

*CITY OF DUNDEE, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2017*

**CITY OF DUNDEE, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2017**

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

***CITY COUNCIL MEMBERS***

Jeannette Adlong 142 SW Red Hills Drive Dundee, Oregon 97115		December 31, 2020
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Kristen Svicarovich 729 SW Graystone Place Dundee, Oregon 97115		December 31, 2020
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Storr Nelson 290 SE Edwards Drive Dundee, Oregon 97115		December 31, 2018
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Doug Pugsley 109 SW Dogwood Drive Dundee, Oregon 97115		December 31, 2018
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Ted Crawford 876 SW View Crest Drive Dundee, Oregon 97115		December 31, 2018
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Tim Weaver P.O. Box 764 Newberg, Oregon 97132		December 31, 2020
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***REGISTERED AGENT AND REGISTERED ADDRESS***

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

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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
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, 2017, 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, 2017, 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. The management's discussion and analysis, budgetary comparison information, combining nonmajor fund financial statements, and other schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Other Legal and Regulatory Requirements*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 15, 2017, 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  
November 15, 2017

**CITY OF DUNDEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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,	
	2017	2016
Net position	\$ 3,499,910	\$ 3,170,277
Change in net position	329,633	(158,237)
Governmental net position	1,868,243	1,507,421
Proprietary net position	1,631,667	1,662,856
Change in governmental net position	360,822	(8,190)
Change in proprietary net position	(31,189)	(150,047)

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

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

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

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

The government-wide financial statements are divided into two categories. The Governmental activities include most of the City's basic services such as police, fire, municipal court, street maintenance and improvements, community planning and governance. The Business-type activities include the operation of the City's water, sewer, and 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 combining statements for non-major funds and the schedules of revenues, expenditures / expenses and changes in fund balance-budget and actual.

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

### FINANCIAL SUMMARY AND ANALYSIS

**Statement of Net Position** - The *Statement of Net Position* is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,499,910 at the close of the most recent fiscal year.

Current liabilities consist of customer deposits.

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

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

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

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,931,965	\$ 1,644,991	\$ 3,576,956	\$ 1,564,655	\$ 1,674,232	\$ 3,238,887
Deposits	63,722	13,324	77,046	57,234	11,376	68,610
Net Position						
Restricted	573,855	327,307	901,162	305,388	327,307	632,695
Unrestricted	1,294,388	1,304,360	2,598,748	1,202,033	1,335,549	2,537,582
Total Net Position	\$ 1,868,243	\$ 1,631,667	\$ 3,499,910	\$ 1,507,421	\$ 1,662,856	\$ 3,170,277

*Statement of Activities* - As of June 30, 2017, there was an increase of \$360,822 in the net position of the governmental activities and a decrease of \$31,189 in the net position of the business-type activities.

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

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 164,063	\$ 1,980,902	\$ 2,144,965	\$ 143,946	\$ 1,960,641	\$ 2,104,587
Operating grants and contributions	328,706	-	328,706	326,929	-	326,929
Capital grants and contributions	295,897	198,776	494,673	296,939	56,961	353,900
General Revenues						
Taxes and assessments	911,332	-	911,332	869,988	-	869,988
Franchise taxes	189,060	-	189,060	187,686	-	187,686
Intergovernmental	85,134	-	85,134	68,888	-	68,888
Unrestricted investment earnings	15,940	16,130	32,070	9,544	9,429	18,973
Miscellaneous	14,620	162,148	176,768	11,583	125,030	136,613
Total Revenues	2,004,752	2,357,956	4,362,708	1,915,503	2,152,061	4,067,564
Expenses						
General government	519,790	-	519,790	495,906	-	495,906
Streets	295,305	-	295,305	429,453	-	429,453
Courts	19,582	-	19,582	18,066	-	18,066
Police service	480,796	-	480,796	468,979	-	468,979
Fire service and fire station construction	432,539	-	432,539	578,067	-	578,067
Community development	191,357	-	191,357	153,584	-	153,584
Interest on long-term debt	99,745	-	99,745	101,444	-	101,444
Water	-	553,532	553,532	-	1,586,617	1,586,617
Sewer	-	1,367,881	1,367,881	-	1,271,411	1,271,411
Storm water	-	137,548	137,548	-	79,774	79,774
Total Expenses	2,039,114	2,058,961	4,098,075	2,245,499	2,937,802	5,183,301
Issuance of debt	65,000	-	65,000	-	970,000	970,000
Loan fees	-	-	-	-	(12,500)	(12,500)
Transfers	330,184	(330,184)	-	321,806	(321,806)	-
Change in Net Position	360,822	(31,189)	329,633	(8,190)	(150,047)	(158,237)
Net Position, beginning of year	1,507,421	1,662,856	3,170,277	1,515,611	1,812,903	3,328,514
Net Position, end of year	\$ 1,868,243	\$ 1,631,667	\$ 3,499,910	\$ 1,507,421	\$ 1,662,856	\$ 3,170,277

**Governmental Activities** – Net position increased by \$360,822 during the fiscal year. There was \$330,184 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 Street Fund receives the City of Dundee's share of State Highway Fund revenues distributed on a per capita basis and local gas tax revenue. Excess revenues not expended on street maintenance activities are transferred to the Street Capital Improvement Fund.

The 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 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.

**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 \$1,868,243 as of June 30, 2017, which is an increase of \$360,822 from June 30, 2016.

The General Fund is the primary operating fund of the City. The General Fund balance was as \$539,122 on June 30, 2017, which is an increase of \$55,394 over June 30, 2016. This increase is mainly due to a reduction in transfers supporting the Fire Station Construction Fund.

