

***CITY OF DUNDEE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018***

CITY OF DUNDEE, OREGON
CITY OFFICIALS
JUNE 30, 2018

<u>Name</u>	MAYOR	<u>Term</u>
David Russ 1008 SW 7 th Street Dundee, Oregon 97115		December 31, 2018

CITY COUNCIL MEMBERS

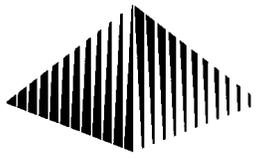
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Tim Weaver P.O. Box 764 Newberg, Oregon 97132		December 31, 2020

REGISTERED AGENT AND REGISTERED ADDRESS

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

CITY OF DUNDEE, OREGON
TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position (Modified Cash Basis)	10
Statement of Activities (Modified Cash Basis)	11
Fund Financial Statements	
Balance Sheet (Modified Cash Basis) - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Governmental Funds	13
Statement of Fund Net Position (Modified Cash Basis) - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Proprietary Funds	15
Notes to Basic Financial Statements	16-30
Supplemental Information	
Combining Balance Sheet (Modified Cash Basis) - Nonmajor Governmental Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Nonmajor Governmental Funds	32
Combining Statement of Fund Net Position (Modified Cash Basis) - Nonmajor Proprietary Funds	33
Combining Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Nonmajor Proprietary Funds	34
Schedules of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) - Budget and Actual	
General Fund	35
Equipment Reserve Fund	36
Street CIP Fund	37
Street Fund	38
State Revenue Sharing Fund	39
Tourism Fund	40
Street Reserve Fund	41
Fire Station Construction Fund	42
Parks Fund	43
Bonded Debt Fund	44
Water Fund	45
Sewer Fund	46
Water CIP Fund	47
Sewer CIP Fund	48
Storm Water Fund	49
Storm Water CIP Fund	50
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	51-52
Independent Auditor's Report Required by Oregon State Regulations	53-54



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, 2018, 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, 2018, 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, and combining nonmajor fund financial statements, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, 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.

Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 14, 2018, 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
December 14, 2018

**CITY OF DUNDEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This discussion and analysis presents the highlights of financial activities and financial position for the City of Dundee, Oregon (the City). 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,	
	2018	2017
Net position	\$ 2,820,288	\$ 3,499,911
Change in net position	(679,623)	329,633
Governmental net position	1,627,202	1,868,243
Proprietary net position	1,193,086	1,631,668
Change in governmental net position	(241,041)	360,822
Change in proprietary net position	(438,582)	(31,189)

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 supplemental 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 storm water 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 management's discussion and analysis, 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 \$2,820,288 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.

City of Dundee
Statements of Net Position (Modified Cash Basis)
June 30,

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,683,231	\$ 1,206,725	\$ 2,889,956	\$ 1,931,965	\$ 1,644,992	\$ 3,576,957
Deposits	56,029	13,639	69,668	63,722	13,324	77,046
Net Position						
Restricted	186,015	327,307	513,322	661,659	327,307	988,966
Unrestricted	1,441,187	865,779	2,306,966	1,206,584	1,304,361	2,510,945
Total Net Position	<u>\$ 1,627,202</u>	<u>\$ 1,193,086</u>	<u>\$ 2,820,288</u>	<u>\$ 1,868,243</u>	<u>\$ 1,631,668</u>	<u>\$ 3,499,911</u>

Statement of Activities - As of June 30, 2018, there was a decrease of \$241,041 in the net position of the governmental activities and a decrease of \$438,582 in the net position of the business-type activities.

City of Dundee
Statements of Activities (Modified Cash Basis)
June 30,

	2018			2017		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 263,427	\$ 1,978,637	\$ 2,242,064	\$ 164,063	\$ 1,980,902	\$ 2,144,965
Operating grants and contributions	339,612	-	339,612	328,706	-	328,706
Capital grants and contributions	854,754	86,574	941,328	295,897	198,776	494,673
General Revenues						
Taxes and assessments	922,414	-	922,414	911,332	-	911,332
Franchise taxes	195,049	-	195,049	189,060	-	189,060
Intergovernmental	102,347	-	102,347	85,134	-	85,134
Unrestricted investment earnings	25,383	20,291	45,674	15,940	16,130	32,070
Miscellaneous	15,289	658,799	674,088	14,620	162,148	176,768
Total Revenues	<u>2,718,275</u>	<u>2,744,301</u>	<u>5,462,576</u>	<u>2,004,752</u>	<u>2,357,956</u>	<u>4,362,708</u>
Expenses						
General government	449,287	-	449,287	519,790	-	519,790
Streets	1,657,593	-	1,657,593	295,305	-	295,305
Courts	29,791	-	29,791	19,582	-	19,582
Police service	492,038	-	492,038	480,796	-	480,796
Fire service and fire station construction	474,902	-	474,902	432,539	-	432,539
Community development	207,137	-	207,137	191,357	-	191,357
Interest on long-term debt	105,688	-	105,688	99,745	-	99,745
Water	-	763,467	763,467	-	553,532	553,532
Sewer	-	1,914,030	1,914,030	-	1,367,881	1,367,881
Storm water	-	186,416	186,416	-	137,548	137,548
Total Expenses	<u>3,416,436</u>	<u>2,863,913</u>	<u>6,280,349</u>	<u>2,039,114</u>	<u>2,058,961</u>	<u>4,098,075</u>
Issuance of debt	138,150	-	138,150	65,000	-	65,000
Transfers	318,970	(318,970)	-	330,184	(330,184)	-
Change in Net Position	(241,041)	(438,582)	(679,623)	360,822	(31,189)	329,633
Net Position, beginning of year	<u>1,868,243</u>	<u>1,631,668</u>	<u>3,499,911</u>	<u>1,507,421</u>	<u>1,662,857</u>	<u>3,170,278</u>
Net Position, end of year	<u>\$ 1,627,202</u>	<u>\$ 1,193,086</u>	<u>\$ 2,820,288</u>	<u>\$ 1,868,243</u>	<u>\$ 1,631,668</u>	<u>\$ 3,499,911</u>

Governmental Activities – Net position decreased by \$241,041 during the fiscal year. There was \$318,970 transferred from the business-type activities to the governmental activities, which represents payment to the Equipment Reserve Fund for future equipment replacement, payment to the General Fund for reimbursement of general financial and administrative services supporting the business-type activities, and payment in lieu of a 5% franchise fee to the General Fund.

