

***CITY OF DUNDEE, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2015***



**CITY OF DUNDEE, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2015**

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<u>Name</u>	<u>MAYOR</u>	<u>Term</u>
David Russ 1008 SW 7 <sup>th</sup> Street Dundee, Oregon 97115		December 31, 2016

**CITY COUNCIL MEMBERS**

Jeannette Adlong 142 SW Red Hills Drive Dundee, Oregon 97115		December 31, 2016
Kristen Svicarovich 729 SW Graystone Place Dundee, Oregon 97115		December 31, 2016
Storr Nelson 290 SE Edwards Drive Dundee, Oregon 97115		December 31, 2018
Doug Pugsley 109 SW Dogwood Drive Dundee, Oregon 97115		December 31, 2018
Ted Crawford 876 SW View Crest Drive Dundee, Oregon 97115		December 31, 2018
Tim Weaver P.O. Box 764 Newberg, Oregon 97132		December 31, 2016

**REGISTERED AGENT AND REGISTERED ADDRESS**

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



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**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 aggregate remaining fund information of the City of Dundee, Oregon (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundee, Oregon, as of June 30, 2015, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in the notes to the financial statements.

## *Basis of Accounting*

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

## *Other Matters*

### *Report on Supplemental and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis, budgetary comparison information, combining nonmajor fund financial statements, and other schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 budgetary comparison information, combining nonmajor fund financial statements, other schedules as listed in the table of contents, and 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, 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.

*Other Legal and Regulatory Requirements*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 27, 2015, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By:   
Ryan T. Pasquarella, A Shareholder  
October 27, 2015

**CITY OF DUNDEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

This discussion and analysis presents the highlights of financial activities and financial position for the City of Dundee, Oregon. 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,	
	2015	2014
Net position	\$ 3,328,515	\$ 3,137,945
Change in net position	190,570	(530,139)
Governmental net position	1,515,610	1,446,398
Proprietary net position	1,812,905	1,691,547
Change in governmental net position	69,212	(914,209)
Change in proprietary net position	121,358	384,070

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

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

### FINANCIAL SUMMARY AND ANALYSIS

**Statement of Net Position** - The *Statement of Net Position* is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,328,515 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,**

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,555,930	\$ 1,826,324	\$ 3,382,254	\$ 1,455,090	\$ 1,702,951	\$ 3,158,041
Deposits	40,320	13,419	53,739	8,692	11,404	20,096
Net Position						
Restricted	279,528	327,051	606,579	249,283	1,564,791	1,814,074
Unrestricted	1,236,082	1,485,854	2,721,936	1,197,115	126,756	1,323,871
Total Net Position	\$ 1,515,610	\$ 1,812,905	\$ 3,328,515	\$ 1,446,398	\$ 1,691,547	\$ 3,137,945

*Statement of Activities* - As of June 30, 2015, there was an increase of \$69,212 in the net position of the governmental activities and an increase of \$121,358 in the net position of the business-type activities.

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

**June 30,**

	2015			2014		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 142,836	\$ 1,856,401	\$ 1,999,237	\$ 196,637	\$ 1,730,653	\$ 1,927,290
Operating grants and contributions	314,782	-	314,782	242,285	-	242,285
Capital grants and contributions	131,600	836,076	967,676	10,552	608,765	619,317
General Revenues						
Taxes and assessments	594,721	-	594,721	543,970	-	543,970
Franchise taxes	165,409	-	165,409	134,847	-	134,847
Transient room tax	40,109	-	40,109	34,157	-	34,157
Intergovernmental	70,652	-	70,652	72,286	-	72,286
Unrestricted investment earnings	7,367	8,857	16,224	9,416	9,892	19,308
Miscellaneous	38,652	275	38,927	3,739	-	3,739
Total Revenues	1,506,128	2,701,609	4,207,737	1,247,889	2,349,310	3,597,199
Expenses						
General government	716,128	-	716,128	351,511	-	351,511
Streets	305,175	-	305,175	215,813	-	215,813
Courts	18,985	-	18,985	18,193	-	18,193
Police service	458,764	-	458,764	448,799	-	448,799
Fire service and fire station construction	3,765,390	-	3,765,390	2,874,294	-	2,874,294
Community development	177,095	-	177,095	151,087	-	151,087
Interest on long-term debt	16,606	-	16,606	4,996	-	4,996
Water	-	1,041,331	1,041,331	-	1,114,002	1,114,002
Sewer	-	1,115,277	1,115,277	-	1,330,972	1,330,972
Storm water	-	107,708	107,708	-	51,129	51,129
Total Expenses	5,458,143	2,264,316	7,722,459	4,064,693	2,496,103	6,560,796
Issuance of debt	3,711,692	-	3,711,692	1,600,000	833,458	2,433,458
Loan fees	(6,400)	-	(6,400)	302,595	(302,595)	-
Transfers	315,935	(315,935)	-	302,595	(302,595)	-
Change in Net Position	69,212	121,358	190,570	(914,209)	384,070	(530,139)
Net Position, beginning of year	1,446,398	1,691,547	3,137,945	2,360,607	1,307,477	3,668,084
Net Position, end of year	\$ 1,515,610	\$ 1,812,905	\$ 3,328,515	\$ 1,446,398	\$ 1,691,547	\$ 3,137,945

**Governmental Activities** – Net position increased by \$69,192 during the fiscal year. There was \$315,935 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. A bond anticipation note was replaced by a USDA loan.

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

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

The 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 Fire Station Construction Fund is used to pay for the construction of the new fire station. The City received \$1,239,283 in net bond proceeds from the Dundee Rural Fire Protection District in a prior year, representing about a third of the construction cost. The City financed its share of the project with a bank line of credit secured by a loan through USDA Rural Development. The project was substantially completed in November 2014 and the bank line of credit was closed with the issuance of a \$2,578,000 loan from USDA Rural Development.

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

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

#### FINANCIAL ANALYSIS OF FUNDS

The City's governmental funds reported a combined fund balance of \$1,515,610 as of June 30, 2015, which is an increase of \$69,212 from June 30, 2014. This increase primarily represents the accumulation of unexpended Street Fund revenues that are set aside for a future sidewalk/streetscape improvement projects.

The General Fund is the primary operating fund of the City. The General Fund balance was \$405,410 on June 30, 2015, which is a decrease of \$6,789 over June 30, 2014. This decrease is mainly due to transfers out of the Fire Station Construction Fund to support the construction project.

The Street Fund is used to account for the state and local gas tax revenues and street related expenditures. The Street fund balance was \$49,504 on June 30, 2015 which is an increase of \$20,162 over June 30, 2014. The increase is primarily due to new LED street fixtures that were installed in the prior year which result in a decreased electricity cost.

The Equipment Reserve Fund is used to account for the purchasing of new equipment for Public Works. The Equipment Reserve Fund balance was \$737,747 on June 30 2015, which is an increase of \$13,016 over June 30, 2014. The City took out a bank loan to help finance the construction of a new equipment storage building. The primary reason for the increase is the construction of the equipment storage building was not completed and the loan proceeds and transfers-in exceeded the project's costs incurred to year-end.

The Fire Station Construction Fund is used to account for expenditures related to the construction of the new fire station. The Fire Station Construction Fund balance was \$38,406 on June 30, 2015, which is a decrease of \$97,132 over June 30, 2014. The decrease is due to the construction of the new fire station.

