EXPENDITURES</b>			
Current			
Streets	149,259	-	-
Community development	-	16,733	17,053
Capital outlay	-	-	-
<i>Total Expenditures</i>	149,259	16,733	17,053
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	64,479	6,446	301
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(78,800)	(10,000)	-
<i>Total Other Financing Sources and Uses</i>	(78,800)	(10,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(14,321)	(3,554)	301
<b>FUND BALANCE, beginning of year</b>	18,708	8,358	19,139
<b>FUND BALANCE, end of year</b>	\$ 4,387	\$ 4,804	\$ 19,440

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***Capital Projects***

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<b><i>Street Reserve</i></b>	<b><i>Street Capital Improvement</i></b>	<b><i>Parks</i></b>	<b><i>Total</i></b>
\$ -	\$ -	\$ -	\$ 57,396
-	-	-	196,558
236	445	41	1,039
236	445	41	254,993
-	-	-	149,259
-	-	300	34,086
-	13,663	201	13,864
-	13,663	501	197,209
236	(13,218)	(460)	57,784
-	75,000	-	75,000
-	-	-	(88,800)
-	75,000	-	(13,800)
236	61,782	(460)	43,984
41,780	77,218	8,082	173,285
<b>\$ 42,016</b>	<b>\$ 139,000</b>	<b>\$ 7,622</b>	<b>\$ 217,269</b>

**CITY OF DUNDEE, OREGON**

**COMBINING STATEMENT OF NET POSITION (MODIFIED CASH BASIS) –  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2013**

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	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,449	\$ 49,215	\$ 78,664
<b>LIABILITIES</b>	-	-	-
<b>NET POSITION:</b>			
Restricted for:			
Construction	-	49,215	49,215
Unrestricted	29,449	-	29,449
 <i>Total Net Position</i>	 \$ 29,449	 \$ 49,215	 \$ 78,664

**CITY OF DUNDEE, OREGON****COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 85,956	\$ -	\$ 85,956
Miscellaneous	13	-	13
<i>Total Operating Revenues</i>	85,969	-	85,969
<b>OPERATING EXPENSES</b>			
Personal services	36,570	-	36,570
Materials and services	23,335	-	23,335
<i>Total Operating Expenses</i>	59,905	-	59,905
<b>OPERATING INCOME</b>	26,064	-	26,064
<b>NONOPERATING REVENUES (EXPENSES)</b>			
<b>Noncapital Financing Revenues (Expenses)</b>			
Transfers in	-	10,000	10,000
Transfers out	(12,800)	-	(12,800)
<i>Total Noncapital Financing Revenues (Expenses)</i>	(12,800)	10,000	(2,800)
<b>Capital Financing Revenues (Expenses)</b>			
Capital contributions	-	3,144	3,144
<b>Investing Revenues</b>			
Interest revenue	72	195	267
<i>Total Nonoperating Revenues (Expenses)</i>	(12,728)	13,339	611
<b>CHANGE IN NET POSITION</b>	13,336	13,339	26,675
<b>NET POSITION, beginning of year</b>	16,113	35,876	51,989
<b>NET POSITION, end of year</b>	\$ 29,449	\$ 49,215	\$ 78,664

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 540,400	\$ 540,400	\$ 527,290	\$ (13,110)
Fines and forfeitures	52,000	52,000	56,771	4,771
Licenses and permits	188,300	188,300	167,015	(21,285)
Charges for services	185,600	185,600	179,638	(5,962)
Intergovernmental	122,500	129,000	139,833	10,833
Miscellaneous	6,300	10,000	10,740	740
<i>Total Revenues</i>	1,095,100	1,105,300	1,081,287	(24,013)
<b>EXPENDITURES</b>				
Current				
Administration/Finance	283,500	287,200	280,325	6,875
Courts	19,100	19,100	18,136	964
Police service	437,000	443,500	441,340	2,160
Fire service	311,000	311,000	291,044	19,956
Community development	90,200	90,200	63,592	26,608
Contingency	40,000	40,000	-	40,000
<i>Total Expenditures</i>	1,180,800	1,191,000	1,094,437	96,563
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(85,700)	(85,700)	(13,150)	72,550
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,200	85,200	82,878	(2,322)
Transfers out	(46,000)	(46,000)	(46,000)	-
<i>Total Other Financing Sources and Uses</i>	39,200	39,200	36,878	(2,322)
<b>NET CHANGE IN FUND BALANCE</b>	(46,500)	(46,500)	23,728	70,228
<b>FUND BALANCE, beginning of year</b>	341,200	341,200	357,045	15,845
<b>FUND BALANCE, end of year</b>	\$ 294,700	\$ 294,700	\$ 380,773	\$ 86,073