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

The 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 Street CIP Fund is used to account for transfers from the Street fund and grants to be used for street improvement projects, including sidewalks, street overlays and street reconstruction.

Business-type Activities - The decrease in the net position of the business-type activities is primarily due to major system improvements financed with both current revenues and accumulated resources.

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 \$1,627,202 as of June 30, 2018, which is a decrease of \$241,041 from June 30, 2017.

The General Fund is the primary operating fund of the City. The General Fund balance was as \$580,548 on June 30, 2018, which is an increase of \$41,426 over June 30, 2017. This increase is mainly due to a change in the payroll issuance schedule from twice a month to monthly. This change resulted in a one-time half-month reduction in payroll expense for FY 2017-18, which was deferred to FY 2018-19.

The Equipment Reserve Fund is used to accumulate resources to purchase equipment by transfers from other funds. The Equipment Reserve Fund balance was \$766,738 on June 30, 2018, which is an increase of \$144,791 over June 30, 2017. The transfer from the General Fund for Fire Department apparatus was \$46,000 more than budgeted, representing a portion of the reimbursement payment received from the State for participation of City-owned apparatus responding to conflagration events in Oregon and California. No equipment or vehicles were purchased from the Equipment Reserve Fund in FY 2017-18.

The Street CIP Fund is used to account for transfers from the Street Fund and grants to be used for street improvement projects, including sidewalks, street overlays and street reconstruction. The Street CIP Fund balance was \$84,173 on June 30 2018, which is a decrease of \$422,513 over June 30, 2017. The decrease is mainly due to completion of about \$1.5 million of sidewalk and streetscape improvements along Highway 99W. The City received a payment of \$853,864 from ODOT for their share of costs related to improvements along Highway 99W, and anticipates payment of an additional \$46,136 in FY 2018-19. The final half of an ODOT Bike/Pedestrian grant in the amount of \$240,000 will be paid to the City upon completion of the improvements in FY 2018-19.

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 \$1,193,086 as of June 30, 2018, which is a decrease of \$438,582 from the prior year.

The Water Fund is used to account for the City’s water operations. The Water Fund balance was \$62,360 as of June 30, 2018, which is a decrease of \$18,165 over June 30, 2017. Net revenue over expenditures is \$275,115, which is about \$10,000 higher than the prior year. Of the total Water Fund transfers out of \$293,280, \$190,000 are transferred to the Water Capital Improvement Fund.

The Sewer Fund is used to account for the City’s sewer operations. The Sewer Fund balance was \$40,465 as of June 30, 2018, which is a decrease of \$80,123 over June 30, 2017. The decrease is primarily due to the removal of accumulated bio-solids stored in the facultative sludge lagoons since start of operations in 2012.

The Water Capital Improvement Fund is used to account for transfers from the Water Fund and Water SDC charges to be used for water system capital improvements. Existing debt service represents the US Bank loan at a rate of 2.6% that was issued to refund the 4.04% Oregon Infrastructure Financing Authority loan in May 2016. The Water Capital Improvement Fund balance was \$493,061 as of June 30, 2018, which is a decrease of \$216,412 over June 30, 2017. The primary reason for the decrease is due to construction of a new 10 inch main to replace an undersized and failing water line along Highway 99W.

The Sewer Capital Improvement Fund is used to account for transfers from the Sewer Fund and Sewer SDC charges to be used for future sewer related construction projects. The 20-year term \$9.7 million loan issued by Oregon Department of Environmental Quality financed the wastewater treatment facilities constructed in 2012. The Sewer Capital Improvement Fund balance was \$493,667 as of June 30, 2018, which is a decrease of \$38,846 over June 30, 2017. SDC fees collected were about \$20,000 less than estimated and about \$19,000 was expended on sewer collection system improvements to prevent ground water from entering the sewer system. Capital repairs to the wastewater treatment control panel and electrical systems were covered by the City’s insurance provider.

BUDGET AMENDMENTS

A supplemental budget was adopted to recognize increased revenue in the General Fund representing State of Oregon conflagration reimbursement and a larger beginning fund balance than estimated in the Sewer Fund. Pursuant to Local Budget Law, some budgeted appropriations were transferred within a fund from an existing appropriation to another existing appropriation, with no change in the fund’s total appropriations, in order to accommodate unforeseen circumstances. The funds affected by the transfer of appropriations include the General Fund, Park Fund, Fire Station Construction Fund and Sewer Fund.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total of \$11,576,564 in debt outstanding.

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 \$2,362,667.

City of Dundee
Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Loans	\$ 837,618	\$ 760,905	\$ 8,376,279	\$ 8,936,261	\$ 9,213,897	\$ 9,697,166
General obligation bonds	2,362,667	2,436,444	-	-	2,362,667	2,436,444
Total outstanding debt	\$ 3,200,285	\$ 3,197,349	\$ 8,376,279	\$ 8,936,261	\$ 11,576,564	\$ 12,133,610

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. The City obtained a Transportation and Growth Management grant in July 2017 to develop a zoning regulation and design standards in order to implement the Plan. The new zoning regulations and amendment to the zoning map for the Riverside District area are expected to be completed by February 2019.