The Street Fund is used to account for the state and local gas tax revenues and street related expenditures. The Street fund balance was \$49,394 on June 30, 2017 which is a decrease of \$14,191 over June 30, 2016. The decrease is primarily due to an increase in transfers to the Street CIP Fund.

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 \$506,686 on June 30 2017, which is an increase of \$296,662 over June 30, 2016. The City received a payment of \$240,000 bike/pedestrian grant, representing one half of the total grant amount of \$480,000, upon award of the construction contract for improvements along Highway 99W. The remaining amount of \$240,000 will be paid to the City upon satisfactory completion of the improvements.

The Equipment Reserve Fund is used to accumulate resources to purchase equipment by transfers from other funds. The Equipment Reserve Fund balance was \$621,947 on June 30, 2017, which is an increase of \$19,155 over June 30, 2016. The increase is mainly due to resumption of the transfer from the General Fund for Fire Department apparatus, which was suspended last year to offset unanticipated costs with the Fire Station construction project.

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 \$1,631,667 as of June 30, 2017, which is a decrease of \$31,189 from the prior year.

The Water Fund is used to account for the City's water operations. The Water Fund balance was \$80,525 as of June 30, 2017, which is a decrease of \$57,219 over June 30, 2016. The volume of water sales was substantially lower over the prior year due to reduced bulk water sales to a highway construction contractor. Also, the Water Fund increased the amount 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 \$120,587 as of June 30, 2017, which is a decrease of \$443 over June 30, 2016. The balance of the fund had minimal variance and had activity consistent over the prior year.

The Water Capital Improvement Fund is used to account for transfers from the Water Fund and Water SDC charges to be used for future water system related construction projects. Water system improvements include replacement of an undersized water line, water line extension and new fire hydrant associated with the Dogwood Street improvement project. In May 2016, the 4.04% Oregon Infrastructure Financing Authority loan used for funding the construction of the 400,000 gallon reservoir in 2010 was paid off with a loan from US Bank at a rate of 2.6%. The Water Capital Improvement Fund balance was \$709,473 as of June 30, 2017, which is an increase of \$59,751 over June 30, 2016. The primary reason for the increase is due to additional amounts transferred from the Water Fund which is not required for current operations.

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 used to finance the construction of new wastewater treatment facilities had an annual debt service of \$682,575. An additional \$11,792 in debt services represents repayment of the US Bank loan proceeds used for sewer collection system repairs. The Sewer Capital Improvement Fund balance was \$523,513 as of June 30, 2017, which is a decrease of \$309 over June 30, 2016. The balance remained consistent over the prior year.

#### **BUDGET AMENDMENTS**

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, Equipment Reserve Fund, and Fire Station Construction Fund.

#### **DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had a total of \$12,133,610 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 \$2,436,444.

City of Dundee  
Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Loans	760,905	\$ 719,005	8,936,261	\$ 9,481,802	\$ 9,697,166	\$ 10,200,807
General obligation bonds	2,436,444	2,508,199	-	-	2,436,444	2,508,199
Total outstanding debt	\$ 3,197,349	\$ 3,227,204	\$ 8,936,261	\$ 9,481,802	\$ 12,133,610	\$ 12,709,006

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.

Construction of Phase 1 of the Newberg-Dundee Bypass is expected to be completed January 2018. The Bypass will provide significant relief to the traffic congestion on Highway 99W in Dundee.

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, 2017**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,931,965	\$ 1,644,991	\$ 3,576,956
<b>LIABILITIES</b>			
Deposits	63,722	13,324	77,046
<b>NET POSITION</b>			
Restricted for:			
Debt service	16,174	315,244	331,418
Construction	1,601	12,063	13,664
Streets	556,080	-	556,080
Unrestricted	1,294,388	1,304,360	2,598,748
<i>Total Net Position</i>	<u>\$ 1,868,243</u>	<u>\$ 1,631,667</u>	<u>\$ 3,499,910</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, 2017**

<i>FUNCTIONS/PROGRAMS</i>	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<i>Governmental activities:</i>				
General government	\$ 519,790	\$ -	\$ -	\$ 174
Streets	295,305	-	225,505	290,000
Courts	19,582	66,201	-	-
Police service	480,796	-	15,944	-
Fire service	374,289	8,636	87,257	-
Fire station construction	58,250	-	-	-
Community development	191,357	89,226	-	5,723
Interest on long-term debt	99,745	-	-	-
<i>Total Governmental activities</i>	<i>2,039,114</i>	<i>164,063</i>	<i>328,706</i>	<i>295,897</i>
<i>Business-type activities:</i>				
Water	553,532	620,993	-	77,402
Sewer	1,367,881	1,256,493	-	96,462
Storm water	137,548	103,416	-	24,912
<i>Total Business-type activities</i>	<i>2,058,961</i>	<i>1,980,902</i>	<i>-</i>	<i>198,776</i>
<i>Total Activities</i>	<i>\$ 4,098,075</i>	<i>\$ 2,144,965</i>	<i>\$ 328,706</i>	<i>\$ 494,673</i>
<i>General Revenues:</i>				
Property and other taxes				
Franchise taxes				
Intergovernmental				
Investment earnings				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Proceeds from issuance of debt</i>				
<i>Transfers</i>				
<i>Change in Net Position</i>				
<i>Net Position - beginning of year</i>				
<i>Net Position - end of year</i>				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (519,616)	\$ -	\$ (519,616)
220,200	-	220,200
46,619	-	46,619
(464,852)	-	(464,852)
(278,396)	-	(278,396)
(58,250)	-	(58,250)
(96,408)	-	(96,408)
(99,745)	-	(99,745)
(1,250,448)	-	(1,250,448)
-	144,863	144,863
-	(14,926)	(14,926)
-	(9,220)	(9,220)
-	120,717	120,717
(1,250,448)	120,717	(1,129,731)
911,332	-	911,332
189,060	-	189,060
85,134	-	85,134
15,940	16,130	32,070
14,620	162,148	176,768
1,216,086	178,278	1,394,364
65,000	-	65,000
330,184	(330,184)	-
360,822	(31,189)	329,633
1,507,421	1,662,856	3,170,277
\$ 1,868,243	\$ 1,631,667	\$ 3,499,910