**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, 2013**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 2,700	\$ 2,700	\$ 5,716	\$ 3,016
<b>EXPENDITURES</b>				
Capital outlay	915,100	915,100	8,095	907,005
<i>Total Expenditures</i>	915,100	915,100	8,095	907,005
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(912,400)	(912,400)	(2,379)	910,021
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	76,300	76,300	76,300	-
Proceeds from issuance of debt	300,000	300,000	-	(300,000)
<i>Total Other Financing Sources and Uses</i>	376,300	376,300	76,300	(300,000)
<b>NET CHANGE IN FUND BALANCE</b>	(536,100)	(536,100)	73,921	610,021
<b>FUND BALANCE, beginning of year</b>	536,100	536,100	557,302	21,202
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 631,223	\$ 631,223

**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, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,250,000	\$ 1,250,000	\$ 1,239,283	\$ (10,717)
Miscellaneous	10,000	10,000	4,495	(5,505)
<i>Total Revenues</i>	1,260,000	1,260,000	1,243,778	(16,222)
<b>EXPENDITURES</b>				
Current				
Materials and services	401,000	401,000	268,317	132,683
Debt service				
Interest	34,000	34,000	11,323	22,677
Capital outlay	3,403,000	3,403,000	243,304	3,159,696
<i>Total Expenditures</i>	3,838,000	3,838,000	522,944	3,315,056
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(2,578,000)	(2,578,000)	720,834	3,298,834
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan	-	-	220,000	220,000
Interfund loan repayment	-	-	(220,000)	(220,000)
Proceeds from issuance of debt	2,578,000	2,578,000	410,508	(2,167,492)
<i>Total Other Financing Sources and Uses</i>	2,578,000	2,578,000	410,508	(2,167,492)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	1,131,342	1,131,342
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 1,131,342	\$ 1,131,342

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - STREET FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 50,000	\$ 50,000	\$ 40,160	\$ (9,840)
Intergovernmental	178,200	178,200	173,418	(4,782)
Miscellaneous	200	200	160	(40)
<i>Total Revenues</i>	228,400	228,400	213,738	(14,662)
<b>EXPENDITURES</b>				
Current				
Personal services	55,200	55,200	53,856	1,344
Materials and services	109,600	109,600	95,403	14,197
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	169,800	169,800	149,259	20,541
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	58,600	58,600	64,479	5,879
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(78,800)	(78,800)	(78,800)	-
<b>NET CHANGE IN FUND BALANCE</b>	(20,200)	(20,200)	(14,321)	5,879
<b>FUND BALANCE, beginning of year</b>	21,400	21,400	18,708	(2,692)
<b>FUND BALANCE, end of year</b>	\$ 1,200	\$ 1,200	\$ 4,387	\$ 3,187

**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, 2013**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 23,140	\$ 1,140
Miscellaneous	100	100	39	(61)
<i>Total Revenues</i>	22,100	22,100	23,179	1,079
<b>EXPENDITURES</b>				
Current				
Materials and services	19,000	19,000	16,733	2,267
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	3,100	3,100	6,446	3,346
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(10,000)	(10,000)	(10,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(6,900)	(6,900)	(3,554)	3,346
<b>FUND BALANCE, beginning of year</b>	8,000	8,000	8,358	358
<b>FUND BALANCE, end of year</b>	\$ 1,100	\$ 1,100	\$ 4,804	\$ 3,704

**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, 2013**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 25,000	\$ 25,000	\$ 17,236	\$ (7,764)
Miscellaneous	100	100	118	18
<i>Total Revenues</i>	25,100	25,100	17,354	(7,746)
<b>EXPENDITURES</b>				
Current				
Materials and services	36,900	36,900	17,053	19,847
<b>NET CHANGE IN FUND BALANCE</b>	(11,800)	(11,800)	301	12,101
<b>FUND BALANCE, beginning of year</b>	13,600	13,600	19,139	5,539
<b>FUND BALANCE, end of year</b>	\$ 1,800	\$ 1,800	\$ 19,440	\$ 17,640