Construction of Phase 1 of the Newberg-Dundee Bypass was completed January 2018, which provided significant relief to the traffic congestion on Highway 99W in Dundee. Also, the first phase of sidewalk/streetscape improvements along Highway 99W was completed by the City of Dundee. The final phase of these improvements by ODOT will include reconstruction of the highway, new storm drain facilities, and new street lighting. When completed, these improvements will facilitate private investment in the commercial core of Dundee.

Chehalem Park and Recreation District (CPRD) acquired 7 acres of hazelnut orchard property across from Billick Park and next to the post office. The City of Dundee is collaborating with CPRD with community outreach on possible uses for the redevelopment of the property.

An urban renewal plan was adopted in April 2017 by Dundee City Council for the commercial and industrial areas located primarily along the Highway 99 corridor. It is anticipated that strategic use of urban renewal funds will reduce barriers to new development and greatly improve the overall economic development of Dundee.

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, 2018

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 1,683,231	\$ 1,206,725	\$ 2,889,956
LIABILITIES			
Deposits	56,029	13,639	69,668
NET POSITION			
Restricted for:			
Community development	86,010	-	86,010
Debt service	15,583	315,244	330,827
Construction	249	12,063	12,312
Streets	84,173	-	84,173
Unrestricted	1,441,187	865,779	2,306,966
<i>Total Net Position</i>	<u>\$ 1,627,202</u>	<u>\$ 1,193,086</u>	<u>\$ 2,820,288</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, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 449,287	\$ -	\$ -	\$ 890
Streets	1,657,593	-	234,531	853,864
Courts	29,791	52,187	-	-
Police service	492,038	-	16,245	-
Fire service	453,528	121,889	88,836	-
Fire station construction	21,374	-	-	-
Community development	207,137	89,351	-	-
Interest on long-term debt	105,688	-	-	-
<i>Total Governmental activities</i>	3,416,436	263,427	339,612	854,754
Business-type activities:				
Water	763,467	615,963	-	35,684
Sewer	1,914,030	1,255,289	-	36,274
Storm water	186,416	107,385	-	14,616
<i>Total Business-type activities</i>	2,863,913	1,978,637	-	86,574
<i>Total Activities</i>	\$ 6,280,349	\$ 2,242,064	\$ 339,612	\$ 941,328
General Revenues:				
Property and other taxes				
Franchise taxes				
Intergovernmental				
Investment earnings				
Miscellaneous				
<i>Total General Revenues</i>				
Proceeds from issuance of debt				
Transfers				
Change in Net Position				
Net Position - beginning of year				
Net Position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (448,397)	\$ -	\$ (448,397)
(569,198)	-	(569,198)
22,396	-	22,396
(475,793)	-	(475,793)
(242,803)	-	(242,803)
(21,374)	-	(21,374)
(117,786)	-	(117,786)
(105,688)	-	(105,688)
(1,958,643)	-	(1,958,643)
-	(111,820)	(111,820)
-	(622,467)	(622,467)
-	(64,415)	(64,415)
-	(798,702)	(798,702)
(1,958,643)	(798,702)	(2,757,345)
922,414	-	922,414
195,049	-	195,049
102,347	-	102,347
25,383	20,291	45,674
15,289	658,799	674,088
1,260,482	679,090	1,939,572
138,150	-	138,150
318,970	(318,970)	-
(241,041)	(438,582)	(679,623)
1,868,243	1,631,668	3,499,911
\$ 1,627,202	\$ 1,193,086	\$ 2,820,288

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

CITY OF DUNDEE, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>Capital Projects</u>		
	<u>General</u>	<u>Equipment Reserve Fund</u>	<u>Street Capital Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 636,577	\$ 766,738	\$ 84,173
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ 56,029	\$ -	\$ -
Fund Balance:			
Restricted for:			
Community development	-	-	-
Debt service	-	-	-
Construction	-	-	-
Streets	-	-	84,173
Committed to:			
Community development	-	-	-
Construction	-	766,738	-
Unassigned	580,548	-	-
<i>Total Fund Balance</i>	<u>580,548</u>	<u>766,738</u>	<u>84,173</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 636,577</u>	<u>\$ 766,738</u>	<u>\$ 84,173</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 195,743	\$ 1,683,231
-	56,029
86,010	86,010
15,583	15,583
249	249
37,384	121,557
12,702	12,702
43,815	810,553
-	580,548
195,743	1,627,202
\$ 195,743	\$ 1,683,231

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, 2018**

	Capital Projects		
	General Fund	Equipment Reserve Fund	Street Capital Improvement
REVENUES			
Taxes and assessments	\$ 702,913	\$ -	\$ -
Fines and forfeitures	52,187	-	-
Licenses and permits	217,718	-	44,741
Charges for services	144,666	-	-
Intergovernmental	178,407	-	853,864
Miscellaneous	14,339	19,918	3,048
Total Revenues	1,310,230	19,918	901,653
EXPENDITURES			
Current			
General government	320,511	-	-
Streets	-	-	-
Courts	20,035	-	-
Police service	492,038	-	-
Fire service	453,528	-	-
Community development	111,705	-	-
Debt payments			
Principal	-	49,794	11,643
Interest	-	8,833	20,489
Capital acquisitions	14,961	-	1,530,184
Total Expenditures	1,412,778	58,627	1,562,316
REVENUES OVER (UNDER) EXPENDITURES	(102,548)	(38,709)	(660,663)
OTHER FINANCING SOURCES (USES)			
Transfers in	268,974	183,500	100,000
Transfers out	(125,000)	-	-
Proceeds from issuance of debt	-	-	138,150
Total Other Financing Sources (Uses)	143,974	183,500	238,150
NET CHANGE IN FUND BALANCE	41,426	144,791	(422,513)
FUND BALANCE, beginning of year	539,122	621,947	506,686
FUND BALANCE, end of year	\$ 580,548	\$ 766,738	\$ 84,173