Proprietary funds provide water, sanitary sewer and stormwater services to customers. As with the governmental funds, fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year. The proprietary funds net position was \$1,812,905 as of June 30, 2015, which is an increase of \$121,358 from the prior year. The increase in net position results primarily from operating income in excess of operating expenses.

The Water Fund is used to account for the City's water operations. The Water Fund balance was \$111,767 as of June 30, 2015, which is an increase of \$41,680 over June 30, 2014. The volume of water sales was substantially higher over the prior year.

The Sewer Fund is used to account for the City's sewer operations. The Sewer Fund balance was \$17,658 as of June 30, 2015, which is a decrease of \$15,805 over June 30, 2014. The primary reason for the decrease is maintenance costs were higher than expected.

The Water Capital Improvement Fund is used to account for transfers from the Water Fund and Water SDC charges to be used for future water related construction projects. Active projects include relocation of utilities that are in conflict with ODOT's Bypass construction project, development of a new well and update to the Water Master Plan. The Water Capital Improvement Fund balance was \$1,003,744 as of June 30, 2015, which is an increase of \$14,812 over June 30, 2014. The primary reason for the increase is transfers-in and payments from ODOT for reimbursement of relocated utilities were greater than the combined current costs of the projects.

The Sewer Capital Improvement Fund is used to account for transfers from the Sewer Fund and Sewer SDC charges to be used for future sewer related construction projects. Projects completed include modifications to the outfall structure, sewer collection system inspections and repairs, and completion of the WWTB performance report to DEQ. The Sewer Capital Improvement Fund balance was \$611,127 as of June 30, 2015, which is an increase of \$107,152 over June 30, 2014. The primary reason for the increase is transfers-in exceeded the annual debt service and current capital project expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

A supplemental budget was adopted to recognize increased revenue from infrastructure development permits that was expended on engineering services for plan review and inspections in the General Fund. The costs of the Fire Station Construction Fund exceeded the voter approved authority for bonded debt due to unexpected conditions discovered near the completion of the project. Budget transfers were approved to use General Fund contingency for the fire station construction project. Other intrafund budget transfers were approved to various categories in the Tourism Fund, Water Fund and Sewer Fund to ensure compliance with Local Budget Law.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had a total of \$12,886,881 in debt outstanding, as shown below.

State statutes limit the amount of general obligation debt a government entity may issue up to 3 percent of its total real market value. The City's 3% limit is about \$9.8 million. The only general obligation debt (voter approved) issued by the City is for the fire station construction project in the amount of \$2,578,000.

City of Dundee  
Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Bond anticipation notes	\$ -	\$ 2,010,508	\$ -	\$ -	\$ -	\$ 2,010,508
Loans	566,200	-	9,666,608	10,092,681	10,232,808	10,092,681
General obligation bonds	2,578,000	-	-	-	2,578,000	-
<b>Total outstanding debt</b>	<b>\$ 3,144,200</b>	<b>\$ 2,010,508</b>	<b>\$ 9,666,608</b>	<b>\$ 10,092,681</b>	<b>\$ 12,810,808</b>	<b>\$ 12,103,189</b>

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

**ECONOMIC FACTORS**

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. In 2015 construction started on a well that will provide water supply estimated for ten years of new development. The update to the Dundee Water Master Plan which will provide direction on long-term water supply is expected to be completed by December 2015.

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

The City obtained a \$1.55 million Transportation Enhancement (TE) grant for sidewalk construction and streetscape improvements along Highway 99W in Dundee. In addition to the TE local match of \$177,600; the project budget was amended in 2013 to include property assessments in the amount of \$397,700, representing a share of the sidewalk, driveway and curb construction costs. ODOT was contracted to design the project to coincide with the State's resurfacing of Highway 99W in Dundee and construction is expected to be completed by March 2017.

While future residential development will take place primarily in the Riverside District, the City expects the continuation of new and expanded commercial and industrial development in the Highway 99W corridor. Recent updates to the Dundee Development Code and Construction Design Standards will facilitate this development while improving the livability of the community. Property tax revenue from new commercial and industrial development will also improve the City's funding of services to residents and visitors.

**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, 2015**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,555,930	\$ 1,826,324	\$ 3,382,254
<b>LIABILITIES</b>			
Deposits	40,320	13,419	53,739
<b>NET POSITION</b>			
Restricted for:			
Debt service	30,512	315,244	345,756
Construction	38,406	11,807	50,213
Streets	210,610	-	210,610
Unrestricted	1,236,082	1,485,854	2,721,936
<i>Total Net Position</i>	<u>\$ 1,515,610</u>	<u>\$ 1,812,905</u>	<u>\$ 3,328,515</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, 2015**

<i>FUNCTIONS/PROGRAMS</i>	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<i>Governmental activities:</i>				
General government	\$ 716,128	\$ -	\$ -	\$ 20,424
Streets	305,175	-	219,640	-
Courts	18,985	67,214	-	-
Police service	458,764	-	14,707	-
Fire service	411,628	13,556	80,435	-
Fire station construction	3,353,762	-	-	65,184
Community development	177,095	62,066	-	45,992
Interest on long-term debt	16,606	-	-	-
<i>Total Governmental activities</i>	<i>5,458,143</i>	<i>142,836</i>	<i>314,782</i>	<i>131,600</i>
<i>Business-type activities:</i>				
Water	1,041,331	610,420	-	623,654
Sewer	1,115,277	1,158,733	-	186,084
Storm water	107,708	87,248	-	26,338
<i>Total Business-type activities</i>	<i>2,264,316</i>	<i>1,856,401</i>	<i>-</i>	<i>836,076</i>
<i>Total Activities</i>	<i>\$ 7,722,459</i>	<i>\$ 1,999,237</i>	<i>\$ 314,782</i>	<i>\$ 967,676</i>
<i>General Revenues:</i>				
Property taxes				
Franchise taxes				
Transient room taxes				
Intergovernmental				
Investment earnings				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Proceeds from issuance of debt</i>				
<i>Loan fees</i>				
<i>Transfers</i>				
<i>Change in Net Position</i>				
<i>Net Position - beginning of year</i>				
<i>Net Position - end of year</i>				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (695,704)	\$ -	\$ (695,704)
(85,535)	-	(85,535)
48,229	-	48,229
(444,057)	-	(444,057)
(317,637)	-	(317,637)
(3,288,578)	-	(3,288,578)
(69,037)	-	(69,037)
(16,606)	-	(16,606)
(4,868,925)	-	(4,868,925)
-	192,743	192,743
-	229,540	229,540
-	5,878	5,878
-	428,161	428,161
(4,868,925)	428,161	(4,440,764)
594,721	-	594,721
165,409	-	165,409
40,109	-	40,109
70,652	-	70,652
7,367	8,857	16,224
38,652	275	38,927
916,910	9,132	926,042
3,711,692	-	3,711,692
(6,400)	-	(6,400)
315,935	(315,935)	-
69,212	121,358	190,570
1,446,398	1,691,547	3,137,945
\$ 1,515,610	\$ 1,812,905	\$ 3,328,515

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

**CITY OF DUNDEE, OREGON**

**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

**JUNE 30, 2015**

	<i>General</i>	<i>Special Revenue</i> <i>Street</i>	<i>Capital</i> <i>Equipment Reserve Fund</i>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 445,730	\$ 49,504	\$ 737,747
<b>LIABILITIES AND FUND BALANCE</b>			
<i>Liabilities:</i>			
Deposits	\$ 40,320	\$ -	\$ -
<i>Fund Balance:</i>			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Streets	-	49,504	-
Committed to:			
Community development	-	-	-
Construction	-	-	737,747
Unassigned	405,410	-	-
<i>Total Fund Balance</i>	405,410	49,504	737,747
<i>Total Liabilities and Fund Balance</i>	\$ 445,730	\$ 49,504	\$ 737,747