**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, 2013**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 200	\$ 200	\$ 236	\$ 36
<b>EXPENDITURES</b>				
Capital outlay	41,900	41,900	-	41,900
<b>NET CHANGE IN FUND BALANCE</b>	(41,700)	(41,700)	236	41,936
<b>FUND BALANCE, beginning of year</b>	41,700	41,700	41,780	80
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 42,016	\$ 42,016

**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, 2013**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Miscellaneous	100	100	445	345
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	50,100	50,100	445	(49,655)
<b>EXPENDITURES</b>				
Capital outlay	201,900	201,900	13,663	188,237
	<hr/>	<hr/>	<hr/>	<hr/>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(151,800)	(151,800)	(13,218)	138,582
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	75,000	75,000	75,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	(76,800)	(76,800)	61,782	138,582
<b>FUND BALANCE, beginning of year</b>	76,800	76,800	77,218	418
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 139,000	\$ 139,000
	<hr/>	<hr/>	<hr/>	<hr/>

**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, 2013**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Miscellaneous	100	100	41	(59)
<i>Total Revenues</i>	<u>75,100</u>	<u>75,100</u>	<u>41</u>	<u>(75,059)</u>
<b>EXPENDITURES</b>				
Current				
Materials and services	5,800	5,800	300	5,500
Capital outlay	76,000	76,000	201	75,799
<i>Total Expenditures</i>	<u>81,800</u>	<u>81,800</u>	<u>501</u>	<u>81,299</u>
<b>NET CHANGE IN FUND BALANCE</b>	(6,700)	(6,700)	(460)	6,240
<b>FUND BALANCE, beginning of year</b>	<u>8,100</u>	<u>8,100</u>	<u>8,082</u>	<u>(18)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 1,400</u>	<u>\$ 1,400</u>	<u>\$ 7,622</u>	<u>\$ 6,222</u>

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS) -  
BUDGET AND ACTUAL - WATER FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 657,000	\$ 657,000	\$ 604,624	\$ (52,376)
Miscellaneous	1,000	1,000	1,248	248
<i>Total Revenues</i>	658,000	658,000	605,872	(52,128)
<b>EXPENSES</b>				
Current				
Personal services	155,100	155,100	148,645	6,455
Materials and services	246,700	246,700	188,615	58,085
Capital outlay	14,000	14,000	8,657	5,343
Contingency	20,000	20,000	-	20,000
<i>Total Expenses</i>	435,800	435,800	345,917	89,883
<b>REVENUES OVER (UNDER) EXPENSES</b>	222,200	222,200	259,955	37,755
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(311,900)	(311,900)	(309,219)	2,681
<b>CHANGE IN NET POSITION</b>	(89,700)	(89,700)	(49,264)	40,436
<b>NET POSITION, beginning of year</b>	104,300	104,300	115,870	11,570
<b>NET POSITION, end of year</b>	\$ 14,600	\$ 14,600	\$ 66,606	\$ 52,006

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS) -  
BUDGET AND ACTUAL - SEWER FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,065,000	\$ 1,065,000	\$ 1,071,188	\$ 6,188
Miscellaneous	1,000	1,000	557	(443)
<i>Total Revenues</i>	<u>1,066,000</u>	<u>1,066,000</u>	<u>1,071,745</u>	<u>5,745</u>
<b>EXPENSES</b>				
Current				
Personal services	113,600	114,600	112,481	2,119
Materials and services	274,200	272,200	220,306	51,894
Contingency	20,000	20,000	-	20,000
<i>Total Expenses</i>	<u>407,800</u>	<u>406,800</u>	<u>332,787</u>	<u>74,013</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	<u>658,200</u>	<u>659,200</u>	<u>738,958</u>	<u>79,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(777,000)</u>	<u>(778,000)</u>	<u>(777,359)</u>	<u>641</u>
<b>CHANGE IN NET POSITION</b>	<u>(118,800)</u>	<u>(118,800)</u>	<u>(38,401)</u>	<u>80,399</u>
<b>NET POSITION, beginning of year</b>	<u>139,600</u>	<u>139,600</u>	<u>139,610</u>	<u>10</u>
<b>NET POSITION, end of year</b>	<u>\$ 20,800</u>	<u>\$ 20,800</u>	<u>\$ 101,209</u>	<u>\$ 80,409</u>