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 250,416	\$ 953,329
-	52,187
-	262,459
-	144,666
232,442	1,264,713
3,616	40,921
486,474	2,718,275
-	320,511
115,766	115,766
-	20,035
-	492,038
21,374	474,902
92,341	204,046
73,777	135,214
76,366	105,688
3,091	1,548,236
382,715	3,416,436
103,759	(698,161)
33,000	585,474
(141,504)	(266,504)
-	138,150
(108,504)	457,120
(4,745)	(241,041)
200,488	1,868,243
\$ 195,743	\$ 1,627,202
\$ 195,743	\$ 1,627,202

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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 75,999	\$ 40,465	\$ 493,061
LIABILITIES			
Deposits	13,639	-	-
NET POSITION:			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Unrestricted	62,360	40,465	493,061
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	\$ 62,360	\$ 40,465	\$ 493,061
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 493,667	\$ 103,533	\$ 1,206,725
-	-	13,639
315,244	-	315,244
12,063	-	12,063
166,360	103,533	865,779
<u>\$ 493,667</u>	<u>\$ 103,533</u>	<u>\$ 1,193,086</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, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
OPERATING REVENUES			
Charges for services	\$ 615,963	\$ 1,255,290	\$ -
Miscellaneous	9,564	-	-
<i>Total Operating Revenues</i>	625,527	1,255,290	-
OPERATING EXPENSES			
Personal services	171,972	194,198	-
Materials and services	129,498	358,504	-
<i>Total Operating Expenses</i>	301,470	552,702	-
OPERATING INCOME	324,057	702,588	-
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	3,394	812	6,936
Capital acquisitions	(12,965)	-	(331,905)
Debt payments			
Principal	-	-	(100,973)
Interest	-	-	(16,154)
<i>Total Nonoperating Revenues (Expenses)</i>	(9,571)	812	(442,096)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	314,486	703,400	(442,096)
Capital contributions	-	-	35,684
Transfers in	-	-	190,000
Transfers out	(332,651)	(783,523)	-
CHANGE IN NET POSITION	(18,165)	(80,123)	(216,412)
NET POSITION, beginning of year	80,525	120,588	709,473
NET POSITION, end of year	\$ 62,360	\$ 40,465	\$ 493,061

<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ 107,385	\$ 1,978,638
649,235	-	658,799
649,235	107,385	2,637,437
-	26,609	392,779
-	6,377	494,379
-	32,986	887,158
649,235	74,399	1,750,279
6,974	2,174	20,290
(668,867)	(129,847)	(1,143,584)
(438,681)	(20,329)	(559,983)
(253,781)	(3,253)	(273,188)
(1,354,355)	(151,255)	(1,956,465)
(705,120)	(76,856)	(206,186)
36,274	14,616	86,574
630,000	45,000	865,000
-	(67,796)	(1,183,970)
(38,846)	(85,036)	(438,582)
532,513	188,569	1,631,668
\$ 493,667	\$ 103,533	\$ 1,193,086

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, 2018

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.

Equipment Reserve Fund

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

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.

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

Water Fund

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

Sewer Fund

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

Water CIP Fund

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sewer CIP Fund

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

The City reports the following nonmajor governmental funds:

Street Fund

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

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.

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.

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, 2018

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.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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, 2018

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.

Budget and Budgetary Accounting

The City adopts the budget on a department basis in the general fund and on an object basis in all other funds; therefore, cash expenditures of a specific department or 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, 2018

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, 2018 are as follows:

Cash	
Cash on hand	\$ 50
Deposits with financial institutions	254,580
Deposits with xpress pay	70,024
Investments	
Local Government Investment Pool	2,565,302
	<hr/>
	\$ 2,889,956
	<hr/> <hr/>

Deposits

The City's deposits with various financial institutions had a bank balance of \$297,751 and a book balance of \$254,580 at June 30, 2018. 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, 2018, \$47,751 of the City's bank balances were above FDIC and covered by the PFCP.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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, 2018, 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.

Deposits with xpress pay

The City contracts with xpress pay to facilitate online payments for water and sewer customers. The amounts in this account are those payments received by xpress.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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:

	<u>Outstanding July 1, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</u>	<u>Next Year Requirements</u>
<i>Governmental Activities</i>					
Key Bank Loan for Public Works Building issued in 2015, \$361,200 with an interest rate of 3.41%.	\$ 267,088	\$ -	\$ (49,794)	\$ 217,294	\$ 51,562
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%.	2,436,444	-	(73,777)	2,362,667	76,310
Oregon Transportation Infrastructure Bank Loan #0046 for the Newberg-Dundee Bypass Phase 1, total available loan is \$315,200 of which \$233,621 has been drawn down, and \$37,666 was drawn in 2017. Interest rate is estimated at 2.58%.	233,621	-	-	233,621	14,345
Oregon Transportation Infrastructure Bank Loan #0047 for Dundee overlays and related work, total available loan is \$284,000 of which \$207,840 was drawn down in 2015, and \$65,000 was drawn in 2017. Interest rate is estimated at 2.58%.	260,196	-	(11,643)	248,553	11,605
Oregon Transportation Infrastructure Bank Loan #0063 for Dundee street and sidewalk construction and overlays, total available loan is \$815,070 of which \$138,150 was drawn down in 2018. Interest rate is estimated at 1.99%.	-	138,150	-	138,150	-
	<u>\$ 3,197,349</u>	<u>\$ 138,150</u>	<u>\$ (135,214)</u>	<u>\$ 3,200,285</u>	<u>\$ 153,822</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, 2018, the City's share of the project and related loan balance is \$233,621.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</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%.	\$ 8,094,419	\$ -	\$ (428,516)	\$ 7,665,903	\$ 439,947
US Bank loan issued May 2016, original loan of \$970,000, with an interest rate of 2.6%.	841,842	-	(131,466)	710,376	134,811
	<u>\$ 8,936,261</u>	<u>\$ -</u>	<u>\$ (559,982)</u>	<u>\$ 8,376,279</u>	<u>\$ 574,758</u>