<i>Projects</i>		
<i>Fire Station Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 38,406	\$ 284,543	\$ 1,555,930
\$ -	\$ -	\$ 40,320
-	30,512	30,512
38,406	-	38,406
-	161,106	210,610
-	50,467	50,467
-	42,458	780,205
-	-	405,410
38,406	284,543	1,515,610
\$ 38,406	\$ 284,543	\$ 1,555,930

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, 2015**

	<u>General Fund</u>	<u>Special Revenue</u> <u>Street</u>	<u>Capital</u> <u>Equipment</u> <u>Reserve Fund</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 576,326	\$ 39,076	\$ -
Fines and forfeitures	67,214	-	-
Licenses and permits	204,129	-	-
Charges for services	21,364	-	-
Intergovernmental	141,010	180,564	-
Miscellaneous	24,013	200	33,548
<i>Total Revenues</i>	<u>1,034,056</u>	<u>219,840</u>	<u>33,548</u>
<b>EXPENDITURES</b>			
Current			
General government	314,377	-	-
Streets	-	111,512	-
Courts	18,985	-	-
Police service	458,764	-	-
Fire service	323,229	-	-
Community development	107,473	-	-
Debt payments			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	6,118	-	484,032
<i>Total Expenditures</i>	<u>1,228,946</u>	<u>111,512</u>	<u>484,032</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(194,890)	108,328	(450,484)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	278,101	-	106,000
Transfers out	(90,000)	(88,166)	-
Loan fees	-	-	(3,700)
Issuance of debt	-	-	361,200
<i>Total Other Financing Sources (Uses)</i>	<u>188,101</u>	<u>(88,166)</u>	<u>463,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	(6,789)	20,162	13,016
<b>FUND BALANCE, beginning of year</b>	<u>412,199</u>	<u>29,342</u>	<u>724,731</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 405,410</u>	<u>\$ 49,504</u>	<u>\$ 737,747</u>

<i>Projects</i>		
<i>Fire Station Construction</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 58,504	\$ 673,906
-	-	67,214
-	19,811	223,940
-	-	21,364
-	70,658	392,232
65,444	4,267	127,472
65,444	153,240	1,506,128
-	-	314,377
-	-	111,512
-	-	18,985
-	-	458,764
104,412	-	427,641
-	30,379	137,852
2,578,000	-	2,578,000
16,606	-	16,606
671,350	232,906	1,394,406
3,370,368	263,285	5,458,143
(3,304,924)	(110,045)	(3,952,015)
65,000	47,500	496,601
-	(2,500)	(180,666)
(2,700)	-	(6,400)
3,145,492	205,000	3,711,692
3,207,792	250,000	4,021,227
(97,132)	139,955	69,212
135,538	144,588	1,446,398
\$ 38,406	\$ 284,543	\$ 1,515,610

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

**CITY OF DUNDEE, OREGON**

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

**JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 125,186	\$ 17,658	\$ 1,003,744
<b>LIABILITIES</b>			
Deposits	13,419	-	-
<b>NET POSITION:</b>			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Unrestricted	111,767	17,658	1,003,744
<i>Total Net Position</i>	<u>\$ 111,767</u>	<u>\$ 17,658</u>	<u>\$ 1,003,744</u>

<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 611,127	\$ 68,609	\$ 1,826,324
-	-	13,419
315,244	-	315,244
10,523	1,284	11,807
285,360	67,325	1,485,854
<u>\$ 611,127</u>	<u>\$ 68,609</u>	<u>\$ 1,812,905</u>

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

**CITY OF DUNDEE, OREGON**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**(MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 610,420	\$ 1,158,733
Miscellaneous	275	-
<i>Total Operating Revenues</i>	610,695	1,158,733
<b>OPERATING EXPENSES</b>		
Personal services	147,533	141,374
Materials and services	113,846	179,535
<i>Total Operating Expenses</i>	261,379	320,909
<b>OPERATING INCOME</b>	349,316	837,824
<b>NONOPERATING ITEMS</b>		
Interest revenue	876	131
Capital acquisitions	(26,469)	(12,517)
Debt payments		
Principal	-	-
Interest	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	(25,593)	(12,386)
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	323,723	825,438
Capital contributions	-	-
Transfers in	-	-
Transfers out	(282,043)	(841,243)
<b>CHANGE IN NET POSITION</b>	41,680	(15,805)
<b>NET POSITION, beginning of year</b>	70,087	33,463
<b>NET POSITION, end of year</b>	\$ 111,767	\$ 17,658

<i>Water Capital Improvement</i>	<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 87,248	\$ 1,856,401
-	-	-	275
-	-	87,248	1,856,676
-	-	40,090	328,997
-	-	11,246	304,627
-	-	51,336	633,624
-	-	35,912	1,223,052
4,641	2,919	290	8,857
(691,938)	(118,367)	(56,372)	(905,663)
(30,099)	(395,974)	-	(426,073)
(31,446)	(267,510)	-	(298,956)
(748,842)	(778,932)	(56,082)	(1,621,835)
(748,842)	(778,932)	(20,170)	(398,783)
623,654	186,084	26,338	836,076
140,000	700,000	20,000	860,000
-	-	(52,649)	(1,175,935)
14,812	107,152	(26,481)	121,358
988,932	503,975	95,090	1,691,547
\$ 1,003,744	\$ 611,127	\$ 68,609	\$ 1,812,905

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

*Basic Financial Statements*

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

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

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

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

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental funds (general, special revenue, capital projects, and debt service) 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, 2015

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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.

*Street Fund*

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

*Equipment Reserve Fund*

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

*Fire Station Construction Fund*

This fund was created to pay for the construction of the new fire station. Revenues are primarily from the fire district and loan proceeds.

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.

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

*Basis of Presentation (Continued)*

*Water CIP Fund*

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

*Sewer CIP Fund*

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

The City reports the following nonmajor governmental funds:

*State Revenue Sharing Fund*

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

*Tourism Fund*

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

*Street Reserve*

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

*Street CIP Fund*

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

*Parks Fund*

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

*Bonded Debt Fund*

This fund accounts for taxes levied to pay principal and interest on the fire station debt.

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.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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

*Basis of Presentation (Continued)*

*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.

*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.

Debt Service Funds are used to accumulate resources to pay debt principal and interest.

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

*Measurement Focus and Basis of Accounting*

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

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

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

- 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.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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

*Measurement Focus and Basis of Accounting (Continued)*

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.

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 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.

**CITY OF DUNDEE, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2015

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

*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.

