

***CITY OF DUNDEE, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2016***

CITY OF DUNDEE, OREGON
CITY OFFICIALS
JUNE 30, 2016

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

CITY COUNCIL MEMBERS

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

REGISTERED AGENT AND REGISTERED ADDRESS

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

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, 2016, 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, 2016, 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 23, 2016, 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 23, 2016, 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 23, 2016

**CITY OF DUNDEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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,	
	2016	2015
Net position	\$ 3,170,278	\$ 3,328,515
Change in net position	(158,237)	190,570
Governmental net position	1,507,420	1,515,610
Proprietary net position	1,662,858	1,812,905
Change in governmental net position	(8,190)	69,212
Change in proprietary net position	(150,047)	121,358

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements are divided into two categories. The Governmental activities include most of the City's basic services such as police, fire, municipal court, street maintenance and improvements, community planning and governance. The Business-type activities include the operation of the City's water, sewer, and 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 \$3,170,278 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,

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,564,654	\$ 1,674,234	\$ 3,238,888	\$ 1,555,930	\$ 1,826,324	\$ 3,382,254
Deposits	57,234	11,376	68,610	40,320	13,419	53,739
Net Position						
Restricted	305,388	327,307	632,695	279,528	327,051	606,579
Unrestricted	1,202,032	1,335,551	2,537,583	1,236,082	1,485,854	2,721,936
Total Net Position	\$ 1,507,420	\$ 1,662,858	\$ 3,170,278	\$ 1,515,610	\$ 1,812,905	\$ 3,328,515

Statement of Activities - As of June 30, 2016, there was a decrease of \$8,190 in the net position of the governmental activities and a decrease of \$150,047 in the net position of the business-type activities.

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

June 30,

	2016			2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Fines, fees, and charges for service	\$ 143,946	\$ 1,960,641	\$ 2,104,587	\$ 142,836	\$ 1,856,401	\$ 1,999,237
Operating grants and contributions	326,929	-	326,929	314,782	-	314,782
Capital grants and contributions	296,939	56,961	353,900	131,600	836,076	967,676
General Revenues						
Taxes and assessments	869,988	-	869,988	634,830	-	634,830
Franchise taxes	187,686	-	187,686	165,409	-	165,409
Intergovernmental	68,888	-	68,888	70,652	-	70,652
Unrestricted investment earnings	9,544	9,429	18,973	7,367	8,857	16,224
Miscellaneous	11,583	125,030	136,613	38,652	275	38,927
Total Revenues	1,915,503	2,152,061	4,067,564	1,506,128	2,701,609	4,207,737
Expenses						
General government	495,906	-	495,906	716,128	-	716,128
Streets	429,453	-	429,453	305,175	-	305,175
Courts	18,066	-	18,066	18,985	-	18,985
Police service	468,979	-	468,979	458,764	-	458,764
Fire service and fire station construction	578,067	-	578,067	3,765,390	-	3,765,390
Community development	153,584	-	153,584	177,095	-	177,095
Interest on long-term debt	101,444	-	101,444	16,606	-	16,606
Water	-	1,586,617	1,586,617	-	1,041,331	1,041,331
Sewer	-	1,271,411	1,271,411	-	1,115,277	1,115,277
Storm water	-	79,774	79,774	-	107,708	107,708
Total Expenses	2,245,499	2,937,802	5,183,301	5,458,143	2,264,316	7,722,459
Issuance of debt	-	970,000	970,000	3,711,692	-	3,711,692
Loan fees	-	(12,500)	(12,500)	(6,400)	-	(6,400)
Transfers	321,806	(321,806)	-	315,935	(315,935)	-
Change in Net Position	(8,190)	(150,047)	(158,237)	69,212	121,358	190,570
Net Position, beginning of year	1,515,610	1,812,905	3,328,515	1,446,398	1,691,547	3,137,945
Net Position, end of year	\$ 1,507,420	\$ 1,662,858	\$ 3,170,278	\$ 1,515,610	\$ 1,812,905	\$ 3,328,515

Governmental Activities – Net position decreased by \$8,190 during the fiscal year. There was \$321,806 transferred from the business-type activities to the governmental activities, which represents payment to the Equipment Reserve Fund for future equipment replacement and payment in lieu of a franchise fee to the General Fund.

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

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

The 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 \$1,507,420 as of June 30, 2016, which is a decrease of \$8,190 from June 30, 2015.

The General Fund is the primary operating fund of the City. The General Fund balance was \$483,727 on June 30, 2016, which is an increase of \$78,317 over June 30, 2015. This increase is mainly due to marijuana tax revenue.

The Street Fund is used to account for the state and local gas tax revenues and street related expenditures. The Street fund balance was \$63,585 on June 30, 2016 which is an increase of \$14,081 over June 30, 2015. The increase is primarily due to deferment of significant street surface maintenance activities pending review and update of the street capital maintenance program.