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

**CITY OF DUNDEE, OREGON**  
**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>Special Revenue</u>		<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Equipment Reserve Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 602,844	\$ 49,394	\$ 621,947
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Deposits	\$ 63,722	\$ -	\$ -
<b>Fund Balance:</b>			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Streets	-	49,394	-
Committed to:			
Community development	-	-	-
Construction	-	-	621,947
Unassigned	539,122	-	-
<i>Total Fund Balance</i>	539,122	49,394	621,947
<i>Total Liabilities and Fund Balance</i>	\$ 602,844	\$ 49,394	\$ 621,947

<u>Projects</u>	<u>Other</u>	<u>Total</u>
<u>Street Capital</u>	<u>Governmental</u>	
<u>Improvement</u>	<u>Funds</u>	
\$ 506,686	\$ 151,094	\$ 1,931,965
-	-	63,722
-	16,174	16,174
-	1,601	1,601
506,686	-	556,080
-	90,161	90,161
-	43,158	665,105
-	-	539,122
506,686	151,094	1,868,243
\$ 506,686	\$ 151,094	\$ 1,931,965

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, 2017**

	<u>General Fund</u>	<u>Special Revenue</u> <u>Street</u>	<u>Capital</u> <u>Equipment</u> <u>Reserve Fund</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 710,084	\$ 34,512	\$ -
Fines and forfeitures	66,201	-	-
Licenses and permits	226,486	-	-
Charges for services	16,220	-	-
Intergovernmental	155,908	190,993	-
Miscellaneous	11,938	1,043	13,687
<i>Total Revenues</i>	1,186,837	226,548	13,687
<b>EXPENDITURES</b>			
Current			
General government	328,200	-	-
Streets	-	112,322	-
Courts	19,582	-	-
Police service	480,796	-	-
Fire service	355,326	-	-
Community development	113,466	-	-
Debt payments			
Principal	-	-	48,122
Interest	-	-	10,505
Capital acquisitions	18,571	3,903	72,105
<i>Total Expenditures</i>	1,315,941	116,225	130,732
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(129,104)	110,323	(117,045)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	288,498	-	136,200
Transfers out	(104,000)	(124,514)	-
Issuance of debt	-	-	-
<i>Total Other Financing Sources (Uses)</i>	184,498	(124,514)	136,200
<b>NET CHANGE IN FUND BALANCE</b>	55,394	(14,191)	19,155
<b>FUND BALANCE, beginning of year</b>	483,728	63,585	602,792
<b>FUND BALANCE, end of year</b>	\$ 539,122	\$ 49,394	\$ 621,947

<i>Projects</i>		
<i>Street Capital Improvement</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 201,247	\$ 945,843
-	-	66,201
44,438	-	270,924
-	-	16,220
290,000	38,104	675,005
2,156	1,735	30,559
336,594	241,086	2,004,752
-	-	328,200
-	-	112,322
-	-	19,582
-	-	480,796
-	41,768	397,094
-	49,414	162,880
12,644	71,755	132,521
10,852	78,388	99,745
166,436	44,959	305,974
189,932	286,284	2,039,114
146,662	(45,198)	(34,362)
85,000	54,000	563,698
-	(5,000)	(233,514)
65,000	-	65,000
150,000	49,000	395,184
296,662	3,802	360,822
210,024	147,292	1,507,421
\$ 506,686	\$ 151,094	\$ 1,868,243

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, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 93,849	\$ 120,587	\$ 709,473
<i>Total Assets</i>	93,849	120,587	709,473
<b>LIABILITIES</b>			
Deposits	13,324	-	-
<i>Total Liabilities</i>	13,324	-	-
<b>NET POSITION:</b>			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Unrestricted	80,525	120,587	709,473
<i>Total Net Position</i>	<u>\$ 80,525</u>	<u>\$ 120,587</u>	<u>\$ 709,473</u>

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<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 532,513	\$ 188,569	\$ 1,644,991
532,513	188,569	1,644,991
-	-	13,324
-	-	13,324
315,244	-	315,244
12,063	-	12,063
205,206	188,569	1,304,360
\$ 532,513	\$ 188,569	\$ 1,631,667

*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, 2017**

	<u>Water</u>	<u>Sewer</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 620,993	\$ 1,256,493
Miscellaneous	1,248	-
<i>Total Operating Revenues</i>	622,241	1,256,493
<b>OPERATING EXPENSES</b>		
Personal services	162,899	161,674
Materials and services	133,145	248,588
<i>Total Operating Expenses</i>	296,044	410,262
<b>OPERATING INCOME</b>	326,197	846,231
<b>NONOPERATING ITEMS</b>		
Interest revenue	2,419	611
Capital acquisitions	(14,506)	-
Debt payments		
Principal	-	-
Interest	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	(12,087)	611
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	314,110	846,842
Capital contributions	-	-
Transfers in	-	-
Transfers out	(371,329)	(847,285)
<b>CHANGE IN NET POSITION</b>	(57,219)	(443)
<b>NET POSITION, beginning of year</b>	137,744	121,030
<b>NET POSITION, end of year</b>	<u>\$ 80,525</u>	<u>\$ 120,587</u>