**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, 2015 are as follows:

	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Cash</b>		
Cash on hand	\$ 50	\$ 50
Deposits with financial institutions	362,685	362,685
<b>Investments</b>		
Local Government Investment Pool	3,019,519	3,019,519
	<u>\$ 3,382,254</u>	<u>\$ 3,382,254</u>

*Deposits*

The City's deposits with various financial institutions had a bank balance of \$457,028 and a book balance of \$362,685 at June 30, 2015. 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, 2015, \$207,028 of the City's bank balances were covered by the PFCP.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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**CASH AND CASH EQUIVALENTS (Continued)**

*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, 2015, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

*Interest Rate Risk*

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

*Custodial Risk - Investments*

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

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

**LONG-TERM DEBT**

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

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**LONG-TERM DEBT (Continued)**

	<u>Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2015</u>	<u>Next Year Requirements</u>
<i>Governmental Activities</i>					
Key Bank Bond Anticipation Note, \$2,578,000 authorized with varying interest.	\$ 2,010,508	\$ 567,492	\$ (2,578,000)	\$ -	\$ -
Key Bank Loan for Public Works Building issued in 2015, \$361,200 with an interest rate of 3.41%.	-	361,200	-	361,200	45,985
USDA Loan for construction of Fire Station, issued in 2015 backed by a General Obligation bond of \$2,578,000 with an interest rate of 3.125%.	-	2,578,000	-	2,578,000	69,801
Oregon Transportation Infrastructure Bank Loan #0047 for Dundee overlays and related work, total available loan is \$284,000 of which \$205,000 was drawn down in 2015. Interest rate is estimated at 2.58%.	-	205,000	-	205,000	-
	<u>\$ 2,010,508</u>	<u>\$ 3,711,692</u>	<u>\$ (2,578,000)</u>	<u>\$ 3,144,200</u>	<u>\$ 115,786</u>

During the June 30, 2015 fiscal year, the City entered into a loan agreement with the Oregon Transportation Infrastructure Bank (loan #0046) for their portion of the Newberg-Dundee Bypass project. The total loan proceeds available are \$315,200 with an annual interest rate of 2.58%. Currently, all project costs are being paid by the Oregon Department of Transportation (ODOT). The City will begin repaying their portion of the loan upon completion of the project. As of June 30, 2015, the City's share of the project and related loan balance is \$76,073.

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**LONG-TERM DEBT (Continued)**

	<u>Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2015</u>	<u>Next Year Requirements</u>
<i>Business-type Activities</i>					
Wastewater loan issued during 2012, original loan of \$9,700,000 with an interest rate of 2.65%.	\$ 9,314,314	\$ -	\$ (395,974)	\$ 8,918,340	\$ 406,538
Business Oregon IFA Note, Water reservoir loan issued during 2013, original loan of \$833,458 with an interest rate of 4.04%.	778,367	-	(30,099)	748,268	31,315
	<u>\$ 10,092,681</u>	<u>\$ -</u>	<u>\$ (426,073)</u>	<u>\$ 9,666,608</u>	<u>\$ 437,853</u>

The Wastewater Loan requires a reserve in the amount of \$315,244. The City was in compliance with this requirement at June 30, 2015.

Future debt service requirements are as follows:

The schedule below assumes that both ODOT loans will be fully drawn down in fiscal year 2016 and payments will begin in fiscal year 2017.

*Governmental Activities*

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 115,786	\$ 92,984	\$ 208,770
2017	142,932	104,567	247,498
2018	147,691	99,807	247,498
2019	152,356	95,142	247,498
2020	157,466	90,131	247,597
2021-2025	679,764	381,801	1,061,565
2026-2030	657,864	285,792	943,656
2031-2035	762,584	181,171	943,755
2036-2040	721,957	66,356	788,313
	<u>\$ 3,538,400</u>	<u>\$ 1,397,751</u>	<u>\$ 4,936,151</u>

**CITY OF DUNDEE, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2015

**LONG-TERM DEBT (Continued)**

*Business-type Activities*

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 437,853	\$ 263,890	\$ 701,743
2017	449,963	251,780	701,743
2018	462,412	239,331	701,743
2019	475,212	226,530	701,742
2020	488,373	213,370	701,743
2021-2025	2,652,626	856,087	3,508,713
2026-2030	3,042,019	466,696	3,508,715
2031-2035	1,658,150	69,205	1,727,355
	<u>\$ 9,666,608</u>	<u>\$ 2,586,889</u>	<u>\$ 12,253,497</u>

**PENSION PLAN**

*General Information about the Pension Plan*

*Defined Benefit Plan*

*Name of the pension plan:* The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

*Plan description.* Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. OPERS issues a publicly available financial report. This report can be obtained at the PERS website: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

*Benefits provided under Chapter 238-Tier One / Tier Two*

- Pension Benefits.* The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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***PENSION PLAN (Continued)***

*General Information about the Pension Plan (Continued)*

*Defined Benefit Plan (Continued)*

*Benefits provided under Chapter 238-Tier One / Tier Two (Continued)*

than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
  - Member was employed by a OPERS employer at the time of death,
  - Member died within 120 days after termination of OPERS-covered employment,
  - Member died as a result of injury sustained while employed in a OPERS-covered job, or
  - Member was on an official leave of absence from a OPERS-covered job at the time of death.
3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

*Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

*Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB)*

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

*Police and Fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

*General Service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

**PENSION PLAN (Continued)**

*General Information about the Pension Plan (Continued)*

*Defined Benefit Plan (Continued)*

*Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB) (Continued)*

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. *Benefit Changes After Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

*Contributions*

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$99,599, excluding amounts to fund employer specific liabilities. These contributions were allocated \$63,400 to PERS/OPSRP, \$33,145 to the IAP, and \$3,054 to the Retiree Health Insurance accounts.

The rates in effect for the fiscal year ended June 30, 2015 were: (1) Tier1/Tier 2 – 13.08%, (2) OPSRP general service – 9.47%, and (3) OPSRP uniformed – 12.20%.

**CITY OF DUNDEE, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2015**

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**PENSION PLAN (Continued)**

*Actuarial Valuations*

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

*Actuarial Methods and Assumptions*

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**PENSION PLAN (Continued)**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Depletion Date Projection*

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

**PENSION PLAN (Continued)***Assumed Asset Allocation*

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	16.0	24.0	20.0
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
Total			100.0 %

*Long-Term Expected Rate of Return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation - Mean		2.75

**CITY OF DUNDEE, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2015

**PENSION PLAN (Continued)**

*Long-Term Expected Rate of Return (Continued)*

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.75 percent) or 1% higher (8.75 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
Proportionate share of the net pension liability	\$ 330,688	\$ (156,157)	\$ (567,917)

*Pension*

*plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the City had an asset of \$156,157 for its proportionate share of the net pension asset. As the City utilizes the modified cash basis of accounting, this asset is not reported on the Statement of Net Position. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 and rolled forward to June 30, 2014. Therefore, these calculations did not reflect current year amounts paid. The City's proportion of the net pension asset was based on the City's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.
3. Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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**PENSION PLAN (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is just their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. For example, if the employer's payroll is one percent of the pool's total payroll, the employer will be allocated one percent of the pool's UAL. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation. The division of the UAL across employers is shown graphically below.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner. Thus for each and every system employer, the PVFNC is calculated following the format in the table below.

Since many governments in Oregon have sold pension obligation bonds and deposited the proceeds with OPERS (referred to as side accounts or transitional liability or surplus), adjustments are required. After each employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's side account, transitional liability/surplus, and pre-SLGRP liability/surplus (if any). This is done as those balances increase/decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2015, the City's proportion was 0.00688919%.

For the year ended June 30, 2015, the City reported pension expense of \$96,530.

*Changes in Plan Provisions Subsequent to Measurement Date*

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. The City will make restoration payments to those benefit recipients.

**CITY OF DUNDEE, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2015*

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**PENSION PLAN (Continued)**

*Changes in Plan Provisions Subsequent to Measurement Date (Continued)*

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and will not be included in the net pension liability (asset) proportionate shares provided to employers in June 2015.

It is estimated that this change will increase overall PERS net pension liability by \$178 million.