The Wastewater Loan requires a reserve in the amount of \$320,099. The City was in compliance with this requirement at June 30, 2018.

The Wastewater Loan also requires a minimum debt service coverage ratio of 1.05. The City did not meet this requirement for the year ended June 30, 2018.

Future debt service requirements are as follows:

Governmental Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 153,822	\$ 96,426	\$ 250,248
2020	158,870	91,377	250,247
2021	251,869	86,324	338,193
2022	218,631	79,152	297,783
2023	115,040	73,832	188,872
2024-2028	629,035	315,319	944,354
2029-2033	703,535	215,127	918,662
2034-2038	683,654	109,023	792,677
2039-2040	285,829	13,439	299,268
	<u>\$ 3,200,285</u>	<u>\$ 1,080,019</u>	<u>\$ 4,280,304</u>

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 574,758	218,107	\$ 792,865
2020	590,034	202,831	792,865
2021	605,791	187,074	792,865
2022	621,931	170,934	792,865
2023	638,129	154,596	792,725
2024-2028	2,646,696	554,294	3,200,990
2029-2033	2,698,940	181,942	2,880,882
	\$ 8,376,279	\$ 1,669,778	\$ 10,046,056

PENSION PLAN

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All District employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 20.39% for Tier One/Tier Two employees, 12.68% for OPSRP general service employees, and 17.45% for OPSRP police/fire employees. The District's total contributions to PERS were \$110,826, for fiscal year ended June 30, 2018.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2018 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2018, the City reported a net pension liability of \$926,312 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on a December 31, 2015 actuarial valuation, rolled forward to the measurement date. The City’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City’s proportion was 0.006872% as of the June 30, 2017 measurement date, compared to 0.006814% as of June 30, 2016.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 7.50%. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.50%, 7.50%, and 8.50%.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ 1,578,604	\$ 926,312	\$ 380,874

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$33,900 for the year ended June 30, 2018. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by Citycounty Insurance Services (CIS), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

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, 2018 were as follows:

	<i>Internal Administration Charge</i>
Street	\$ 18,804
Water	69,111
Sewer	77,974
Storm Water	10,696
	<hr/> \$ 176,585 <hr/>

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

INTERFUND TRANSACTIONS (Continued)

	<i>Budgetary</i>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 92,389	\$ 125,000
Equipment Reserve	183,500	-
Fire	20,000	-
Street	-	112,700
State Revenue Sharing	-	10,000
Street CIP	100,000	-
Parks	13,000	-
Water	-	263,540
Sewer	-	705,549
Water CIP	190,000	-
Sewer CIP	630,000	-
Storm Water	-	57,100
Storm Water CIP	45,000	-
	<u>\$ 1,273,889</u>	<u>\$ 1,273,889</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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2018, the date on which the financial statements were available to issued.

On July 3, 2018, the City accepted a settlement of \$980,000 to resolve litigation. These funds were received into an escrow account established by the City Attorney's office and the funds were subsequently released to the City.

SUPPLEMENTAL INFORMATION

CITY OF DUNDEE, OREGON

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

JUNE 30, 2018

	<i>Special Revenue</i>		
	<i>Street</i>	<i>State Revenue Sharing</i>	<i>Tourism</i>
ASSETS			
Cash and cash equivalents	\$ 37,384	\$ 7,624	\$ 86,010
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Community development	-	-	86,010
Debt service	-	-	-
Construction	-	-	-
Streets	37,384	-	-
Committed to:			
Community development	-	7,624	-
Construction	-	-	-
<i>Total Fund Balance</i>	<u>37,384</u>	<u>7,624</u>	<u>86,010</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 37,384</u>	<u>\$ 7,624</u>	<u>\$ 86,010</u>

<i>Capital Projects</i>			<i>Debt Service</i>	
<i>Street Reserve</i>	<i>Fire Station Construction</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ 43,815	\$ 249	\$ 5,078	\$ 15,583	\$ 195,743
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	86,010
-	-	-	15,583	15,583
-	249	-	-	249
-	-	-	-	37,384
-	-	5,078	-	12,702
43,815	-	-	-	43,815
43,815	249	5,078	15,583	195,743
\$ 43,815	\$ 249	\$ 5,078	\$ 15,583	\$ 195,743