<i>Water Capital Improvement</i>	<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 103,416	\$ 1,980,902
-	160,900	-	162,148
-	160,900	103,416	2,143,050
-	-	27,836	352,409
-	-	5,523	387,256
-	-	33,359	739,665
-	160,900	70,057	1,403,385
5,331	5,948	1,821	16,130
(125,852)	(263,071)	(80,606)	(484,035)
(98,431)	(427,292)	(19,818)	(545,541)
(18,699)	(267,256)	(3,765)	(289,720)
(237,651)	(951,671)	(102,368)	(1,303,166)
(237,651)	(790,771)	(32,311)	100,219
77,402	96,462	24,912	198,776
220,000	694,000	42,000	956,000
-	-	(67,570)	(1,286,184)
59,751	(309)	(32,969)	(31,189)
649,722	532,822	221,538	1,662,856
\$ 709,473	\$ 532,513	\$ 188,569	\$ 1,631,667

*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.

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

*Basis of Presentation*

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

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

*General Fund*

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

*Street Fund*

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

*Equipment Reserve Fund*

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

*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.

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

*Basis of Presentation (Continued)*

*Water CIP Fund*

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

*Sewer CIP Fund*

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

The City reports the following nonmajor governmental funds:

*State Revenue Sharing Fund*

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

*Tourism Fund*

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

*Street Reserve*

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

*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.

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

*Basis of Presentation (Continued)*

*Stormwater CIP Fund*

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

*Fund Balance*

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

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

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

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

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

*Definitions of Governmental Fund Types*

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

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

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

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

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

*Measurement Focus and Basis of Accounting*

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

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

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

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

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

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

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

**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.

**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, 2017 are as follows:

<b>Cash</b>	
Cash on hand	\$ 50
Deposits with financial institutions	117,915
Deposits with xpress pay	79,201
<b>Investments</b>	
Local Government Investment Pool	3,379,790
	<hr/>
	<b>\$ 3,576,956</b>
	<hr/> <hr/>

*Deposits*

The City's deposits with various financial institutions had a bank balance of \$213,940 and a book balance of \$117,915 at June 30, 2017. 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, 2017, none of the City's bank balances were above FDIC and required covered by the PFCP.

**CITY OF DUNDEE, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

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**CASH AND CASH EQUIVALENTS (Continued)**

*Local Government Investment Pool*

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2017, 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, 2017

**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, 2016</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2017</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%.	\$ 315,210	\$ -	\$ (48,122)	\$ 267,088	\$ 49,824
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%.	2,508,199	-	(71,755)	2,436,444	73,998
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. None was drawn in 2017. Interest rate is estimated at 2.58%.	195,955	37,666	-	233,621	9,072
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. Interest rate is estimated at 2.58%.	207,840	65,000	(12,644)	260,196	11,313
	<u>\$ 3,227,204</u>	<u>\$ 102,666</u>	<u>\$ (132,521)</u>	<u>\$ 3,197,349</u>	<u>\$ 144,207</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, 2017, 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, 2017

**LONG-TERM DEBT (Continued)**

	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2017</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%.	\$ 8,511,802	\$ -	\$ (417,383)	\$ 8,094,419	\$ 428,516
US Bank loan issued May 2016, original loan of \$970,000, with an interest rate of 2.6%.	970,000	-	(128,158)	841,842	131,326
	<u>\$ 9,481,802</u>	<u>\$ -</u>	<u>\$ (545,541)</u>	<u>\$ 8,936,261</u>	<u>\$ 559,842</u>

The Wastewater Loan requires a reserve in the amount of \$315,244. The City was in compliance with this requirement at June 30, 2017.

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>
2018	\$ 144,207	\$ 98,019	\$ 242,227
2019	148,783	93,443	242,227
2020	153,701	88,524	242,226
2021	158,185	84,041	242,226
2022	163,394	78,774	242,169
2023-2027	581,269	336,722	917,991
2028-2032	674,333	242,960	917,293
2033-2037	750,936	135,925	886,861
2038-2040	422,540	26,650	449,190
	<u>\$ 3,197,349</u>	<u>\$ 1,185,059</u>	<u>\$ 4,382,408</u>

**CITY OF DUNDEE, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2017

**LONG-TERM DEBT** (Continued)

*Business-type Activities*

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 559,842	\$ 233,023	\$ 792,865
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
2023-2027	2,727,395	626,262	3,353,657
2028-2032	2,940,606	260,384	3,200,990
2033-2036	315,904	4,186	320,090
	<u>\$ 8,936,261</u>	<u>\$ 1,902,801</u>	<u>\$ 10,839,061</u>

**PENSION PLAN**

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple employer defined benefit plan. Qualified employees of the City are provided with pensions through OPERS. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238) while employees hired after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS issues a publicly available financial report that can be obtained at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

Benefits provided under Chapter 238-Tier One / Tier Two

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

***PENSION PLAN (Continued)***

*Death Benefits:* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: the member was employed by a OPERS employer at the time of death, the member died within 120 days after termination of OPERS-covered employment, the member died as a result of injury sustained while employed in a OPERS-covered job, or member was on an official leave of absence from a OPERS-covered job at the time of death.

*Disability Benefits:* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

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

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

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

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

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

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

*Death Benefits:* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits:* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

*Benefit Changes After Retirement:* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**CITY OF DUNDEE, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2017

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**PENSION PLAN (Continued)**

Contributions

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

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The City's contribution rates in effect for the fiscal year ended June 30, 2017 were 15.50% for Tier One/Tier Two members, 9.29% for OPSRP general service members, and 13.40% for OPSRP uniformed members. The City's contributions for the year ended June 30, 2017 were \$111,741, excluding amounts to fund employer specific liabilities, and including employees' 6% contribution.