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 \$602,792 on June 30 2016, which is an increase of \$48,918 over June 30, 2015. The City received a payment of \$268,000 from ODOT as reimbursement of future repairs to local streets used for the Newberg-Dundee Bypass project construction haul route. A small segment of the Highway 99W Sidewalk/Streetscape project was completed in the Tenth Street area. The full project will be along the length of Highway 99W through Dundee and is funded with a \$1.5 million Transportation Enhancement grant, ODOT highway preservation funds, City funds and local improvement district assessments.

The Equipment Reserve Fund is used to accumulate resources to purchase equipment by transfers from other funds. The Equipment Reserve Fund balance was \$602,792 on June 30, 2016, which is a decrease of \$134,955 over June 30, 2015. The decrease is primarily due to the acquisition of a mini-excavator and fire truck.

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 \$1,662,858 as of June 30, 2016, which is a decrease of \$150,047 from the prior year. The decrease in net position results primarily from major system improvements financed with both current revenues and accumulated resources.

The Water Fund is used to account for the City's water operations. The Water Fund balance was \$137,744 as of June 30, 2016, which is an increase of \$25,977 over June 30, 2015. The volume of water sales was substantially higher over the prior year.

The Sewer Fund is used to account for the City's sewer operations. The Sewer Fund balance was \$121,031 as of June 30, 2016, which is an increase of \$103,373 over June 30, 2015. The primary reason for the increase is from increased service revenue and reductions in operating transfers to the Sewer Capital Improvement Fund to set aside for the future removal of accumulated sludge stored in the facultative sewer lagoons.

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. Projects include replacement of an undersized and failing water line located along Highway 99W as part of the Sidewalk/Streetscape project and construction of new Well No. 13. 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 \$649,722 as of June 30, 2016, which is a decrease of \$354,022 over June 30, 2015. The primary reason for the decrease is due to the cost of major system improvements exceeding current revenues.

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 \$684,790. The Sewer Capital Improvement Fund balance was \$523,823 as of June 30, 2016, which is a decrease of \$78,304 over June 30, 2015. The primary reason for the decrease is due to collection system repairs to reduce storm water from entering the sewer system.

BUDGET AMENDMENTS

A supplemental budget was adopted to recognize additional unexpended funds carried over from the prior fiscal year in the Fire Station Construction Fund that was expended on the project; loan proceeds in the Water Construction Fund used to pay off the IFA loan; and insurance recovery fees in the Sewer Fund for costs associated with repairs to flood damaged equipment at the wastewater treatment plant. Budget transfers were approved to use General Fund contingency for the fire station construction project. Other intrafund budget transfers were approved to various categories in the Water Fund and Sewer Fund to ensure compliance with Local Budget Law.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total of \$12,709,006 in debt outstanding, as shown below.

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

City of Dundee
Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Loans	\$ 719,005	\$ 566,200	\$ 9,481,802	\$ 9,666,608	\$ 10,200,807	\$ 10,232,808
General obligation bonds	2,508,199	2,578,000	-	-	2,508,199	2,578,000
Total outstanding debt	<u>\$ 3,227,204</u>	<u>\$ 3,144,200</u>	<u>\$ 9,481,802</u>	<u>\$ 9,666,608</u>	<u>\$ 12,709,006</u>	<u>\$ 12,810,808</u>

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

ECONOMIC FACTORS

The Riverside District Master Plan was adopted as an ancillary document to the Dundee Comprehensive Plan in 2011. The Plan provides guidance to the development of residential, commercial and light industrial uses for approximately 263 acres of undeveloped property within the Urban Growth Boundary located between the developed part of the City and the Willamette River. The Plan will accommodate about 970 residential units. Implementation of the Plan is dependent upon future actions, including development of water supply and adoption of design standards for the Riverside District zone. Construction of Well No. 13 in 2015 is estimated to provide additional water supply for ten years of new development.

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

While future residential development will take place primarily in the Riverside District, the City expects the continuation of new and expanded commercial and industrial development in the Highway 99W corridor. Recent updates to the Dundee Development Code and Construction Design Standards will facilitate this development while improving the livability of the community. Property tax revenue from new commercial and industrial development will also improve the City's funding of services to residents and visitors. In 2015 a study was conducted on the feasibility of an urban renewal plan to address potential barriers to new development primarily located in the commercial zones. As a result of the study, an urban renewal agency was activated in 2016 and work was started on the preparation of an urban renewal plan.