CITY OF DUNDEE, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<i>Special Revenue</i>		
	<i>Street</i>	<i>State Revenue Sharing</i>	<i>Tourism</i>
REVENUES			
Taxes and assessments	\$ 30,914	\$ -	\$ 70,601
Intergovernmental	203,617	28,825	-
Miscellaneous	729	56	1,460
<i>Total Revenues</i>	235,260	28,881	72,061
EXPENDITURES			
Streets	134,570	-	-
Fire service	-	-	-
Community development	-	12,435	70,764
Debt Service			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	-	-	3,091
<i>Total Expenditures</i>	134,570	12,435	73,855
REVENUES OVER (UNDER) EXPENDITURES	100,690	16,446	(1,794)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(112,700)	(10,000)	-
<i>Total Other Financing Sources (Uses)</i>	(112,700)	(10,000)	-
NET CHANGE IN FUND BALANCE	(12,010)	6,446	(1,794)
FUND BALANCE, beginning of year	49,394	1,178	87,804
FUND BALANCE, end of year	\$ 37,384	\$ 7,624	\$ 86,010

<i>Capital Projects</i>			<i>Debt Service</i>	
<i>Street Reserve</i>	<i>Fire Station Construction</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ 148,901	\$ 250,416
-	-	-	-	232,442
657	22	41	651	3,616
657	22	41	149,552	486,474
-	-	-	-	134,570
-	21,374	-	-	21,374
-	-	9,142	-	92,341
-	-	-	73,777	73,777
-	-	-	76,366	76,366
-	-	-	-	3,091
-	21,374	9,142	150,143	401,519
657	(21,352)	(9,101)	(591)	84,955
-	20,000	13,000	-	33,000
-	-	-	-	(122,700)
-	20,000	13,000	-	(89,700)
657	(1,352)	3,899	(591)	(4,745)
43,158	1,601	1,179	16,174	200,488
\$ 43,815	\$ 249	\$ 5,078	\$ 15,583	\$ 195,743

CITY OF DUNDEE, OREGON

**COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) –
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2018**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 20,298	\$ 83,235	\$ 103,533
<i>Total Assets</i>	20,298	83,235	103,533
LIABILITIES	-	-	-
NET POSITION			
Unrestricted	20,298	83,235	103,533
<i>Total Net Position</i>	<u>\$ 20,298</u>	<u>\$ 83,235</u>	<u>\$ 103,533</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, 2018**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 107,385	\$ -	\$ 107,385
OPERATING EXPENSES			
Personal services	26,609	-	26,609
Materials and services	6,377	-	6,377
<i>Total Operating Expenses</i>	<u>32,986</u>	<u>-</u>	<u>32,986</u>
OPERATING INCOME	74,399	-	74,399
NONOPERATING ITEMS			
Interest revenue	629	1,545	2,174
Capital acquisitions	-	(129,847)	(129,847)
Debt payments			
Principal	-	(20,329)	(20,329)
Interest	-	(3,253)	(3,253)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>629</u>	<u>(151,884)</u>	<u>(151,255)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	75,028	(151,884)	(76,856)
Capital contributions	-	14,616	14,616
Transfers in	-	45,000	45,000
Transfers out	(67,796)	-	(67,796)
CHANGE IN NET POSITION	7,232	(92,268)	(85,036)
NET POSITION, beginning of year	<u>13,066</u>	<u>175,503</u>	<u>188,569</u>
NET POSITION, end of year	<u>\$ 20,298</u>	<u>\$ 83,235</u>	<u>\$ 103,533</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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 691,900	\$ 691,900	\$ 702,913	\$ 11,013
Fines and forfeitures	56,000	56,000	52,187	(3,813)
Licenses and permits	208,100	208,100	217,718	9,618
Charges for services	212,000	326,600	321,251	(5,349)
Intergovernmental	170,600	170,600	178,407	7,807
Miscellaneous	10,500	10,500	14,340	3,840
<i>Total Revenues</i>	<u>1,349,100</u>	<u>1,463,700</u>	<u>1,486,816</u>	<u>23,116</u>
EXPENDITURES				
Administration/Finance	351,100	350,700	325,717	24,983
Courts	32,700	32,700	29,791	2,909
Police service	491,700	492,100	492,038	62
Fire service	419,100	487,700	453,528	34,172
Community development	128,700	128,700	111,705	16,995
Contingency	80,000	67,000	-	67,000
<i>Total Expenditures</i>	<u>1,503,300</u>	<u>1,558,900</u>	<u>1,412,779</u>	<u>146,121</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(154,200)</u>	<u>(95,200)</u>	<u>74,037</u>	<u>169,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	93,300	93,300	92,389	(911)
Transfers out	(66,000)	(125,000)	(125,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>27,300</u>	<u>(31,700)</u>	<u>(32,611)</u>	<u>(911)</u>
NET CHANGE IN FUND BALANCE	<u>(126,900)</u>	<u>(126,900)</u>	<u>41,426</u>	<u>168,326</u>
FUND BALANCE, beginning of year	<u>502,600</u>	<u>502,600</u>	<u>539,122</u>	<u>36,522</u>
FUND BALANCE, end of year	<u>\$ 375,700</u>	<u>\$ 375,700</u>	<u>\$ 580,548</u>	<u>\$ 204,848</u>

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 19,918	\$ 11,918
EXPENDITURES				
Debt service				
Principal	49,900	49,900	49,794	106
Interest	8,800	8,800	8,833	(33)
Capital outlay	709,700	709,700	-	709,700
<i>Total Expenditures</i>	<u>768,400</u>	<u>768,400</u>	<u>58,627</u>	<u>709,773</u>
REVENUES OVER (UNDER) EXPENDITURES	(760,400)	(760,400)	(38,709)	721,691
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>137,500</u>	<u>137,500</u>	<u>183,500</u>	<u>46,000</u>
NET CHANGE IN FUND BALANCE	(622,900)	(622,900)	144,791	767,691
FUND BALANCE, beginning of year	<u>622,900</u>	<u>622,900</u>	<u>621,947</u>	<u>(953)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766,738</u>	<u>\$ 766,738</u>