Actuarial Methods and Assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Valuation Date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

***PENSION PLAN (Continued)***

Actuarial Methods and Assumptions (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF DUNDEE, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2017

**PENSION PLAN (Continued)**

Actuarial Methods and Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Compound Annual (Geometric) Return</u>
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50 %

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50 percent) or 1% higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate share of the net pension liability	\$ 1,651,687	\$ 1,022,928	\$ 497,395

**CITY OF DUNDEE, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
 YEAR ENDED JUNE 30, 2017

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**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, 2017 were as follows:

	<i>Internal Administration Charge</i>
Street	\$ 27,314
Water	78,244
Sewer	77,656
Storm Water	13,370
	\$ 196,584

	<i>Budgetary</i>	
	<i>Transfers In</i>	<i>Transfers Out</i>
General	\$ 91,914	\$ 104,000
Equipment Reserve	136,200	-
Fire	40,000	-
Street	-	97,200
State Revenue Sharing	4,000	5,000
Street CIP	85,000	-
Parks	10,000	-
Water	-	293,085
Sewer	-	769,629
Water CIP	220,000	-
Sewer CIP	694,000	-
Storm Water	-	54,200
Storm Water CIP	42,000	-
	\$ 1,323,114	\$ 1,323,114

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.

***CITY OF DUNDEE, OREGON***

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2017*

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***CONTINGENCIES***

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

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

***SUBSEQUENT EVENTS***

Management has evaluated subsequent events through November 15, 2017, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

*SUPPLEMENTAL INFORMATION*

**CITY OF DUNDEE, OREGON**

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

JUNE 30, 2017

	<i>Special Revenue</i>		<i>Capital</i>
	<i>State Revenue</i>	<i>Tourism</i>	<i>Street Reserve</i>
	<i>Sharing</i>		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,178	\$ 87,804	\$ 43,158
<b>LIABILITIES AND FUND BALANCE</b>			
<i>Liabilities:</i>	\$ -	\$ -	\$ -
<i>Fund Balance:</i>			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Committed to:			
Community development	1,178	87,804	-
Construction	-	-	43,158
<i>Total Fund Balance</i>	1,178	87,804	43,158
<i>Total Liabilities and Fund Balance</i>	\$ 1,178	\$ 87,804	\$ 43,158

<i>Projects</i>		<i>Debt Service</i>	
<i>Fire Station Construction</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ 1,601	\$ 1,179	\$ 16,174	\$ 151,094
\$ -	\$ -	\$ -	\$ -
-	-	16,174	16,174
1,601	-	-	1,601
-	1,179	-	90,161
-	-	-	43,158
1,601	1,179	16,174	151,094
\$ 1,601	\$ 1,179	\$ 16,174	\$ 151,094

**CITY OF DUNDEE, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue</u>		<u>Capital</u>
	<u>State Revenue Sharing</u>	<u>Tourism</u>	<u>Street Reserve</u>
<b>REVENUES</b>			
Taxes and assessments	\$ -	\$ 47,387	\$ -
Intergovernmental	32,381	-	-
Miscellaneous	46	715	429
<i>Total Revenues</i>	<u>32,427</u>	<u>48,102</u>	<u>429</u>
<b>EXPENDITURES</b>			
Current			
Fire service	-	-	-
Community development	31,831	17,285	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	-	-	-
<i>Total Expenditures</i>	<u>31,831</u>	<u>17,285</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	596	30,817	429
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	4,000	-	-
Transfers out	(5,000)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(404)	30,817	429
<b>FUND BALANCE, beginning of year</b>	<u>1,582</u>	<u>56,987</u>	<u>42,729</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 1,178</u>	<u>\$ 87,804</u>	<u>\$ 43,158</u>

<i>Projects</i>		<i>Debt Service</i>	
<i>Fire Station Construction</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ -	\$ -	\$ 153,860	\$ 201,247
-	5,723	-	38,104
85	17	443	1,735
85	5,740	154,303	241,086
41,768	-	-	41,768
-	298	-	49,414
-	-	71,755	71,755
-	-	78,388	78,388
16,482	28,477	-	44,959
58,250	28,775	150,143	286,284
(58,165)	(23,035)	4,160	(45,198)
40,000	10,000	-	54,000
-	-	-	(5,000)
40,000	10,000	-	49,000
(18,165)	(13,035)	4,160	3,802
19,766	14,214	12,014	147,292
\$ 1,601	\$ 1,179	\$ 16,174	\$ 151,094