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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 1,564,654	\$ 1,674,234	\$ 3,238,888
LIABILITIES			
Deposits	57,234	11,376	68,610
NET POSITION			
Restricted for:			
Debt service	12,014	315,244	327,258
Construction	19,765	12,063	31,828
Streets	273,609	-	273,609
Unrestricted	1,202,032	1,335,551	2,537,583
<i>Total Net Position</i>	<u>\$ 1,507,420</u>	<u>\$ 1,662,858</u>	<u>\$ 3,170,278</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, 2016

<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	\$ 495,906	\$ 25	\$ -	\$ 3,153
Streets	429,453	-	228,849	268,000
Courts	18,066	60,680	-	-
Police service	468,979	-	15,344	-
Fire service	462,242	23,334	76,361	-
Fire station construction	115,825	-	-	-
Community development	153,584	59,907	6,375	25,786
Interest on long-term debt	101,444	-	-	-
<i>Total Governmental activities</i>	<i>2,245,499</i>	<i>143,946</i>	<i>326,929</i>	<i>296,939</i>
<i>Business-type activities:</i>				
Water	1,586,617	644,478	-	22,855
Sewer	1,271,411	1,222,077	-	17,593
Storm water	79,774	94,086	-	16,513
<i>Total Business-type activities</i>	<i>2,937,802</i>	<i>1,960,641</i>	<i>-</i>	<i>56,961</i>
<i>Total Activities</i>	<i>\$ 5,183,301</i>	<i>\$ 2,104,587</i>	<i>\$ 326,929</i>	<i>\$ 353,900</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>Loan fees</i>				
<i>Transfers</i>				
<i>Change in Net Position</i>				
<i>Net Position - beginning of year</i>				
<i>Net Position - end of year</i>				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (492,728)	\$ -	\$ (492,728)
67,396	-	67,396
42,614	-	42,614
(453,635)	-	(453,635)
(362,547)	-	(362,547)
(115,825)	-	(115,825)
(61,516)	-	(61,516)
(101,444)	-	(101,444)
(1,477,685)	-	(1,477,685)
-	(919,284)	(919,284)
-	(31,741)	(31,741)
-	30,825	30,825
-	(920,200)	(920,200)
(1,477,685)	(920,200)	(2,397,885)
869,988	-	869,988
187,686	-	187,686
68,888	-	68,888
9,544	9,429	18,973
11,583	125,030	136,613
1,147,689	134,459	1,282,148
-	970,000	970,000
-	(12,500)	(12,500)
321,806	(321,806)	-
(8,190)	(150,047)	(158,237)
1,515,610	1,812,905	3,328,515
\$ 1,507,420	\$ 1,662,858	\$ 3,170,278

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

CITY OF DUNDEE, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>Special Revenue</u>		<u>Capital</u>
	<u>General</u>	<u>Street</u>	<u>Equipment Reserve Fund</u>
ASSETS			
Cash and cash equivalents	\$ 540,961	\$ 63,585	\$ 602,792
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ 57,234	\$ -	\$ -
Fund Balance:			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Streets	-	63,585	-
Committed to:			
Community development	-	-	-
Construction	-	-	602,792
Unassigned	483,727	-	-
<i>Total Fund Balance</i>	<u>483,727</u>	<u>63,585</u>	<u>602,792</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 540,961</u>	<u>\$ 63,585</u>	<u>\$ 602,792</u>

<i>Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<i>Street Capital Improvement</i>		
\$ 210,024	\$ 147,292	\$ 1,564,654
-	-	57,234
-	12,014	12,014
-	19,765	19,765
210,024	-	273,609
-	72,784	72,784
-	42,729	645,521
-	-	483,727
210,024	147,292	1,507,420
\$ 210,024	\$ 147,292	\$ 1,564,654

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, 2016**

	<u>General Fund</u>	<u>Special Revenue</u> <u>Street</u>	<u>Capital</u> <u>Equipment</u> <u>Reserve Fund</u>
REVENUES			
Taxes and assessments	\$ 694,265	\$ 40,168	\$ -
Fines and forfeitures	60,680	-	-
Licenses and permits	195,230	-	-
Charges for services	32,142	-	-
Intergovernmental	147,645	188,681	-
Miscellaneous	9,845	563	11,939
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	1,139,807	229,412	11,939
EXPENDITURES			
Current			
General government	321,259	-	-
Streets	-	104,309	-
Courts	18,066	-	-
Police service	468,979	-	-
Fire service	344,258	-	-
Community development	86,182	-	-
Debt payments			
Principal	-	-	45,990
Interest	-	-	12,638
Capital acquisitions	7,474	-	169,366
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	1,246,218	104,309	227,994
REVENUES OVER (UNDER)			
EXPENDITURES	(106,411)	125,103	(216,055)
OTHER FINANCING SOURCES (USES)			
Transfers in	281,728	-	81,100
Transfers out	(97,000)	(111,022)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	184,728	(111,022)	81,100
NET CHANGE IN FUND BALANCE	78,317	14,081	(134,955)
FUND BALANCE, beginning of year	405,410	49,504	737,747
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 483,727	\$ 63,585	\$ 602,792
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Projects</i>		
<i>Street Capital Improvement</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 175,723	\$ 910,156
-	-	60,680
43,807	-	239,037
-	-	32,142
268,000	45,003	649,329
719	1,093	24,159
312,526	221,819	1,915,503
-	-	321,259
-	-	104,309
-	-	18,066
-	-	468,979
-	103,071	447,329
-	34,975	121,157
-	69,801	115,791
8,464	80,342	101,444
325,144	45,181	547,165
333,608	333,370	2,245,499
(21,082)	(111,551)	(329,996)
70,000	102,000	534,828
-	(5,000)	(213,022)
70,000	97,000	321,806
48,918	(14,551)	(8,190)
161,106	161,843	1,515,610
\$ 210,024	\$ 147,292	\$ 1,507,420