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS) -  
BUDGET AND ACTUAL - WATER CIP FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 12,900	\$ 12,900	\$ 13,097	\$ 197
Miscellaneous	2,000	2,000	23,149	21,149
<i>Total Revenues</i>	14,900	14,900	36,246	21,346
<b>EXPENSES</b>				
Debt service				
Interest	16,000	16,000	-	16,000
Capital outlay	793,000	793,000	197,994	595,006
<i>Total Expenses</i>	809,000	809,000	197,994	611,006
<b>REVENUES OVER (UNDER) EXPENSES</b>	(794,100)	(794,100)	(161,748)	632,352
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	(30,000)	(30,000)	270,000	300,000
Interfund loan repayment	-	-	(220,000)	(220,000)
Proceeds from interfund loan	-	-	220,000	220,000
Proceeds from issuance of debt	1,179,000	1,179,000	-	(1,179,000)
<i>Total Other Financing Sources and Uses</i>	1,149,000	1,149,000	270,000	(879,000)
<b>CHANGE IN NET POSITION</b>	354,900	354,900	108,252	(246,648)
<b>NET POSITION, beginning of year</b>	293,400	293,400	309,338	15,938
<b>NET POSITION, end of year</b>	\$ 648,300	\$ 648,300	\$ 417,590	\$ (230,710)

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS) -  
BUDGET AND ACTUAL - SEWER CIP FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 24,900	\$ 24,900	\$ 15,238	\$ (9,662)
Intergovernmental	30,000	30,000	-	(30,000)
Miscellaneous	51,500	51,500	1,944	(49,556)
<i>Total Revenues</i>	106,400	106,400	17,182	(89,218)
<b>EXPENSES</b>				
Debt service				
Principal	6,100,000	6,100,000	6,100,000	-
Interest	151,300	171,300	163,144	8,156
Capital outlay	3,180,000	3,160,000	2,735,219	424,781
<i>Total Expenses</i>	9,431,300	9,431,300	8,998,363	432,937
<b>REVENUES OVER (UNDER) EXPENSES</b>	(9,324,900)	(9,324,900)	(8,981,181)	343,719
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	720,000	720,000	720,000	-
Proceeds from issuance of debt	8,900,000	8,900,000	8,751,440	(148,560)
<i>Total Other Financing Sources and Uses</i>	9,620,000	9,620,000	9,471,440	(148,560)
<b>CHANGE IN NET POSITION</b>	295,100	295,100	490,259	195,159
<b>NET POSITION, beginning of year</b>	336,600	336,600	153,149	(183,451)
<b>NET POSITION, end of year</b>	\$ 631,700	\$ 631,700	\$ 643,408	\$ 11,708

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS) -  
BUDGET AND ACTUAL - STORM WATER FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 24,900	\$ 24,900	\$ 15,238	\$ (9,662)
Intergovernmental	30,000	30,000	-	(30,000)
Miscellaneous	51,500	51,500	1,944	(49,556)
<i>Total Revenues</i>	106,400	106,400	17,182	(89,218)
<b>EXPENSES</b>				
Debt service				
Principal	6,100,000	6,100,000	6,100,000	-
Interest	151,300	171,300	163,144	8,156
Capital outlay	3,180,000	3,160,000	2,735,219	424,781
<i>Total Expenses</i>	9,431,300	9,431,300	8,998,363	432,937
<b>REVENUES OVER (UNDER) EXPENSES</b>	(9,324,900)	(9,324,900)	(8,981,181)	343,719
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	720,000	720,000	720,000	-
Proceeds from issuance of debt	8,900,000	8,900,000	8,751,440	(148,560)
<i>Total Other Financing Sources and Uses</i>	9,620,000	9,620,000	9,471,440	(148,560)
<b>CHANGE IN NET POSITION</b>	295,100	295,100	490,259	195,159
<b>NET POSITION, beginning of year</b>	336,600	336,600	153,149	(183,451)
<b>NET POSITION, end of year</b>	\$ 631,700	\$ 631,700	\$ 643,408	\$ 11,708