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 43,700	\$ 43,700	\$ 44,741	\$ 1,041
Intergovernmental	1,140,000	1,140,000	853,864	(286,136)
Miscellaneous	2,200	2,200	3,048	848
<i>Total Revenues</i>	1,185,900	1,185,900	901,653	(284,247)
EXPENDITURES				
Debt service				
Principal	11,700	11,700	11,643	57
Interest	24,000	24,000	20,489	3,511
Capital outlay	2,564,700	2,564,700	1,530,184	1,034,516
<i>Total Expenditures</i>	2,600,400	2,600,400	1,562,316	1,038,084
REVENUES OVER (UNDER) EXPENDITURES	(1,414,500)	(1,414,500)	(660,663)	753,837
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Proceeds from issuance of debt	807,000	807,000	138,150	(668,850)
<i>Total Other Financing Sources (Uses)</i>	907,000	907,000	238,150	(668,850)
NET CHANGE IN FUND BALANCE	(507,500)	(507,500)	(422,513)	84,987
FUND BALANCE, beginning of year	510,600	510,600	506,686	(3,914)
FUND BALANCE, end of year	\$ 3,100	\$ 3,100	\$ 84,173	\$ 81,073

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, 2018**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes and assessments	\$ 38,000	\$ 38,000	\$ 30,914	\$ (7,086)
Intergovernmental	188,000	188,000	203,617	15,617
Miscellaneous	1,100	1,100	729	(371)
<i>Total Revenues</i>	227,100	227,100	235,260	8,160
EXPENDITURES				
Personal services	53,700	53,700	46,786	6,914
Materials and services	99,100	99,100	87,784	11,316
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	157,800	157,800	134,570	23,230
REVENUES OVER (UNDER) EXPENDITURES	69,300	69,300	100,690	31,390
OTHER FINANCING SOURCES (USES)				
Transfers out	(112,700)	(112,700)	(112,700)	-
NET CHANGE IN FUND BALANCE	(43,400)	(43,400)	(12,010)	31,390
FUND BALANCE, beginning of year	47,800	47,800	49,394	1,594
FUND BALANCE, end of year	\$ 4,400	\$ 4,400	\$ 37,384	\$ 32,984

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 27,700	\$ 27,700	\$ 28,825	\$ 1,125
Miscellaneous	100	100	56	(44)
<i>Total Revenues</i>	27,800	27,800	28,881	1,081
EXPENDITURES				
Materials and services	12,600	12,600	12,435	165
REVENUES OVER (UNDER) EXPENDITURES	15,200	15,200	16,446	1,246
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	(10,000)	-
NET CHANGE IN FUND BALANCE	5,200	5,200	6,446	1,246
FUND BALANCE, beginning of year	1,900	1,900	1,178	(722)
FUND BALANCE, end of year	\$ 7,100	\$ 7,100	\$ 7,624	\$ 524

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 51,000	\$ 51,000	\$ 70,601	\$ 19,601
Miscellaneous	1,400	1,400	1,460	60
<i>Total Revenues</i>	52,400	52,400	72,061	19,661
EXPENDITURES				
Materials and services	78,000	78,000	70,764	7,236
Capital outlay	62,000	62,000	3,091	58,909
<i>Total Expenditures</i>	140,000	140,000	73,855	66,145
NET CHANGE IN FUND BALANCE	(87,600)	(87,600)	(1,794)	85,806
FUND BALANCE, beginning of year	89,100	89,100	87,804	(1,296)
FUND BALANCE, end of year	\$ 1,500	\$ 1,500	\$ 86,010	\$ 84,510

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 657	\$ 157
EXPENDITURES				
Capital outlay	43,500	43,500	-	43,500
NET CHANGE IN FUND BALANCE	(43,000)	(43,000)	657	43,657
FUND BALANCE, beginning of year	43,000	43,000	43,158	158
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,815</u>	<u>\$ 43,815</u>

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 22	\$ 22
EXPENDITURES				
Materials and services	13,400	23,400	21,374	2,026
REVENUES OVER (UNDER) EXPENDITURES	(13,400)	(23,400)	(21,352)	2,048
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(3,400)	(3,400)	(1,352)	2,048
FUND BALANCE, beginning of year	3,400	3,400	1,601	(1,799)
FUND BALANCE, end of year	\$ -	\$ -	\$ 249	\$ 249

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ 41	\$ (59)
EXPENDITURES				
Materials and services	7,700	10,700	9,142	1,558
REVENUES OVER (UNDER) EXPENDITURES	(7,600)	(10,600)	(9,101)	1,499
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	13,000	13,000	-
NET CHANGE IN FUND BALANCE	2,400	2,400	3,899	1,499
FUND BALANCE, beginning of year	300	300	1,179	879
FUND BALANCE, end of year	\$ 2,700	\$ 2,700	\$ 5,078	\$ 2,378

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 150,000	\$ 150,000	\$ 148,901	\$ (1,099)
Miscellaneous	500	500	651	151
<i>Total Revenues</i>	150,500	150,500	149,552	(948)
EXPENDITURES				
Debt service				
Principal	74,000	74,000	73,777	223
Interest	76,200	76,200	76,366	(166)
<i>Total Expenditures</i>	150,200	150,200	150,143	57
NET CHANGE IN FUND BALANCE	300	300	(591)	(891)
FUND BALANCE, beginning of year	14,600	14,600	16,174	1,574
FUND BALANCE, end of year	\$ 14,900	\$ 14,900	\$ 15,583	\$ 683