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, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 149,120	\$ 121,031	\$ 649,722
LIABILITIES			
Deposits	11,376	-	-
NET POSITION:			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Unrestricted	137,744	121,031	649,722
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	\$ 137,744	\$ 121,031	\$ 649,722
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 532,823	\$ 221,538	\$ 1,674,234
-	-	11,376
315,244	-	315,244
12,063	-	12,063
205,516	221,538	1,335,551
<u>\$ 532,823</u>	<u>\$ 221,538</u>	<u>\$ 1,662,858</u>

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

CITY OF DUNDEE, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2016**

	<u>Water</u>	<u>Sewer</u>
OPERATING REVENUES		
Charges for services	\$ 644,478	\$ 1,222,077
Miscellaneous	1,176	123,854
<i>Total Operating Revenues</i>	645,654	1,345,931
OPERATING EXPENSES		
Personal services	159,274	151,894
Materials and services	137,004	303,179
<i>Total Operating Expenses</i>	296,278	455,073
OPERATING INCOME	349,376	890,858
NONOPERATING ITEMS		
Issuance of debt	-	-
Loan fees	-	-
Interest revenue	1,325	277
Capital acquisitions	(10,922)	(2,174)
Debt payments		
Principal	-	-
Interest	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	(9,597)	(1,897)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	339,779	888,961
Capital contributions	-	-
Transfers in	-	-
Transfers out	(313,802)	(785,588)
CHANGE IN NET POSITION	25,977	103,373
NET POSITION, beginning of year	111,767	17,658
NET POSITION, end of year	\$ 137,744	\$ 121,031

<i>Water Capital Improvement</i>	<i>Sewer Capital Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 94,086	\$ 1,960,641
-	-	-	125,030
-	-	94,086	2,085,671
-	-	34,878	346,046
-	-	10,573	450,756
-	-	45,451	796,802
-	-	48,635	1,288,869
745,000	75,000	150,000	970,000
(12,500)	-	-	(12,500)
4,040	3,267	520	9,429
(487,241)	(129,374)	(34,323)	(664,034)
(748,268)	(406,538)	-	(1,154,806)
(43,908)	(278,252)	-	(322,160)
(542,877)	(735,897)	116,197	(1,174,071)
(542,877)	(735,897)	164,832	114,798
22,855	17,593	16,513	56,961
166,000	640,000	15,000	821,000
-	-	(43,416)	(1,142,806)
(354,022)	(78,304)	152,929	(150,047)
1,003,744	611,127	68,609	1,812,905
\$ 649,722	\$ 532,823	\$ 221,538	\$ 1,662,858

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basic Financial Statements

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

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

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

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

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

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

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.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

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.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

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.

CITY OF DUNDEE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

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, 2016 are as follows:

Cash	
Cash on hand	\$ 50
Deposits with financial institutions	286,395
Deposits with xpress pay	168,206
Investments	
Local Government Investment Pool	2,784,237
	<hr/>
	\$ 3,238,888
	<hr/> <hr/>

Deposits

The City's deposits with various financial institutions had a bank balance of \$346,813 and a book balance of \$286,395 at June 30, 2016. 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, 2016, \$96,813 of the City's bank balances were covered by the PFCP.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

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, 2016, 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, 2016

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, 2015</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2016</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%.	\$ 361,200	\$ -	\$ (45,990)	\$ 315,210	\$ 48,116
USDA Loan for construction of Fire Station, issued in 2015 backed by a General Obligation bond of \$2,578,000 with an interest rate of 3.125%.	2,578,000	-	(69,801)	2,508,199	71,547
Oregon Transportation Infrastructure Bank Loan #0046 for the Newberg-Dundee Bypass Phase 1, total available loan is \$315,200 of which \$76,073 and \$119,882 was drawn down in 2015 and 2016 respectively. Interest rate is estimated at 2.58%.	76,073	119,882	-	195,955	8,132
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	-	-	207,840	11,029
	<u>\$ 3,223,113</u>	<u>\$ 119,882</u>	<u>\$ (115,791)</u>	<u>\$ 3,227,204</u>	<u>\$ 138,824</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, 2016, the City's share of the project and related loan balance is \$195,955.

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2015</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2016</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%.	\$ 8,918,340	\$ -	\$ (406,538)	\$ 8,511,802	\$ 417,383
Business Oregon IFA Note, Water reservoir loan issued during 2013, original loan of \$833,458 with an interest rate of 4.04%.	748,268	-	(748,268)	-	-
US Bank loan issued May 2016, original loan of \$970,000, with an interest rate of 2.6%.	-	970,000	-	970,000	127,931
	<u>\$ 9,666,608</u>	<u>\$ 970,000</u>	<u>\$ (1,154,806)</u>	<u>\$ 9,481,802</u>	<u>\$ 545,314</u>

The Wastewater Loan requires a reserve in the amount of \$315,244. The City was in compliance with this requirement at June 30, 2016.