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS) -  
BUDGET AND ACTUAL - STORM WATER CIP FUND  
YEAR ENDED JUNE 30, 2013**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 6,500	\$ 6,500	\$ 3,144	\$ (3,356)
Miscellaneous	100	100	195	95
<i>Total Revenues</i>	6,600	6,600	3,339	(3,261)
<b>EXPENSES</b>				
Capital outlay	48,000	48,000	-	48,000
<b>REVENUES OVER (UNDER) EXPENSES</b>	(41,400)	(41,400)	3,339	44,739
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	10,000	-
<b>CHANGE IN NET POSITION</b>	(31,400)	(31,400)	13,339	44,739
<b>NET POSITION, beginning of year</b>	34,300	34,300	35,876	1,576
<b>NET POSITION, end of year</b>	\$ 2,900	\$ 2,900	\$ 49,215	\$ 46,315

***OTHER SCHEDULES***

**CITY OF DUNDEE, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2013**

	<i>Balances July 1, 2012</i>	<i>2012-2013 Levy</i>	<i>Adjustments &amp; Added to Rolls</i>	<i>Interest, Discounts and Adjustments</i>	<i>Collections</i>	<i>Balances June 30, 2013</i>
2012-2013	\$ -	\$ 534,647	\$ 8	\$ (16,502)	\$ (493,343)	\$ 24,810
2011-2012	23,934	-	-	(641)	(11,645)	11,648
2010-2011	13,791	-	-	(215)	(6,216)	7,360
2009-2010	7,241	-	-	(36)	(3,458)	3,747
2008-2009	2,147	-	-	(36)	(1,285)	826
2007-2008	812	-	-	(29)	(192)	591
2006-2007	615	-	-	(2)	(87)	526
Prior years	2,253	-	-	(421)	(129)	1,703
	<u>\$ 50,793</u>	<u>\$ 534,647</u>	<u>\$ 8</u>	<u>\$ (17,882)</u>	<u>\$ (516,355)</u>	<u>\$ 51,211</u>

**CITY OF DUNDEE, OREGON**  
**SCHEDULE OF DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2013**

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	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Fiscal Year of Maturity</i></u>
<b><i>PRINCIPAL TRANSACTIONS</i></b>			
<i>Governmental Activities</i>			
Key Bank Line of Credit	0.88%	2013	2013
<i>Business-type Activities</i>			
2012 Wastewater Loan	2.65%	2012	2033
Bank of America Line of Credit	.5% - 1.40%	2012	2012

	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Unmatured Interest July 1, 2012</i></u>
<b><i>INTEREST TRANSACTIONS</i></b>			
<i>Business-type Activities</i>			
2012 Wastewater Loan	2.65%	2012	\$ <u>          -</u>

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<i>Outstanding July 1, 2012</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2013</i>
\$ -	\$ 410,508	\$ -	\$ 410,508
1,056,560	8,643,440	-	9,700,000
5,992,000	108,000	(6,100,000)	-
<u>\$ 7,048,560</u>	<u>\$ 9,161,948</u>	<u>\$ (6,100,000)</u>	<u>\$ 10,110,508</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2013</i>
<u>\$ 2,909,750</u>	<u>\$ (125,898)</u>	<u>\$ 2,783,852</u>

**CITY OF DUNDEE, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**  
**YEAR ENDED JUNE 30, 2013**

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<i>Fiscal Year</i>	<i>Key Bank Bond Anticipation Note</i>			<i>OECCD Loan</i>									
	<i>Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>						
<i>June 30,</i>													
2014	\$	410,508	\$	3,613	\$	414,121	\$	385,686	\$	254,512	\$	640,198	
2015		-		-		-		395,974		244,224		640,198	
2016		-		-		-		406,538		233,660		640,198	
2017		-		-		-		417,383		222,815		640,198	
2018		-		-		-		428,516		211,682		640,198	
2019		-		-		-		439,947		200,251		640,198	
2020		-		-		-		451,683		188,515		640,198	
2021		-		-		-		463,732		176,466		640,198	
2022		-		-		-		476,102		164,096		640,198	
2023		-		-		-		488,803		151,395		640,198	
2024		-		-		-		501,841		138,357		640,198	
2025		-		-		-		515,229		124,969		640,198	
2026		-		-		-		528,973		111,225		640,198	
2027		-		-		-		543,083		97,115		640,198	
2028		-		-		-		557,570		82,628		640,198	
2029		-		-		-		572,444		67,754		640,198	
2030		-		-		-		587,714		52,484		640,198	
2031		-		-		-		603,391		36,807		640,198	
2032		-		-		-		619,487		20,711		640,198	
2033		-		-		-		315,904		4,186		320,090	
		<u>\$</u>	<u>410,508</u>	<u>\$</u>	<u>3,613</u>	<u>\$</u>	<u>414,121</u>	<u>\$</u>	<u>9,700,000</u>	<u>\$</u>	<u>2,783,852</u>	<u>\$</u>	<u>12,483,852</u>