*Changes in Assumptions*

A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at the PERS website: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

*Changes in Actuarial Methods and Allocation Procedures*

**Actuarial Cost Method**

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

**Tier 1/Tier 2 UAL Amortization**

In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

*Contribution Rate Stabilization Method*

The "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board public meeting.

*Allocation of Liability for Service Segments*

For purposes of allocating Tier 1/Tier 2 member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for General Service members and 10 percent for Police & Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**PENSION PLAN (Continued)**

*Changes in Economic Assumptions*

Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation

The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

*Changes in Demographic Assumptions*

Healthy Mortality

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

*Changes in Salary Increase Assumptions*

Merit Increases, Unused Sick Leave, and Vacation Pay

Assumed merit increases were lowered for School District members. Unused Sick Leave and Vacation Pay rates were adjusted.

Retiree Healthcare Participation

The RHIA participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates. (Source: December 31, 2012 Actuarial Valuation p.89)

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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**PENSION PLAN (Continued)**

*Defined Contribution Plan*

*OPSRP Individual Account Program (OPSRP IAP)*

*Pension Benefits*

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20 year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

*Contributions*

The City has chosen to pay the employees contributions to the plan. 6% of covered payroll is paid for general service employees and 6% of covered payroll is paid for firefighters and police officers.

*Recordkeeping*

PERS contracts with VOYA Financial to maintain IAP participant records

**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Proportion of the net pension liability (asset)	0.00688919%	0.00688919%	N/A							
Proportionate share of the net pension liability (asset)	\$ (156,157)	\$ 351,565	N/A							
Covered-employee payroll	537,085	N/A								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-29.07%	N/A								

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**PENSION PLAN (Continued)**

*Recordkeeping (Continued)*

**CONTRIBUTIONS TO THE OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last 10 Fiscal Years**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 96,530	\$ 86,508	\$ 86,291	\$ 81,543	\$ 54,191	\$ 53,477	\$ 63,546	\$ 56,453	unavailable	unavailable
Contributions in relation to the contractually required contribution	96,530	86,508	86,291	81,543	54,191	53,477	63,546	56,453	unavailable	unavailable
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	N/A	N/A
City's covered-employee payroll	537,085	N/A	N/A							
Contributions as a percentage of covered-employee payroll	17.97%	N/A	N/A							

**INTERFUND TRANSACTIONS**

The City charges an internal administration charge to the Street, Water, Sewer, and Storm Water Funds for charges associated with general government operations recorded in the General Fund. These charges are recorded as revenue and expenditures in the budgetary statements and transfers in the financial statements. The charges recorded for the year ended June 30, 2015 were as follows:

	<i>Internal Administration Charge</i>
Street	\$ 29,166
Water	72,677
Sewer	69,643
Storm Water	19,749
	<u>\$ 191,235</u>

**CITY OF DUNDEE, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**INTERFUND TRANSACTIONS (Continued)**

	<i>Budgetary</i>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 86,866	\$ 90,000
Equipment Reserve	106,000	-
Fire	65,000	-
Street	-	59,000
State Revenue Sharing	-	2,500
Street CIP	45,000	-
Parks	2,500	-
Water	-	209,366
Sewer	-	771,600
Water CIP	140,000	-
Sewer CIP	700,000	-
Storm Water	-	32,900
Storm Water CIP	20,000	-
	<u>\$ 1,165,366</u>	<u>\$ 1,165,366</u>

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

**CONTINGENCIES**

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

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

**NEW PRONOUNCEMENTS**

GASB Statement No. 68 "Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27." The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement was implemented in the current year.

The City will implement applicable 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 following pronouncements.

**CITY OF DUNDEE, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2015*

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***NEW PRONOUNCEMENTS (Continued)***

GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, completes the suite of pension standards. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The statement is generally effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

***SUBSEQUENT EVENTS***

Management has evaluated subsequent events through October 27, 2015, 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***



<i>Projects</i>		<i>Debt Service</i>	
<i>Street Capital Improvement</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ 161,106	\$ 15,844	\$ 30,512	\$ 284,543
\$ -	\$ -	\$ -	\$ -
-	-	30,512	30,512
161,106	-	-	161,106
-	15,844	-	50,467
-	-	-	42,458
161,106	15,844	30,512	284,543
\$ 161,106	\$ 15,844	\$ 30,512	\$ 284,543

**CITY OF DUNDEE, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	<i>Special Revenue</i>		<i>Capital</i>
	<i>State Revenue Sharing</i>	<i>Tourism</i>	<i>Street Reserve</i>
<b>REVENUES</b>			
Taxes and assessments	\$ -	\$ 28,076	\$ -
Licenses and permits	-	-	-
Intergovernmental	24,666	2,500	-
Miscellaneous	15	3,380	218
<i>Total Revenues</i>	<u>24,681</u>	<u>33,956</u>	<u>218</u>
<b>EXPENDITURES</b>			
Current			
Community development	10,901	19,463	-
Capital acquisitions	-	-	-
<i>Total Expenditures</i>	<u>10,901</u>	<u>19,463</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	13,780	14,493	218
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(2,500)	-	-
Proceeds from issuance of debt	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(2,500)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,280	14,493	218
<b>FUND BALANCE, beginning of year</b>	<u>1,098</u>	<u>7,752</u>	<u>42,240</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 12,378</u>	<u>\$ 22,245</u>	<u>\$ 42,458</u>

<i>Projects</i>		<i>Debt Service</i>	
<i>Street Capital Improvement</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ -	\$ -	\$ 30,428	\$ 58,504
19,811	-	-	19,811
-	43,492	-	70,658
555	15	84	4,267
20,366	43,507	30,512	153,240
-	15	-	30,379
193,663	39,243	-	232,906
193,663	39,258	-	263,285
(173,297)	4,249	30,512	(110,045)
45,000	2,500	-	47,500
-	-	-	(2,500)
205,000	-	-	205,000
250,000	2,500	-	250,000
76,703	6,749	30,512	139,955
84,403	9,095	-	144,588
\$ 161,106	\$ 15,844	\$ 30,512	\$ 284,543

**CITY OF DUNDEE, OREGON**

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

**NONMAJOR PROPRIETARY FUNDS**

**JUNE 30, 2015**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,552	\$ 63,057	\$ 68,609
<b>LIABILITIES</b>	-	-	-
<b>NET POSITION:</b>			
Restricted for:			
Construction	-	1,284	1,284
Unrestricted	5,552	61,773	67,325
<i>Total Net Position</i>	<u>\$ 5,552</u>	<u>\$ 63,057</u>	<u>\$ 68,609</u>

**CITY OF DUNDEE, OREGON****COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2015**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 87,248	\$ -	\$ 87,248
<b>OPERATING EXPENSES</b>			
Personal services	40,090	-	40,090
Materials and services	11,246	-	11,246
<i>Total Operating Expenses</i>	<u>51,336</u>	<u>-</u>	<u>51,336</u>
<b>OPERATING INCOME</b>	35,912	-	35,912
<b>NONOPERATING ITEMS</b>			
Interest revenue	82	208	290
Capital acquisitions	(999)	(55,373)	(56,372)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(917)</u>	<u>(55,165)</u>	<u>(56,082)</u>
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	34,995	(55,165)	(20,170)
Capital contributions	-	26,338	26,338
Transfers in	-	20,000	20,000
Transfers out	(52,649)	-	(52,649)
<b>CHANGE IN NET POSITION</b>	(17,654)	(8,827)	(26,481)
<b>NET POSITION, beginning of year</b>	<u>23,206</u>	<u>71,884</u>	<u>95,090</u>
<b>NET POSITION, end of year</b>	<u>\$ 5,552</u>	<u>\$ 63,057</u>	<u>\$ 68,609</u>