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, 2018**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for services	\$ 623,000	\$ 623,000	\$ 615,963	\$ (7,037)
Miscellaneous	2,500	2,500	12,958	10,458
<i>Total Revenues</i>	625,500	625,500	628,921	3,421
EXPENDITURES				
Personal services	188,100	188,100	171,972	16,128
Materials and services	223,100	223,100	198,609	24,491
Capital outlay	23,000	23,000	12,965	10,035
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	454,200	454,200	383,546	70,654
REVENUES OVER (UNDER) EXPENDITURES	171,300	171,300	245,375	74,075
OTHER FINANCING SOURCES (USES)				
Transfers out	(263,800)	(263,800)	(263,540)	260
CHANGE IN FUND BALANCE	(92,500)	(92,500)	(18,165)	74,335
FUND BALANCE, beginning of year	98,500	98,500	80,525	(17,975)
FUND BALANCE, end of year	\$ 6,000	\$ 6,000	\$ 62,360	\$ 56,360

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,265,500	\$ 1,265,500	\$ 1,255,290	\$ (10,210)
Miscellaneous	300	300	812	512
<i>Total Revenues</i>	1,265,800	1,265,800	1,256,102	(9,698)
EXPENDITURES				
Personal services	224,900	224,900	194,198	30,702
Materials and services	409,600	444,600	436,478	8,122
Contingency	20,000	-	-	-
<i>Total Expenditures</i>	654,500	669,500	630,676	38,824
REVENUES OVER (UNDER) EXPENDITURES	611,300	596,300	625,426	29,126
OTHER FINANCING SOURCES (USES)				
Transfers out	(706,200)	(706,200)	(705,549)	651
CHANGE IN FUND BALANCE	(94,900)	(109,900)	(80,123)	29,777
FUND BALANCE, beginning of year	104,800	119,800	120,588	788
FUND BALANCE, end of year	\$ 9,900	\$ 9,900	\$ 40,465	\$ 30,565

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 59,300	\$ 59,300	\$ 35,684	\$ (23,616)
Miscellaneous	8,000	8,000	6,936	(1,064)
<i>Total Revenues</i>	67,300	67,300	42,620	(24,680)
EXPENDITURES				
Debt service				
Principal	100,900	100,900	100,973	(73)
Interest	16,400	16,400	16,154	246
Capital outlay	706,500	706,500	331,905	374,595
<i>Total Expenditures</i>	823,800	823,800	449,032	374,768
REVENUES OVER (UNDER) EXPENDITURES	(756,500)	(756,500)	(406,412)	350,088
OTHER FINANCING SOURCES (USES)				
Transfers in	190,000	190,000	190,000	-
CHANGE IN FUND BALANCE	(566,500)	(566,500)	(216,412)	350,088
FUND BALANCE, beginning of year	687,400	687,400	709,473	22,073
FUND BALANCE, end of year	\$ 120,900	\$ 120,900	\$ 493,061	\$ 372,161

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 56,200	\$ 56,200	\$ 36,274	\$ (19,926)
Miscellaneous	629,500	629,500	656,209	26,709
<i>Total Revenues</i>	685,700	685,700	692,483	6,783
EXPENDITURES				
Debt service				
Principal	438,700	438,700	438,681	19
Interest	253,900	253,900	253,781	119
Capital outlay	673,500	673,500	668,867	4,633
<i>Total Expenditures</i>	1,366,100	1,366,100	1,361,329	4,771
REVENUES OVER (UNDER) EXPENDITURES	(680,400)	(680,400)	(668,846)	11,554
OTHER FINANCING SOURCES (USES)				
Transfers in	630,000	630,000	630,000	-
CHANGE IN FUND BALANCE	(50,400)	(50,400)	(38,846)	11,554
FUND BALANCE, beginning of year	528,200	528,200	532,513	4,313
FUND BALANCE, end of year	\$ 477,800	\$ 477,800	\$ 493,667	\$ 15,867

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 105,700	\$ 105,700	\$ 107,385	\$ 1,685
Miscellaneous	100	100	629	529
<i>Total Revenues</i>	105,800	105,800	108,014	2,214
EXPENDITURES				
Personal services	28,700	28,700	26,609	2,091
Materials and services	24,500	24,500	17,073	7,427
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	58,200	58,200	43,682	14,518
REVENUES OVER (UNDER) EXPENDITURES	47,600	47,600	64,332	16,732
OTHER FINANCING SOURCES (USES)				
Transfers out	(57,100)	(57,100)	(57,100)	-
CHANGE IN NET POSITION	(9,500)	(9,500)	7,232	16,732
NET POSITION, beginning of year	12,000	12,000	13,066	1,066
NET POSITION, end of year	\$ 2,500	\$ 2,500	\$ 20,298	\$ 17,798

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 24,300	\$ 24,300	\$ 14,616	\$ (9,684)
Miscellaneous	1,200	1,200	1,545	345
<i>Total Revenues</i>	25,500	25,500	16,161	(9,339)
EXPENDITURES				
Debt service				
Principal	20,400	20,400	20,329	71
Interest	3,300	3,300	3,253	47
Capital outlay	219,000	219,000	129,847	89,153
REVENUES OVER (UNDER) EXPENDITURES	(217,200)	(217,200)	(137,268)	79,932
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	45,000	45,000	-
CHANGE IN FUND BALANCE	(172,200)	(172,200)	(92,268)	79,932
FUND BALANCE, beginning of year	175,500	175,500	175,503	3
FUND BALANCE, end of year	\$ 3,300	\$ 3,300	\$ 83,235	\$ 79,935

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2018.

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.

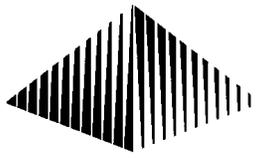
Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS
December 14, 2018



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, 2018, and have issued our report thereon dated December 14, 2018.

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.

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
December 14, 2018