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<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 796,194	\$ 258,125	\$ 1,054,319
395,974	244,224	640,198
406,538	233,660	640,198
417,383	222,815	640,198
428,516	211,682	640,198
439,947	200,251	640,198
451,683	188,515	640,198
463,732	176,466	640,198
476,102	164,096	640,198
488,803	151,395	640,198
501,841	138,357	640,198
515,229	124,969	640,198
528,973	111,225	640,198
543,083	97,115	640,198
557,570	82,628	640,198
572,444	67,754	640,198
587,714	52,484	640,198
603,391	36,807	640,198
619,487	20,711	640,198
315,904	4,186	320,090
\$ 10,110,508	\$ 2,787,465	\$ 12,897,973

***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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundee, Oregon (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2013.

#### ***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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS  
November 12, 2013



## **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 ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY WITH OMB CIRCULAR A-133***

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

#### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Dundee, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

### ***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit in the accompanying schedule of findings and questioned costs' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

November 12, 2013

**CITY OF DUNDEE, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

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<b>Federal Grantor/Pass-through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>
Department of Environmental Quality <i>Passed through State of Oregon Dept. of Environmental Quality</i>			
Clean Water State Revolving Fund Loan	66.458	R29650	\$ 669,409
			<hr/>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 669,409</b>
			<hr/> <hr/>

*See notes to schedule of expenditures of federal awards.*

***CITY OF DUNDEE, OREGON***

*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*YEAR ENDED JUNE 30, 2013*

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*PURPOSE OF THE SCHEDULE*

The accompanying schedule of expenditures of federal awards (the “Schedule”) is a supplementary schedule to the City of Dundee’s basic financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City, it is not intended to and does not present either the financial position or the results of operations of the City.

*SIGNIFICANT ACCOUNTING POLICIES*

*Basis of Presentation*

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

*Federal Financial Assistance*

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

*Major Programs*

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

*Reporting Entity*

The reporting entity is fully described in the notes to the basic financial statements. Additionally, the Schedule includes all federal programs administered by the City for the year ended June 30, 2013.

*Revenue and Expenditure Recognition*

The receipt and expenditure of federal awards are accounted for under the modified cash basis of accounting. Revenues are recorded as received in cash. Expenditures are recorded when the liability is paid.

**CITY OF DUNDEE**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's opinion issued:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major program:

**CFDA Numbers**

**Name of Federal Program or Cluster**

66.458

Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**FINANCIAL STATEMENT FINDINGS**

**2013-1 Clean Water State Revolving Loan Fund - CFDA #66.458; Loan No. R29650**

*Condition and Criteria*

The City was required to comply with the prevailing wage requirements as described in the Davis-Bacon Act for the construction of the Wastewater Treatment plant during the 2012-13 fiscal year. Compliance includes verifying the wages paid with federal funds meet the prevailing wage rate levels but also that the City design and implement internal controls to verify compliance with the requirement. The City did not actively monitor compliance as relied on the third-party project manager to monitor and document compliance.

*Context*

Audit inquiries determined that the City did not actively monitor the wages paid by the project's general and sub-contractors. The City did not receive and maintain the documentation to support compliance with the prevailing wage requirement. The documentation supporting compliance was maintained by the third-party project manager and needed to be requested from the third-party in order to test for compliance.

**CITY OF DUNDEE**

*SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)*

*YEAR ENDED JUNE 30, 2013*

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**FINANCIAL STATEMENT FINDINGS (Continued)**

**2013-1 Clean Water State Revolving Loan Fund - CFDA #66.458; Loan No. R29650 (Continued)**

*Effect*

Since the City did not receive the documentation to support compliance, the City could not monitor the project for compliance. This could lead to the City disbursing unallowable federal funds to the project's general and/or sub-contractors. Audit testing did not identify non-compliance with the prevailing wage requirements, as such, there are no questioned costs.