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 561,900	\$ 561,900	\$ 576,326	\$ 14,426
Fines and forfeitures	52,000	52,000	67,214	15,214
Licenses and permits	187,100	202,100	204,129	2,029
Charges for services	208,100	208,100	212,599	4,499
Intergovernmental	141,200	141,200	141,010	(190)
Miscellaneous	6,800	6,800	24,013	17,213
<i>Total Revenues</i>	<u>1,157,100</u>	<u>1,172,100</u>	<u>1,225,291</u>	<u>53,191</u>
<b>EXPENDITURES</b>				
Administration/Finance	326,100	326,100	318,446	7,654
Courts	20,200	20,200	18,985	1,215
Police service	460,800	460,800	458,764	2,036
Fire service	344,800	344,800	325,278	19,522
Community development	94,900	109,900	107,473	2,427
Contingency	40,000	-	-	-
<i>Total Expenditures</i>	<u>1,286,800</u>	<u>1,261,800</u>	<u>1,228,946</u>	<u>32,854</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(129,700)	(89,700)	(3,655)	86,045
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,300	85,300	86,866	1,566
Transfers out	(50,000)	(90,000)	(90,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>35,300</u>	<u>(4,700)</u>	<u>(3,134)</u>	<u>1,566</u>
<b>NET CHANGE IN FUND BALANCE</b>	(94,400)	(94,400)	(6,789)	87,611
<b>FUND BALANCE, beginning of year</b>	<u>392,200</u>	<u>392,200</u>	<u>412,199</u>	<u>19,999</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 297,800</u>	<u>\$ 297,800</u>	<u>\$ 405,410</u>	<u>\$ 107,610</u>

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 38,000	\$ 38,000	\$ 39,076	\$ 1,076
Intergovernmental	181,400	181,400	180,564	(836)
Miscellaneous	8,600	8,600	200	(8,400)
<i>Total Revenues</i>	228,000	228,000	219,840	(8,160)
<b>EXPENDITURES</b>				
Personal services	61,500	61,500	59,207	2,293
Materials and services	109,600	109,600	81,471	28,129
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	176,100	176,100	140,678	35,422
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	51,900	51,900	79,162	27,262
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(59,000)	(59,000)	(59,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(7,100)	(7,100)	20,162	27,262
<b>FUND BALANCE, beginning of year</b>	17,100	17,100	29,342	12,242
<b>FUND BALANCE, end of year</b>	\$ 10,000	\$ 10,000	\$ 49,504	\$ 39,504

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 3,200	\$ 3,200	\$ 33,548	\$ 30,348
<b>EXPENDITURES</b>				
Capital outlay	1,160,300	1,160,300	484,032	676,268
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,157,100)	(1,157,100)	(450,484)	706,616
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	131,000	131,000	106,000	(25,000)
Loan fees*	-	-	(3,700)	(3,700)
Proceeds from issuance of debt	300,000	300,000	361,200	61,200
<i>Total Other Financing Sources (Uses)</i>	431,000	431,000	463,500	32,500
<b>NET CHANGE IN FUND BALANCE</b>	(726,100)	(726,100)	13,016	739,116
<b>FUND BALANCE, beginning of year</b>	726,100	726,100	724,731	(1,369)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 737,747	\$ 737,747

\* New issuance of debt including loan fees are excluded from local budget law and are not considered expenditures in excess of appropriations.

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 72,700	\$ 72,700	\$ 65,444	\$ (7,256)
<b>EXPENDITURES</b>				
Materials and services	18,500	111,500	104,412	7,088
Debt service				
Principal	2,560,800	2,578,000	2,578,000	-
Interest	11,300	16,700	16,606	94
Capital outlay	759,900	709,300	671,350	37,950
<i>Total Expenditures</i>	<u>3,350,500</u>	<u>3,415,500</u>	<u>3,370,368</u>	<u>45,132</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(3,277,800)	(3,342,800)	(3,304,924)	37,876
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	65,000	65,000	-
Loan fees*	-	-	(2,700)	(2,700)
Proceeds from issuance of debt	3,127,800	3,127,800	3,145,492	17,692
<i>Total Other Financing Sources (Uses)</i>	<u>3,127,800</u>	<u>3,192,800</u>	<u>3,207,792</u>	<u>14,992</u>
<b>NET CHANGE IN FUND BALANCE</b>	(150,000)	(150,000)	(97,132)	52,868
<b>FUND BALANCE, beginning of year</b>	<u>150,000</u>	<u>150,000</u>	<u>135,538</u>	<u>(14,462)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,406</u>	<u>\$ 38,406</u>

\* New issuance of debt including loan fees are excluded from local budget law and are not considered expenditures in excess of appropriations.

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 23,600	\$ 23,600	\$ 24,666	\$ 1,066
Miscellaneous	100	100	15	(85)
<i>Total Revenues</i>	23,700	23,700	24,681	981
<b>EXPENDITURES</b>				
Materials and services	21,300	21,300	10,901	10,399
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	2,400	2,400	13,780	11,380
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,500)	(2,500)	(2,500)	-
<b>NET CHANGE IN FUND BALANCE</b>	(100)	(100)	11,280	11,380
<b>FUND BALANCE, beginning of year</b>	400	400	1,098	698
<b>FUND BALANCE, end of year</b>	\$ 300	\$ 300	\$ 12,378	\$ 12,078

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 23,200	\$ 23,200	\$ 28,076	\$ 4,876
Intergovernmental	2,500	2,500	2,500	-
Miscellaneous	100	100	3,380	3,280
<i>Total Revenues</i>	25,800	25,800	33,956	8,156
<b>EXPENDITURES</b>				
Materials and services	21,500	26,500	19,463	7,037
Capital outlay	5,000	-	-	-
<i>Total Expenditures</i>	26,500	26,500	19,463	7,037
<b>NET CHANGE IN FUND BALANCE</b>	(700)	(700)	14,493	15,193
<b>FUND BALANCE, beginning of year</b>	6,700	6,700	7,752	1,052
<b>FUND BALANCE, end of year</b>	\$ 6,000	\$ 6,000	\$ 22,245	\$ 16,245

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 200	\$ 200	\$ 218	\$ 18
<b>EXPENDITURES</b>				
Capital outlay	42,400	42,400	-	42,400
<b>NET CHANGE IN FUND BALANCE</b>	(42,200)	(42,200)	218	42,418
<b>FUND BALANCE, beginning of year</b>	42,200	42,200	42,240	40
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 42,458	\$ 42,458