**CITY OF DUNDEE, OREGON**

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

**NONMAJOR PROPRIETARY FUNDS**

**JUNE 30, 2017**

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	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,066	\$ 175,503	\$ 188,569
<b>LIABILITIES</b>	-	-	-
<b>NET POSITION:</b>			
Unrestricted	13,066	175,503	188,569
<i>Total Net Position</i>	<u>\$ 13,066</u>	<u>\$ 175,503</u>	<u>\$ 188,569</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, 2017**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 103,416	\$ -	\$ 103,416
<b>OPERATING EXPENSES</b>			
Personal services	27,836	-	27,836
Materials and services	5,523	-	5,523
<i>Total Operating Expenses</i>	<u>33,359</u>	<u>-</u>	<u>33,359</u>
<b>OPERATING INCOME</b>	70,057	-	70,057
<b>NONOPERATING ITEMS</b>			
Interest revenue	162	1,659	1,821
Capital acquisitions	-	(80,606)	(80,606)
Debt payments			
Principal	-	(19,818)	(19,818)
Interest	-	(3,765)	(3,765)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>162</u>	<u>(102,530)</u>	<u>(102,368)</u>
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	70,219	(102,530)	(32,311)
Capital contributions	-	24,912	24,912
Transfers in	-	42,000	42,000
Transfers out	(67,570)	-	(67,570)
<b>CHANGE IN NET POSITION</b>	2,649	(35,618)	(32,969)
<b>NET POSITION, beginning of year</b>	<u>10,417</u>	<u>211,121</u>	<u>221,538</u>
<b>NET POSITION, end of year</b>	<u>\$ 13,066</u>	<u>\$ 175,503</u>	<u>\$ 188,569</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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 677,200	\$ 677,200	\$ 710,084	\$ 32,884
Fines and forfeitures	54,000	54,000	66,201	12,201
Licenses and permits	202,900	202,900	226,486	23,586
Charges for services	212,300	212,300	212,804	504
Intergovernmental	151,200	151,200	155,908	4,708
Miscellaneous	7,700	7,700	11,938	4,238
<i>Total Revenues</i>	1,305,300	1,305,300	1,383,421	78,121
<b>EXPENDITURES</b>				
Administration/Finance	337,700	337,700	332,675	5,025
Courts	21,400	21,400	19,582	1,818
Police service	479,500	480,800	480,796	4
Fire service	404,200	402,900	369,422	33,478
Community development	121,800	121,800	113,466	8,334
Contingency	80,000	80,000	-	80,000
<i>Total Expenditures</i>	1,444,600	1,444,600	1,315,941	128,659
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(139,300)	(139,300)	67,480	206,780
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	92,200	92,200	91,914	(286)
Transfers out	(248,000)	(248,000)	(104,000)	144,000
<i>Total Other Financing Sources (Uses)</i>	(155,800)	(155,800)	(12,086)	143,714
<b>NET CHANGE IN FUND BALANCE</b>	(295,100)	(295,100)	55,394	350,494
<b>FUND BALANCE, beginning of year</b>	-	-	483,728	483,728
<b>FUND BALANCE (Deficit), end of year</b>	\$ (295,100)	\$ (295,100)	\$ 539,122	\$ 834,222

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 40,000	\$ 40,000	\$ 34,512	\$ (5,488)
Intergovernmental	185,000	185,000	190,993	5,993
Miscellaneous	200	200	1,043	843
<i>Total Revenues</i>	225,200	225,200	226,548	1,348
<b>EXPENDITURES</b>				
Personal services	59,400	59,400	56,866	2,534
Materials and services	90,900	90,900	82,770	8,130
Capital outlay	7,000	7,000	3,903	3,097
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	162,300	162,300	143,539	18,761
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	62,900	62,900	83,009	20,109
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(97,200)	(97,200)	(97,200)	-
<b>NET CHANGE IN FUND BALANCE</b>	(34,300)	(34,300)	(14,191)	20,109
<b>FUND BALANCE, beginning of year</b>	38,800	38,800	63,585	24,785
<b>FUND BALANCE, end of year</b>	\$ 4,500	\$ 4,500	\$ 49,394	\$ 44,894

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 3,800	\$ 3,800	\$ 13,687	\$ 9,887
<b>EXPENDITURES</b>				
Debt service				
Principal	48,100	48,200	48,122	78
Interest	10,500	10,500	10,505	(5)
Capital outlay	680,400	680,300	72,105	608,195
<i>Total Expenditures</i>	<u>739,000</u>	<u>739,000</u>	<u>130,732</u>	<u>608,268</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(735,200)	(735,200)	(117,045)	618,155
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>136,200</u>	<u>136,200</u>	<u>136,200</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(599,000)	(599,000)	19,155	618,155
<b>FUND BALANCE, beginning of year</b>	<u>599,000</u>	<u>599,000</u>	<u>602,792</u>	<u>3,792</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621,947</u>	<u>\$ 621,947</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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 41,400	\$ 41,400	\$ 44,438	\$ 3,038
Intergovernmental	1,385,000	1,385,000	290,000	(1,095,000)
Miscellaneous	260,200	260,200	2,156	(258,044)
<i>Total Revenues</i>	<u>1,686,600</u>	<u>1,686,600</u>	<u>336,594</u>	<u>(1,350,006)</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	11,100	11,100	12,644	(1,544)
Interest	15,500	15,500	10,852	4,648
Capital outlay	2,233,500	2,233,500	166,436	2,067,064
<i>Total Expenditures</i>	<u>2,260,100</u>	<u>2,260,100</u>	<u>189,932</u>	<u>2,070,168</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(573,500)	(573,500)	146,662	720,162
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	545,000	545,000	85,000	(460,000)
Transfers out	(260,000)	(260,000)	-	260,000
Proceeds from issuance of debt	76,000	76,000	65,000	(11,000)
<i>Total Other Financing Sources (Uses)</i>	<u>361,000</u>	<u>361,000</u>	<u>150,000</u>	<u>(211,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(212,500)	(212,500)	296,662	509,162
<b>FUND BALANCE, beginning of year</b>	<u>215,000</u>	<u>215,000</u>	<u>210,024</u>	<u>(4,976)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 506,686</u>	<u>\$ 504,186</u>

**CITY OF DUNDEE, OREGON**

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

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STATE REVENUE SHARING FUND**

**YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 25,500	\$ 25,500	\$ 32,381	\$ 6,881
Miscellaneous	100	100	46	(54)
<i>Total Revenues</i>	25,600	25,600	32,427	6,827
<b>EXPENDITURES</b>				
Materials and services	36,100	36,100	31,831	4,269
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(10,500)	(10,500)	596	11,096
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	13,000	13,000	4,000	(9,000)
Transfers out	(5,000)	(5,000)	(5,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(2,500)	(2,500)	(404)	2,096
<b>FUND BALANCE, beginning of year</b>	2,500	2,500	1,582	(918)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 1,178	\$ 1,178

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 43,100	\$ 43,100	\$ 47,387	\$ 4,287
Intergovernmental	-	-	-	-
Miscellaneous	5,100	5,100	715	(4,385)
<i>Total Revenues</i>	48,200	48,200	48,102	(98)
<b>EXPENDITURES</b>				
Materials and services	49,500	49,500	17,285	32,215
Capital outlay	50,000	50,000	-	50,000
<i>Total Expenditures</i>	99,500	99,500	17,285	82,215
<b>NET CHANGE IN FUND BALANCE</b>	(51,300)	(51,300)	30,817	82,117
<b>FUND BALANCE, beginning of year</b>	52,600	52,600	56,987	4,387
<b>FUND BALANCE, end of year</b>	\$ 1,300	\$ 1,300	\$ 87,804	\$ 86,504

**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, 2017**

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	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 200	\$ 200	\$ 429	\$ 229
<b>EXPENDITURES</b>				
Capital outlay	42,900	42,900	-	42,900
<b>NET CHANGE IN FUND BALANCE</b>	(42,700)	(42,700)	429	43,129
<b>FUND BALANCE, beginning of year</b>	42,700	42,700	42,729	29
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 43,158	\$ 43,158

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**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, 2017*

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 85	\$ 85
<b>EXPENDITURES</b>				
Materials and services	178,000	164,000	41,768	122,232
Capital outlay	4,000	18,000	16,482	1,518
<i>Total Expenditures</i>	<u>182,000</u>	<u>182,000</u>	<u>58,250</u>	<u>123,750</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(182,000)	(182,000)	(58,165)	123,835
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>180,000</u>	<u>180,000</u>	<u>40,000</u>	<u>(140,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>180,000</u>	<u>180,000</u>	<u>40,000</u>	<u>(140,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,000)	(2,000)	(18,165)	(16,165)
<b>FUND BALANCE, beginning of year</b>	<u>2,000</u>	<u>2,000</u>	<u>19,766</u>	<u>17,766</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,601</u></u>	<u><u>\$ 1,601</u></u>

**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – PARKS FUND****YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 5,700	\$ 5,700	\$ 5,723	\$ 23
Miscellaneous	4,100	4,100	17	(4,083)
<i>Total Revenues</i>	<u>9,800</u>	<u>9,800</u>	<u>5,740</u>	<u>(4,060)</u>
<b>EXPENDITURES</b>				
Materials and services	3,500	3,500	298	3,202
Capital outlay	30,000	30,000	28,477	1,523
<i>Total Expenditures</i>	<u>33,500</u>	<u>33,500</u>	<u>28,775</u>	<u>4,725</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(23,700)</u>	<u>(23,700)</u>	<u>(23,035)</u>	<u>665</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(18,700)</u>	<u>(18,700)</u>	<u>(13,035)</u>	<u>5,665</u>
<b>FUND BALANCE, beginning of year</b>	<u>19,100</u>	<u>19,100</u>	<u>14,214</u>	<u>(4,886)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 1,179</u>	<u>\$ 779</u>

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 150,000	\$ 150,000	\$ 153,860	\$ 3,860
Miscellaneous	400	400	443	43
<i>Total Revenues</i>	150,400	150,400	154,303	3,903
<b>EXPENDITURES</b>				
Debt service				
Principal	71,600	71,600	71,755	(155)
Interest	78,600	78,600	78,388	212
<i>Total Expenditures</i>	150,200	150,200	150,143	57
<b>NET CHANGE IN FUND BALANCE</b>	200	200	4,160	3,960
<b>FUND BALANCE, beginning of year</b>	11,600	11,600	12,014	414
<b>FUND BALANCE, end of year</b>	\$ 11,800	\$ 11,800	\$ 16,174	\$ 4,374

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 619,900	\$ 619,900	\$ 620,993	\$ 1,093
Miscellaneous	1,100	1,100	3,667	2,567
<i>Total Revenues</i>	621,000	621,000	624,660	3,660
<b>EXPENDITURES</b>				
Personal services	169,400	169,400	162,899	6,501
Materials and services	220,200	220,200	211,389	8,811
Capital outlay	32,300	32,300	14,506	17,794
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	441,900	441,900	388,794	53,106
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	179,100	179,100	235,866	56,766
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(293,900)	(293,900)	(293,085)	815
<b>CHANGE IN FUND BALANCE</b>	(114,800)	(114,800)	(57,219)	57,581
<b>FUND BALANCE, beginning of year</b>	120,600	120,600	137,744	17,144
<b>FUND BALANCE, end of year</b>	\$ 5,800	\$ 5,800	\$ 80,525	\$ 74,725

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,244,000	\$ 1,244,000	\$ 1,256,493	\$ 12,493
Miscellaneous	200	200	611	411
<i>Total Revenues</i>	1,244,200	1,244,200	1,257,104	12,904
<b>EXPENDITURES</b>				
Personal services	162,900	162,900	161,674	1,226
Materials and services	384,800	384,800	326,244	58,556
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	567,700	567,700	487,918	79,782
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	676,500	676,500	769,186	92,686
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(770,100)	(770,100)	(769,629)	471
<b>CHANGE IN FUND BALANCE</b>	(93,600)	(93,600)	(443)	93,157
<b>FUND BALANCE, beginning of year</b>	110,500	110,500	121,030	10,530
<b>FUND BALANCE, end of year</b>	\$ 16,900	\$ 16,900	\$ 120,587	\$ 103,687