*Cause*

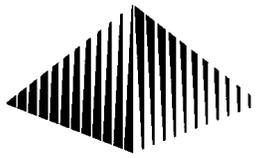
The City did not understand the requirement that the design and implementing of internal controls includes the City actively monitoring each requirement for compliance. The City did not have copies of the certified payrolls and relied on the third-party project manager to comply with and properly document compliance. Compliance was tested by receiving the information from the project manager.

*Auditor's Recommendation*

The City should design and implement controls to verify that the prevailing wage requirements are met. This could include documented communication with the third-party project manager and receiving the prevailing wage reports and testing for compliance.

*Views of Responsible Officials and Planned Correct Actions*

The City of Dundee has a small staff and uses personal services contracts for work requiring specialized training, education or certification; including engineering, legal, planning and building inspection services. The City contracted project construction administration services for the Wastewater Treatment Plant Project with Kennedy/Jenks Consultants, Inc. As with other City public improvement projects that requires certified payroll; the project engineer reviewed the certified payroll for compliance prior to making recommendation for payment to the contractor. Also, the City Administrator attends periodic construction meetings with the project engineer and contractor to review progress payment documentation. Typically, the project engineer maintains the certified payroll reports and turns them and other conformed project records to the City at the end of the project. For future projects involving certified payroll, the project engineer will provide a copy of the certified payroll with the progress payment documentation for review by the City Administrator.



## 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, 2013, and have issued our report thereon dated November 12, 2013.

#### ***Compliance***

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 the City only maintains capital asset cost and depreciation records for assets acquired after June 30, 2007.

***OAR 162-10-0230 - Internal Control***

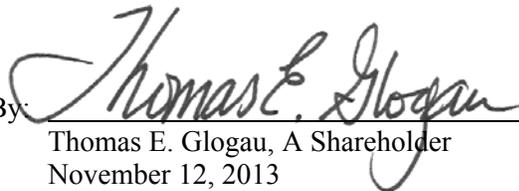
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose 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. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1, that we consider to be a significant deficiency.

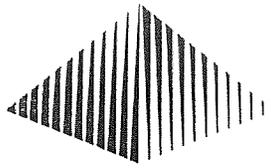
Deficiencies in internal control were communicated separately in our letter dated November 12, 2013.

***Restriction on Use***

This report is intended solely for the information and use of the Board of Directors, 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  
November 12, 2013



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

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

November 12, 2013

Honorable Mayor and Council Members  
City of Dundee  
620 SW 5th Street  
Dundee, Oregon 97115

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundee for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 26, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in notes to the financial statements. The District implemented three new pronouncements:

*Governmental Accounting Standards Board (GASB) Statement No. 61* "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34" modified certain requirements for inclusion of component units in the financial reporting entity. This Statement also amended the criteria for reporting component units as if they were part of the primary government.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement" incorporated into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The pronouncement replaced the term "net assets" with "net position" due to the possible inclusion of deferred inflows and/or outflows in the basic financial statements.

Additionally, changes in professional standards removed the statement in the independent auditor's opinion that the City does not maintain historical cost records. The comment is still present in the Minimum Standards report that is attached to the financial statements.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We

evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the City's compliance with Oregon Revised Statutes and loan covenants. No instances of noncompliance were noted during the audit.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that we identified only one such item which is AJE #3 on the attached schedule. The other journal entries were provided to us by management during our audit.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 12, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In evaluating the City's internal controls, we identified deficiencies in the controls that are deemed to be minor to the City as a whole. A separate management letter has been issued.