Future debt service requirements are as follows and assumed that the ODOT loans will be fully drawn down in 2017 and payments will begin the same year:

Governmental Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 142,932	\$ 104,567	\$ 247,498
2018	147,691	99,807	247,498
2019	152,356	95,142	247,498
2020	157,466	90,131	247,597
2021	161,944	85,553	247,497
2022-2026	641,732	361,250	1,002,982
2027-2031	677,582	265,474	943,056
2032-2036	785,421	158,835	944,256
2037-2040	555,485	44,056	599,541
	<u>\$ 3,422,609</u>	<u>\$ 1,304,815</u>	<u>\$ 4,727,425</u>

CITY OF DUNDEE, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

LONG-TERM DEBT (Continued)

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 545,314	\$ 247,550	\$ 792,865
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
2022-2026	2,806,469	699,854	3,506,324
2027-2031	2,864,202	336,788	3,200,990
2032-2036	935,391	24,897	960,288
	<u>\$ 9,481,802</u>	<u>\$ 2,150,124</u>	<u>\$ 11,631,926</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.

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.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

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, 2016

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, 2013 actuarial valuation. The City's contribution rates in effect for the fiscal year ended June 30, 2016 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, 2016 were \$107,741, 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, 2013 rolled forward to June 30, 2015
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	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 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 (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

CITY OF DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

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

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, 2016

PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	8.00 %	4.10 %
Short-Term Bonds	8.00	3.65
Bank/Leveraged Loans	3.00	5.69
High Yield Bonds	1.00	6.67
Large/Mid Cap US Equities	15.75	7.96
Small Cap US Equities	1.31	8.93
Micro Cap US Equities	1.31	9.37
Developed Foreign Equities	13.13	8.34
Emerging Market Equities	4.13	10.56
Non-US Small Cap Equities	1.88	9.01
Private Equity	17.50	11.60
Real Estate (Property)	10.00	6.48
Real Estate (REITS)	2.50	8.74
Hedge Fund of Funds - Diversified	2.50	4.94
Hedge Fund - Event-driven	0.63	7.07
Timber	1.88	6.60
Farmland	1.88	7.11
Infrastructure	3.75	8.31
Commodities	1.88	6.07
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 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.75 percent) or 1% higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 897,822	\$ 372,006	\$ (71,119)

CITY OF DUNDEE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2016

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, 2016 were as follows:

	<i>Internal Administration Charge</i>
Street	\$ 27,822
Water	74,964
Sewer	71,489
Storm Water	16,416
	\$ 190,691

	<i>Budgetary</i>	
	<i>Transfers In</i>	<i>Transfers Out</i>
General	\$ 91,037	\$ 97,000
Equipment Reserve	81,100	-
Fire	97,000	-
Street	-	83,200
State Revenue Sharing	-	5,000
Street CIP	70,000	-
Parks	5,000	-
Water	-	238,838
Sewer	-	714,099
Water CIP	166,000	-
Sewer CIP	640,000	-
Storm Water	-	27,000
Storm Water CIP	15,000	-
	\$ 1,165,137	\$ 1,165,137

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, 2016

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 23, 2016, 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, 2016

	<i>Special Revenue</i>		<i>Capital</i>
	<i>State Revenue Sharing</i>	<i>Tourism</i>	<i>Street Reserve</i>
ASSETS			
Cash and cash equivalents	\$ 1,582	\$ 56,987	\$ 42,729
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Debt service	-	-	-
Construction	-	-	-
Committed to:			
Community development	1,582	56,987	-
Construction	-	-	42,729
<i>Total Fund Balance</i>	<u>1,582</u>	<u>56,987</u>	<u>42,729</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 1,582</u>	<u>\$ 56,987</u>	<u>\$ 42,729</u>

<i>Projects</i>		<i>Debt Service</i>	
<i>Fire Station Construction</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ 19,765	\$ 14,215	\$ 12,014	\$ 147,292
\$ -	\$ -	\$ -	\$ -
-	-	12,014	12,014
19,765	-	-	19,765
-	14,215	-	72,784
-	-	-	42,729
19,765	14,215	12,014	147,292
\$ 19,765	\$ 14,215	\$ 12,014	\$ 147,292

CITY OF DUNDEE, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>		<u>Capital</u>
	<u>State Revenue Sharing</u>	<u>Tourism</u>	<u>Street Reserve</u>
REVENUES			
Taxes and assessments	\$ -	\$ 44,461	\$ -
Intergovernmental	19,217	-	-
Miscellaneous	40	183	271
<i>Total Revenues</i>	19,257	44,644	271
EXPENDITURES			
Current			
Fire service	-	-	-
Community development	25,053	9,902	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	-	-	-
<i>Total Expenditures</i>	25,053	9,902	-
REVENUES OVER (UNDER) EXPENDITURES	(5,796)	34,742	271
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(5,000)	-	-
<i>Total Other Financing Sources (Uses)</i>	(5,000)	-	-
NET CHANGE IN FUND BALANCE	(10,796)	34,742	271
FUND BALANCE, beginning of year	12,378	22,245	42,458
FUND BALANCE, end of year	\$ 1,582	\$ 56,987	\$ 42,729