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 22,000	\$ 22,000	\$ 19,811	\$ (2,189)
Intergovernmental	894,300	894,300	-	(894,300)
Miscellaneous	200,800	200,800	555	(200,245)
<i>Total Revenues</i>	<u>1,117,100</u>	<u>1,117,100</u>	<u>20,366</u>	<u>(1,096,734)</u>
<b>EXPENDITURES</b>				
Debt service				
Interest	4,000	4,000	-	4,000
Capital outlay	1,564,700	1,564,700	193,663	1,371,037
<i>Total Expenditures</i>	<u>1,568,700</u>	<u>1,568,700</u>	<u>193,663</u>	<u>1,375,037</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(451,600)	(451,600)	(173,297)	278,303
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	445,000	445,000	45,000	(400,000)
Transfers out	(200,000)	(200,000)	-	200,000
Proceeds from issuance of debt	284,000	284,000	205,000	(79,000)
<i>Total Other Financing Sources (Uses)</i>	<u>529,000</u>	<u>529,000</u>	<u>250,000</u>	<u>(279,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	77,400	77,400	76,703	(697)
<b>FUND BALANCE, beginning of year</b>	<u>81,900</u>	<u>81,900</u>	<u>84,403</u>	<u>2,503</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 159,300</u>	<u>\$ 159,300</u>	<u>\$ 161,106</u>	<u>\$ 1,806</u>

**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, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 43,492	\$ (31,508)
Miscellaneous	100	100	15	(85)
<i>Total Revenues</i>	75,100	75,100	43,507	(31,593)
<b>EXPENDITURES</b>				
Materials and services	10,200	10,200	15	10,185
Capital outlay	75,000	75,000	39,243	35,757
<i>Total Expenditures</i>	85,200	85,200	39,258	45,942
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(10,100)	(10,100)	4,249	14,349
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,500	2,500	2,500	-
<b>NET CHANGE IN FUND BALANCE</b>	(7,600)	(7,600)	6,749	14,349
<b>FUND BALANCE, beginning of year</b>	7,700	7,700	9,095	1,395
<b>FUND BALANCE, end of year</b>	\$ 100	\$ 100	\$ 15,844	\$ 15,744

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - BONDED DEBT FUND**

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 150,200	\$ 150,200	\$ 30,428	\$ (119,772)
Miscellaneous	400	400	84	(316)
<i>Total Revenues</i>	150,600	150,600	30,512	(120,088)
<b>EXPENDITURES</b>	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	150,600	150,600	30,512	(120,088)
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	\$ 150,600	\$ 150,600	\$ 30,512	\$ (120,088)

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 567,400	\$ 567,400	\$ 610,420	\$ 43,020
Miscellaneous	700	700	1,151	451
<i>Total Revenues</i>	568,100	568,100	611,571	43,471
<b>EXPENDITURES</b>				
Personal services	150,800	150,800	147,533	3,267
Materials and services	225,400	223,400	186,523	36,877
Capital outlay	29,000	29,000	26,469	2,531
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	425,200	423,200	360,525	62,675
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	142,900	144,900	251,046	106,146
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(207,800)	(209,800)	(209,366)	434
<b>CHANGE IN FUND BALANCE</b>	(64,900)	(64,900)	41,680	106,580
<b>FUND BALANCE, beginning of year</b>	79,300	79,300	70,087	(9,213)
<b>FUND BALANCE, end of year</b>	\$ 14,400	\$ 14,400	\$ 111,767	\$ 97,367

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,155,000	\$ 1,155,000	\$ 1,158,733	\$ 3,733
Miscellaneous	300	300	131	(169)
<i>Total Revenues</i>	1,155,300	1,155,300	1,158,864	3,564
<b>EXPENDITURES</b>				
Personal services	144,700	144,700	141,374	3,326
Materials and services	243,500	262,500	249,178	13,322
Capital outlay	12,000	13,000	12,517	483
Contingency	20,000	-	-	-
<i>Total Expenditures</i>	420,200	420,200	403,069	17,131
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	735,100	735,100	755,795	20,695
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(771,600)	(771,600)	(771,600)	-
<b>CHANGE IN FUND BALANCE</b>	(36,500)	(36,500)	(15,805)	20,695
<b>FUND BALANCE, beginning of year</b>	47,200	47,200	33,463	(13,737)
<b>FUND BALANCE, end of year</b>	\$ 10,700	\$ 10,700	\$ 17,658	\$ 6,958

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 25,200	\$ 25,200	\$ 26,615	\$ 1,415
Intergovernmental	620,000	620,000	597,039	(22,961)
Miscellaneous	4,000	4,000	4,641	641
<i>Total Revenues</i>	649,200	649,200	628,295	(20,905)
<b>EXPENDITURES</b>				
Debt service				
Principal	30,100	30,100	30,099	1
Interest	31,500	31,500	31,446	54
Capital outlay	1,404,600	1,404,600	691,938	712,662
<i>Total Expenditures</i>	1,466,200	1,466,200	753,483	712,717
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(817,000)	(817,000)	(125,188)	691,812
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	140,000	140,000	140,000	-
Issuance of interfund loan	(560,000)	(560,000)	-	560,000
Proceeds from issuance of debt	50,000	50,000	-	(50,000)
<i>Total Other Financing Sources (Uses)</i>	(370,000)	(370,000)	140,000	510,000
<b>CHANGE IN FUND BALANCE</b>	(1,187,000)	(1,187,000)	14,812	1,201,812
<b>FUND BALANCE, beginning of year</b>	1,189,500	1,189,500	988,932	(200,568)
<b>FUND BALANCE, end of year</b>	\$ 2,500	\$ 2,500	\$ 1,003,744	\$ 1,001,244

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 26,500	\$ 26,500	\$ 41,336	\$ 14,836
Intergovernmental	-	-	144,748	144,748
Miscellaneous	3,600	3,600	2,919	(681)
<i>Total Revenues</i>	30,100	30,100	189,003	158,903
<b>EXPENDITURES</b>				
Debt service				
Principal	396,000	396,000	395,974	26
Interest	267,500	267,500	267,510	(10)
Capital outlay	257,500	257,500	118,367	139,133
<i>Total Expenditures</i>	921,000	921,000	781,851	139,149
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(890,900)	(890,900)	(592,848)	298,052
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	700,000	700,000	700,000	-
<b>CHANGE IN FUND BALANCE</b>	(190,900)	(190,900)	107,152	298,052
<b>FUND BALANCE, beginning of year</b>	620,400	620,400	503,975	(116,425)
<b>FUND BALANCE, end of year</b>	\$ 429,500	\$ 429,500	\$ 611,127	\$ 181,627

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORM WATER FUND****YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 86,600	\$ 86,600	\$ 87,248	\$ 648
Miscellaneous	100	100	82	(18)
<i>Total Revenues</i>	86,700	86,700	87,330	630
<b>EXPENDITURES</b>				
Personal services	41,500	41,500	40,090	1,410
Materials and services	33,500	33,500	30,995	2,505
Capital outlay	1,000	1,000	999	1
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	81,000	81,000	72,084	8,916
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	5,700	5,700	15,246	9,546
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(32,900)	(32,900)	(32,900)	-
<b>CHANGE IN NET POSITION</b>	(27,200)	(27,200)	(17,654)	9,546
<b>NET POSITION, beginning of year</b>	28,300	28,300	23,206	(5,094)
<b>NET POSITION, end of year</b>	\$ 1,100	\$ 1,100	\$ 5,552	\$ 4,452

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

**YEAR ENDED JUNE 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 26,338	\$ 14,338
Miscellaneous	200	200	208	8
<i>Total Revenues</i>	12,200	12,200	26,546	14,346
<b>EXPENDITURES</b>				
Capital outlay	155,000	155,000	55,373	99,627
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(142,800)	(142,800)	(28,827)	113,973
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,000	20,000	20,000	-
Proceeds from issuance of debt	60,000	60,000	-	(60,000)
<i>Total Other Financing Sources (Uses)</i>	80,000	80,000	20,000	(60,000)
<b>CHANGE IN FUND BALANCE</b>	(62,800)	(62,800)	(8,827)	53,973
<b>FUND BALANCE, beginning of year</b>	65,000	65,000	71,884	6,884
<b>FUND BALANCE, end of year</b>	\$ 2,200	\$ 2,200	\$ 63,057	\$ 60,857