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

Very truly yours,

*Gene Mueller & Clark PC*  
CERTIFIED PUBLIC ACCOUNTANTS

Client: 29924 - City of Dundee  
 Engagement: Audit 2013 - City of Dundee  
 Period Ending: 6/30/2013  
 Trial Balance: 3000 - TB  
 Workpaper: 3700 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>3701</b>		
To remove a/p balances for modified cash basis presentation				
001 205 00	Accounts Payable - Vendors		141.00	
110 107 00	West Coast - Checking		91.00	
431 107 00	West Coast - Checking		29.00	
441 205 00	Accounts Payable - Vendors		36.00	
451 107 00	West Coast - Checking		56.00	
001 107 00	West Coast - Checking			141.00
110 205 00	Accounts Payable - Vendors			91.00
431 205 00	Accounts Payable - Vendors			29.00
441 107 00	West Coast - Checking			36.00
451 205 00	Accounts Payable - Vendors			56.00
<b>Total</b>			<b>353.00</b>	<b>353.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>3702</b>		
To record payment made in June as an expenditure				
001 05 525 00	Group Medical & Life		1,040.00	
001 221 01	HEALTH/LIFE INS PAYABLE			1,040.00
<b>Total</b>			<b>1,040.00</b>	<b>1,040.00</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>5303</b>		
To gross up the LOC proceeds and related expenses				
201 00 752 20	Bank Line of Credit-Interest/Fees		10,508.00	
201 00 820 05	Bank Line of Credit			10,508.00
<b>Total</b>			<b>10,508.00</b>	<b>10,508.00</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>3704</b>		
PBC - To adjust UB customer deposits to actual				
431 207 00	Customer Deposits		1,139.00	
431 00 455 10	User Charges			1,139.00
<b>Total</b>			<b>1,139.00</b>	<b>1,139.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>3600</b>		
To remove property tax receivable for modified cash basis presentation				
001 299 00	Deferred Revenue		45,431.00	
001 126 00	Property Tax Receivable			45,431.00
<b>Total</b>			<b>45,431.00</b>	<b>45,431.00</b>
<b>Adjusting Journal Entries JE # 7</b>		<b>3705</b>		
To correct the fund balance in the general fund.				
001 00 432 00	Building Permits		112.00	
01-000-211	Federal Withholding		112.00	
001 300 00	Fund Balance			112.00
01-000-211	Federal Withholding			112.00
<b>Total</b>			<b>224.00</b>	<b>224.00</b>



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

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

November 12, 2013

Honorable Mayor and Council Members  
City of Dundee  
620 SW 5th Street  
Dundee, Oregon 97115

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundee as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be control deficiencies:

### **REVIEW OF JOURNAL ENTRIES AND BANK RECONCILIATIONS**

#### *Situation/Recommendation*

The City's procedures require that the monthly bank reconciliations and journal entries be posted by the Office Manager and reviewed by the City Administrator. The review of the journal entries and bank reconciliations is not always performed timely due to the job responsibilities of the City Administrator. Management indicated that the review for the fiscal year is sometimes delayed until after year-end as preparation for the audit. The City has implemented compensating controls by requiring a detailed review of the monthly financial activity as part of preparing the council reports. Additionally, the City has recognized this deficiency and is in the process of updating the City's procedures so that a timely review can be performed. We recommend that the City either follow its current procedures or continue the process of updating and implementing new procedures so that review of journal entries and bank reconciliations is performed timely.

*Management Response*

The timing deficiency has been resolved by including the review of journal entries and bank reconciliations as part of the monthly preliminary financial statement review. The following is a change to the system descriptions as indicated:

*Journal Entries*

All journal entries and financial statements are reviewed by the City Administrator on a monthly basis as part of the preliminary financial statement review with the Office Manager to ensure entries have been properly posted.

*Bank Reconciliations*

The Office Manager opens the bank statements and reconciles them each month. In conjunction with the monthly preliminary financial review with the Office Manager, the City administrator will review all bank reconciliations, including random sampling and large disbursement review. Approved statements will be filed with the monthly financial statements.

**MONITORING OF UTILITY BILLING ADJUSTMENTS**

*Situation/Recommendation*

The utility billing department has the authority to make minor adjustments to customer's accounts without obtaining management approval. Large adjustments require the approval of either the City Administrator or the City Council. Monthly procedures of the utility billing department do not include printing a report listing manual adjustments posted to customer's accounts and verifying that the proper approval has been documented for the large adjustments. We recommend that the management occasionally print an adjustment report to verify that the City has the proper documentation for the adjustments posted.

*Management Response*

A report is generated with each batch of billing adjustments applied to customer accounts. Billing adjustments are made to correct errant billing postings, provide leak adjustments authorized under Dundee Municipal Code 13.04.150, close out unpaid accounts turned over to collections, transfer account balances to other responsible persons, and effect appeals authorized by the council. The following is a change to the system description for Utility billing:

Billing adjustments are maintained in a separate file and are only authorized by the City Administrator if they are very large. Most adjustments are made under direction from City Council through DMC 13.04.150 or as appeals. The Office Manager will conduct a periodic review of adjustment report and supporting documentation.

This communication is intended solely for the information and use of management, the city council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
CERTIFIED PUBLIC ACCOUNTANTS