<i>Projects</i>		<i>Debt Service</i>	
<i>Fire Station Construction</i>	<i>Parks</i>	<i>Bonded Debt</i>	<i>Total</i>
\$ -	\$ -	\$ 131,262	\$ 175,723
-	25,786	-	45,003
184	32	383	1,093
184	25,818	131,645	221,819
103,071	-	-	103,071
-	20	-	34,975
-	-	69,801	69,801
-	-	80,342	80,342
12,754	32,427	-	45,181
115,825	32,447	150,143	333,370
(115,641)	(6,629)	(18,498)	(111,551)
97,000	5,000	-	102,000
-	-	-	(5,000)
97,000	5,000	-	97,000
(18,641)	(1,629)	(18,498)	(14,551)
38,406	15,844	30,512	161,843
\$ 19,765	\$ 14,215	\$ 12,014	\$ 147,292

CITY OF DUNDEE, OREGON

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

NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2016

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,417	\$ 211,121	\$ 221,538
LIABILITIES	-	-	-
NET POSITION:			
Unrestricted	10,417	211,121	221,538
<i>Total Net Position</i>	<u>\$ 10,417</u>	<u>\$ 211,121</u>	<u>\$ 221,538</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, 2016

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 94,086	\$ -	\$ 94,086
OPERATING EXPENSES			
Personal services	34,878	-	34,878
Materials and services	10,573	-	10,573
<i>Total Operating Expenses</i>	<u>45,451</u>	<u>-</u>	<u>45,451</u>
OPERATING INCOME	48,635	-	48,635
NONOPERATING ITEMS			
Proceeds from issuance of debt	-	150,000	150,000
Interest revenue	98	422	520
Capital acquisitions	(452)	(33,871)	(34,323)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(354)</u>	<u>116,551</u>	<u>116,197</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	48,281	116,551	164,832
Capital contributions	-	16,513	16,513
Transfers in	-	15,000	15,000
Transfers out	(43,416)	-	(43,416)
CHANGE IN NET POSITION	4,865	148,064	152,929
NET POSITION, beginning of year	<u>5,552</u>	<u>63,057</u>	<u>68,609</u>
NET POSITION, end of year	<u>\$ 10,417</u>	<u>\$ 211,121</u>	<u>\$ 221,538</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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 592,900	\$ 592,900	\$ 694,265	\$ 101,365
Fines and forfeitures	52,000	52,000	60,680	8,680
Licenses and permits	202,200	202,200	195,230	(6,970)
Charges for services	210,500	210,500	222,833	12,333
Intergovernmental	157,600	157,600	147,645	(9,955)
Miscellaneous	5,300	5,300	9,845	4,545
<i>Total Revenues</i>	<u>1,220,500</u>	<u>1,220,500</u>	<u>1,330,498</u>	<u>109,998</u>
EXPENDITURES				
Administration/Finance	330,700	330,700	321,259	9,441
Courts	20,700	20,700	18,066	2,634
Police service	473,300	473,300	468,979	4,321
Fire service	372,700	372,700	351,732	20,968
Community development	122,200	122,200	86,182	36,018
Contingency	40,000	-	-	-
<i>Total Expenditures</i>	<u>1,359,600</u>	<u>1,319,600</u>	<u>1,246,218</u>	<u>73,382</u>
REVENUES OVER (UNDER) EXPENDITURES	(139,100)	(99,100)	84,280	183,380
OTHER FINANCING SOURCES (USES)				
Transfers in	88,300	88,300	91,037	2,737
Transfers out	(57,000)	(97,000)	(97,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>31,300</u>	<u>(8,700)</u>	<u>(5,963)</u>	<u>2,737</u>
NET CHANGE IN FUND BALANCE	(107,800)	(107,800)	78,317	186,117
FUND BALANCE, beginning of year	<u>410,200</u>	<u>410,200</u>	<u>405,410</u>	<u>(4,790)</u>
FUND BALANCE, end of year	<u>\$ 302,400</u>	<u>\$ 302,400</u>	<u>\$ 483,727</u>	<u>\$ 181,327</u>

CITY OF DUNDEE, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 38,000	\$ 38,000	\$ 40,168	\$ 2,168
Intergovernmental	183,300	183,300	188,681	5,381
Miscellaneous	100	100	563	463
<i>Total Revenues</i>	221,400	221,400	229,412	8,012
EXPENDITURES				
Personal services	62,400	62,400	59,110	3,290
Materials and services	103,600	103,600	73,021	30,579
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	171,000	171,000	132,131	38,869
REVENUES OVER (UNDER) EXPENDITURES	50,400	50,400	97,281	46,881
OTHER FINANCING SOURCES (USES)				
Transfers out	(83,200)	(83,200)	(83,200)	-
NET CHANGE IN FUND BALANCE	(32,800)	(32,800)	14,081	46,881
FUND BALANCE, beginning of year	41,500	41,500	49,504	8,004
FUND BALANCE, end of year	\$ 8,700	\$ 8,700	\$ 63,585	\$ 54,885