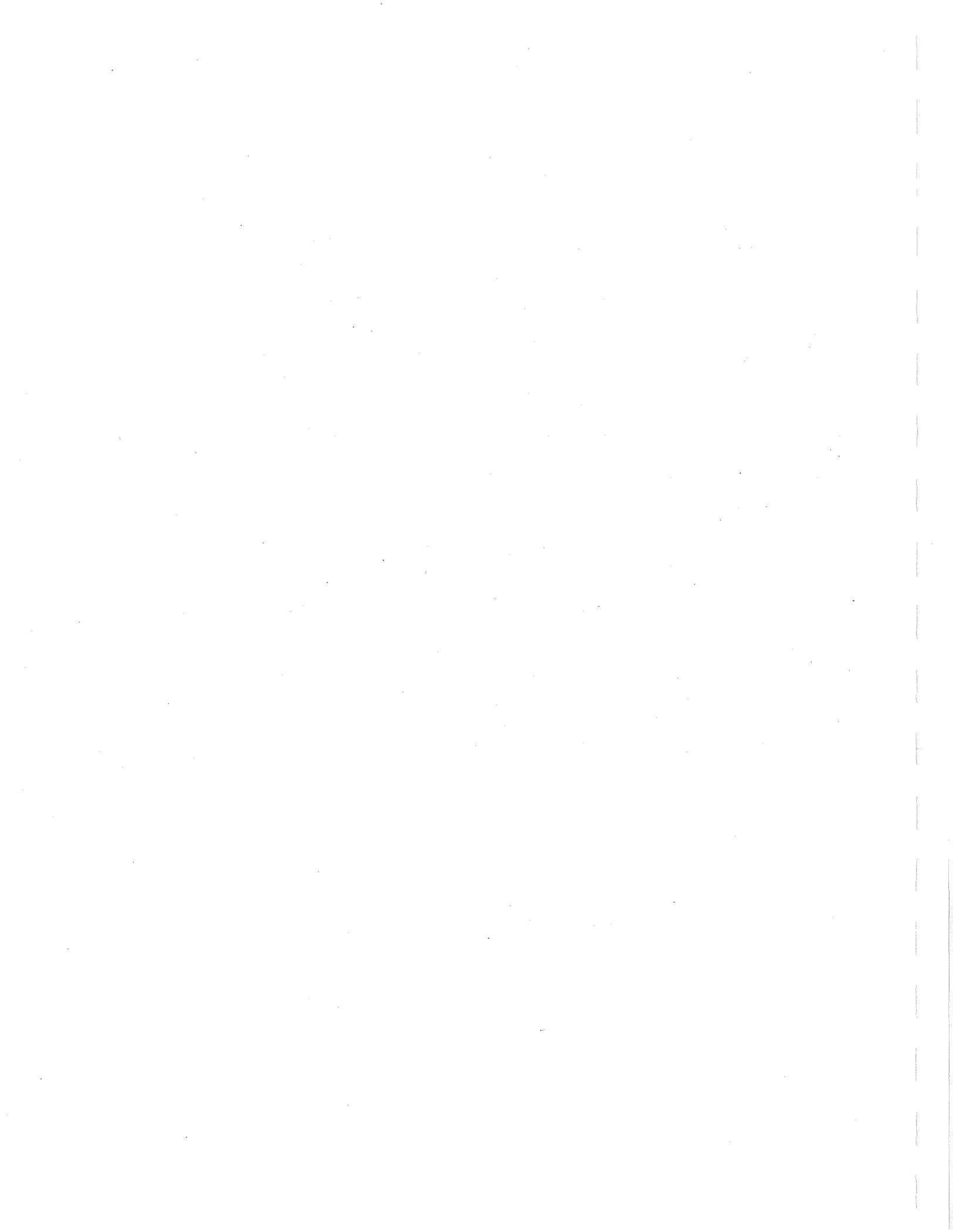


***OTHER SCHEDULES***



**CITY OF DUNDEE, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2015**

	<u>2014-2015 Levy</u>	<u>Balances July 1, 2014</u>	<u>Added to Rolls</u>	<u>Interest, Discounts and Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2015</u>
2014-2015	\$ 616,265	\$ -	\$ 301	\$ (17,544)	\$ (573,924)	\$ 25,098
2013-2014	-	23,253	-	(447)	(9,507)	13,299
2012-2013	-	13,015	197	(108)	(4,337)	8,767
2011-2012	-	7,424	88	(38)	(3,653)	3,821
2010-2011	-	4,049	-	25	(1,619)	2,455
2009-2010	-	2,419	-	30	(171)	2,278
2008-2009	-	584	-	(17)	(96)	471
Prior years	-	1,891	-	(27)	(188)	1,676
	<u>\$ 616,265</u>	<u>\$ 52,635</u>	<u>\$ 586</u>	<u>\$ (18,126)</u>	<u>\$ (593,495)</u>	<u>\$ 57,865</u>



***COMPLIANCE SECTION***





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

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

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

City Council Members  
City of Dundee, Oregon  
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2015

#### ***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 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.

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 from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings to report instances of noncompliance, identified as 2015-1.

***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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS  
October 27, 2015



## 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 OMB CIRCULAR A-133***

City Council Members  
City of Dundee, Oregon  
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, 2015. 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 of Dundee, Oregon, complied, in all material respects, with the types of 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, 2015.

#### ***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 types of requirements that could have a direct

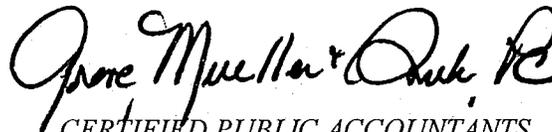
and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular 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, material weaknesses may exist that have not been identified.

***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

October 27, 2015

**CITY OF DUNDEE, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture <i>Community Facilities Loans and Grants Cluster</i>			
Community Facilities Loans and Grants	10.766	n/a	\$ 2,578,000
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,578,000</b>

*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, 2015**

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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 (the City) 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, 2015.

*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.

*Loans Outstanding*

The City has an outstanding loan payable supported by property taxes to the United States Department of Agriculture in the amount of \$2,578,000.

**CITY OF DUNDEE, OREGON**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

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**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's opinion issued:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
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?	No

Identification of major program:

**CFDA Numbers**

**Name of Federal Program or Cluster**

10.766

Community Facilities Loans and Grants Cluster

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

**2015-1 Compliance with reporting requirements**

*Criteria:*

The City is required to prepare its annual financial statements in accordance with generally accepted accounting principles (GAAP) based on the DEQ and Oregon Transportation Infrastructure Bank loans.

*Condition:*

The City reports on the modified cash basis of accounting, as allowed by the State of Oregon. The modified cash basis of accounting is not in compliance with the loan requirements.

*Cause:*

The City does not have historical cost records for capital assets.

*Recommendation:*

We recommend the City establish cost records for capital assets that would allow reporting in accordance with generally accepted accounting principles (GAAP).

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.



## 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, Oregon (the City) as of and for the year ended June 30, 2015, and have issued our report thereon dated October 27, 2015.

#### ***Compliance and Other Matters***

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

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

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

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

***Internal Control Over Financial Reporting***

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

***Restriction on Use***

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

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

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
October 27, 2015