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 29,600	\$ 29,600	\$ 53,902	\$ 24,302
Intergovernmental	-	-	20,000	20,000
Miscellaneous	9,000	9,000	8,831	(169)
<i>Total Revenues</i>	<u>38,600</u>	<u>38,600</u>	<u>82,733</u>	<u>44,133</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	98,300	98,300	98,431	(131)
Interest	19,000	19,000	18,699	301
Capital outlay	550,200	550,200	125,852	424,348
<i>Total Expenditures</i>	<u>667,500</u>	<u>667,500</u>	<u>242,982</u>	<u>424,518</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(628,900)	(628,900)	(160,249)	468,651
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	220,000	220,000	220,000	-
Issuance of interfund loan	(460,000)	(460,000)	-	460,000
Proceeds from issuance of debt	260,000	260,000	-	(260,000)
<i>Total Other Financing Sources (Uses)</i>	<u>20,000</u>	<u>20,000</u>	<u>220,000</u>	<u>200,000</u>
<b>CHANGE IN FUND BALANCE</b>	(608,900)	(608,900)	59,751	668,651
<b>FUND BALANCE, beginning of year</b>	<u>617,300</u>	<u>617,300</u>	<u>649,722</u>	<u>32,422</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ 709,473</u>	<u>\$ 701,073</u>

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 113,200	\$ 113,200	\$ 94,962	\$ (18,238)
Miscellaneous	703,000	703,000	168,348	(534,652)
<i>Total Revenues</i>	816,200	816,200	263,310	(552,890)
<b>EXPENDITURES</b>				
Debt service				
Principal	427,300	427,300	427,292	8
Interest	267,300	267,300	267,256	44
Capital outlay	864,000	864,000	263,071	600,929
<i>Total Expenditures</i>	1,558,600	1,558,600	957,619	600,981
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(742,400)	(742,400)	(694,309)	48,091
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	695,000	695,000	694,000	(1,000)
<b>CHANGE IN FUND BALANCE</b>	(47,400)	(47,400)	(309)	47,091
<b>FUND BALANCE, beginning of year</b>	541,000	541,000	532,822	(8,178)
<b>FUND BALANCE, end of year</b>	\$ 493,600	\$ 493,600	\$ 532,513	\$ 38,913

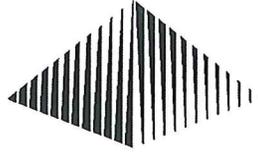
**CITY OF DUNDEE, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STORM WATER FUND****YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 104,700	\$ 104,700	\$ 103,416	\$ (1,284)
Miscellaneous	100	100	162	62
<i>Total Revenues</i>	104,800	104,800	103,578	(1,222)
<b>EXPENDITURES</b>				
Personal services	28,900	28,900	27,836	1,064
Materials and services	26,300	26,300	18,893	7,407
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	60,200	60,200	46,729	13,471
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	44,600	44,600	56,849	12,249
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(54,200)	(54,200)	(54,200)	-
<b>CHANGE IN NET POSITION</b>	(9,600)	(9,600)	2,649	12,249
<b>NET POSITION, beginning of year</b>	10,100	10,100	10,417	317
<b>NET POSITION, end of year</b>	\$ 500	\$ 500	\$ 13,066	\$ 12,566

**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, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 24,912	\$ 12,912
Miscellaneous	200	200	1,659	1,459
<i>Total Revenues</i>	12,200	12,200	26,571	14,371
<b>EXPENDITURES</b>				
Debt service				
Principal	19,800	19,800	19,818	(18)
Interest	3,900	3,900	3,765	135
Capital outlay	234,000	234,000	80,606	153,394
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(245,500)	(245,500)	(77,618)	167,882
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	42,000	42,000	42,000	-
<b>CHANGE IN FUND BALANCE</b>	(203,500)	(203,500)	(35,618)	167,882
<b>FUND BALANCE, beginning of year</b>	206,600	206,600	211,121	4,521
<b>FUND BALANCE, end of year</b>	\$ 3,100	\$ 3,100	\$ 175,503	\$ 172,403

*COMPLIANCE SECTION*



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

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2017.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings to report instances of noncompliance, identified as 2017-1.

*Purpose of this Report*

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

  
CERTIFIED PUBLIC ACCOUNTANTS

November 15, 2017

**CITY OF DUNDEE, OREGON**

**SCHEDULE OF FINDINGS TO REPORT INSTANCES OF NONCOMPLIANCE**

**YEAR ENDED JUNE 30, 2017**

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**CURRENT YEAR FINDINGS**

**2017-1 Compliance with reporting requirements**

*Criteria:*

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

*Condition:*

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

*Cause:*

The City does not have historical cost records for capital assets prior to 2007.

*Recommendation:*

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

*Finding Status:*

This finding is a repeat from the prior year.

**PRIOR YEAR FINDINGS**

See above finding.



## 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, 2017, and have issued our report thereon dated November 15, 2017.

#### *Compliance and Other Matters*

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

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

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

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except the City did not notify the State Treasurer's Office of a change in financial institutions. See the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for additional comments.

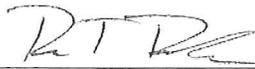
***Internal Control Over Financial Reporting***

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

***Restriction on Use***

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

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

By:   
Ryan T. Pasquarella, A Shareholder  
November 15, 2017