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 11,939	\$ 8,439
EXPENDITURES				
Debt service				
Principal	46,000	46,000	45,990	10
Interest	12,700	12,700	12,638	62
Capital outlay	755,600	755,600	169,366	586,234
<i>Total Expenditures</i>	<u>814,300</u>	<u>814,300</u>	<u>227,994</u>	<u>586,306</u>
REVENUES OVER (UNDER) EXPENDITURES	(810,800)	(810,800)	(216,055)	594,745
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>133,100</u>	<u>133,100</u>	<u>81,100</u>	<u>(52,000)</u>
NET CHANGE IN FUND BALANCE	(677,700)	(677,700)	(134,955)	542,745
FUND BALANCE, beginning of year	<u>677,700</u>	<u>677,700</u>	<u>737,747</u>	<u>60,047</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,792</u>	<u>\$ 602,792</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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 44,700	\$ 44,700	\$ 43,807	\$ (893)
Intergovernmental	1,265,500	1,265,500	268,000	(997,500)
Miscellaneous	200,800	200,800	719	(200,081)
<i>Total Revenues</i>	1,511,000	1,511,000	312,526	(1,198,474)
EXPENDITURES				
Debt service				
Interest	10,000	10,000	8,464	1,536
Capital outlay	1,869,700	1,869,700	325,144	1,544,556
<i>Total Expenditures</i>	1,879,700	1,879,700	333,608	1,546,092
REVENUES OVER (UNDER) EXPENDITURES	(368,700)	(368,700)	(21,082)	347,618
OTHER FINANCING SOURCES (USES)				
Transfers in	470,000	470,000	70,000	(400,000)
Transfers out	(200,000)	(200,000)	-	200,000
Proceeds from issuance of debt	76,000	76,000	-	(76,000)
<i>Total Other Financing Sources (Uses)</i>	346,000	346,000	70,000	(276,000)
NET CHANGE IN FUND BALANCE	(22,700)	(22,700)	48,918	71,618
FUND BALANCE, beginning of year	177,700	177,700	161,106	(16,594)
FUND BALANCE, end of year	\$ 155,000	\$ 155,000	\$ 210,024	\$ 55,024

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 26,000	\$ 26,000	\$ 19,217	\$ (6,783)
Miscellaneous	100	100	40	(60)
<i>Total Revenues</i>	26,100	26,100	19,257	(6,843)
EXPENDITURES				
Materials and services	28,300	28,300	25,053	3,247
REVENUES OVER (UNDER) EXPENDITURES	(2,200)	(2,200)	(5,796)	(3,596)
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	(5,000)	5,000
NET CHANGE IN FUND BALANCE	(12,200)	(12,200)	(10,796)	1,404
FUND BALANCE, beginning of year	12,200	12,200	12,378	178
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,582	\$ 1,582

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 32,900	\$ 32,900	\$ 44,461	\$ 11,561
Intergovernmental	10,000	10,000	-	(10,000)
Miscellaneous	100	100	183	83
<i>Total Revenues</i>	43,000	43,000	44,644	1,644
EXPENDITURES				
Materials and services	40,500	40,500	9,902	30,598
NET CHANGE IN FUND BALANCE	2,500	2,500	34,742	32,242
FUND BALANCE, beginning of year	16,600	16,600	22,245	5,645
FUND BALANCE, end of year	\$ 19,100	\$ 19,100	\$ 56,987	\$ 37,887

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 200	\$ 200	\$ 271	\$ 71
EXPENDITURES				
Capital outlay	42,600	42,600	-	42,600
NET CHANGE IN FUND BALANCE	(42,400)	(42,400)	271	42,671
FUND BALANCE, beginning of year	42,400	42,400	42,458	58
FUND BALANCE, end of year	\$ -	\$ -	\$ 42,729	\$ 42,729

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 184	\$ 184
EXPENDITURES				
Materials and services	5,000	110,900	103,071	7,829
Capital outlay	17,300	24,500	12,754	11,746
<i>Total Expenditures</i>	<u>22,300</u>	<u>135,400</u>	<u>115,825</u>	<u>19,575</u>
REVENUES OVER (UNDER) EXPENDITURES	(22,300)	(135,400)	(115,641)	19,759
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>5,000</u>	<u>97,000</u>	<u>97,000</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>5,000</u>	<u>97,000</u>	<u>97,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(17,300)	(38,400)	(18,641)	19,759
FUND BALANCE, beginning of year	<u>17,300</u>	<u>38,400</u>	<u>38,406</u>	<u>6</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,765</u>	<u>\$ 19,765</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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 31,500	\$ 31,500	\$ 25,786	\$ (5,714)
Miscellaneous	4,100	4,100	32	(4,068)
<i>Total Revenues</i>	<u>35,600</u>	<u>35,600</u>	<u>25,818</u>	<u>(9,782)</u>
EXPENDITURES				
Materials and services	3,500	3,500	20	3,480
Capital outlay	54,500	54,500	32,427	22,073
<i>Total Expenditures</i>	<u>58,000</u>	<u>58,000</u>	<u>32,447</u>	<u>25,553</u>
REVENUES OVER (UNDER) EXPENDITURES	(22,400)	(22,400)	(6,629)	15,771
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	5,000	(5,000)
NET CHANGE IN FUND BALANCE	(12,400)	(12,400)	(1,629)	10,771
FUND BALANCE, beginning of year	13,200	13,200	15,844	2,644
FUND BALANCE, end of year	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 14,215</u>	<u>\$ 13,415</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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 130,500	\$ 130,500	\$ 131,262	\$ 762
Miscellaneous	300	300	383	83
<i>Total Revenues</i>	130,800	130,800	131,645	845
EXPENDITURES				
Debt service				
Principal	80,400	80,400	69,801	10,599
Interest	69,800	69,800	80,342	(10,542)
<i>Total Expenditures</i>	150,200	150,200	150,143	57
NET CHANGE IN FUND BALANCE	(19,400)	(19,400)	(18,498)	902
FUND BALANCE, beginning of year	30,400	30,400	30,512	112
FUND BALANCE, end of year	\$ 11,000	\$ 11,000	\$ 12,014	\$ 1,014

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 595,400	\$ 595,400	\$ 644,478	\$ 49,078
Miscellaneous	800	800	2,501	1,701
<i>Total Revenues</i>	596,200	596,200	646,979	50,779
EXPENDITURES				
Personal services	163,900	163,900	159,274	4,626
Materials and services	209,300	217,300	211,968	5,332
Capital outlay	19,400	19,400	10,922	8,478
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	412,600	420,600	382,164	38,436
REVENUES OVER (UNDER) EXPENDITURES	183,600	175,600	264,815	89,215
OTHER FINANCING SOURCES (USES)				
Transfers out	(247,800)	(239,800)	(238,838)	962
CHANGE IN FUND BALANCE	(64,200)	(64,200)	25,977	90,177
FUND BALANCE, beginning of year	79,100	79,100	111,767	32,667
FUND BALANCE, end of year	\$ 14,900	\$ 14,900	\$ 137,744	\$ 122,844

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,187,000	\$ 1,187,000	\$ 1,222,077	\$ 35,077
Miscellaneous	100	120,100	124,131	4,031
<i>Total Revenues</i>	1,187,100	1,307,100	1,346,208	39,108
EXPENDITURES				
Personal services	156,400	156,400	151,894	4,506
Materials and services	241,200	391,200	374,668	16,532
Capital outlay	2,400	2,400	2,174	226
Contingency	20,000	20,000	-	20,000
<i>Total Expenditures</i>	420,000	570,000	528,736	41,264
REVENUES OVER (UNDER) EXPENDITURES	767,100	737,100	817,472	80,372
OTHER FINANCING SOURCES (USES)				
Transfers out	(762,400)	(732,400)	(714,099)	18,301
CHANGE IN FUND BALANCE	4,700	4,700	103,373	98,673
FUND BALANCE, beginning of year	10,700	10,700	17,658	6,958
FUND BALANCE, end of year	\$ 15,400	\$ 15,400	\$ 121,031	\$ 105,631

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 25,200	\$ 25,200	\$ 22,855	\$ (2,345)
Miscellaneous	4,000	4,000	4,040	40
<i>Total Revenues</i>	29,200	29,200	26,895	(2,305)
EXPENDITURES				
Debt service				
Principal	31,300	748,300	748,268	32
Interest	31,200	44,200	43,908	292
Capital outlay	923,000	938,000	487,241	450,759
<i>Total Expenditures</i>	985,500	1,730,500	1,279,417	451,083
REVENUES OVER (UNDER)				
EXPENDITURES	(956,300)	(1,701,300)	(1,252,522)	448,778
OTHER FINANCING SOURCES (USES)				
Transfers in	376,000	376,000	166,000	(210,000)
Issuance of interfund loan	(490,000)	(490,000)	-	490,000
Proceeds from issuance of debt	-	745,000	745,000	-
Loan fees*	-	-	(12,500)	(12,500)
<i>Total Other Financing Sources (Uses)</i>	(114,000)	631,000	898,500	267,500
CHANGE IN FUND BALANCE	(1,070,300)	(1,070,300)	(354,022)	716,278
FUND BALANCE, beginning of year	1,106,000	1,106,000	1,003,744	(102,256)
FUND BALANCE, end of year	\$ 35,700	\$ 35,700	\$ 649,722	\$ 614,022

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

CITY OF DUNDEE, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER CIP FUND****YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 26,500	\$ 26,500	\$ 17,593	\$ (8,907)
Miscellaneous	3,000	3,000	3,267	267
<i>Total Revenues</i>	29,500	29,500	20,860	(8,640)
EXPENDITURES				
Debt service				
Principal	406,600	406,600	406,538	62
Interest	278,300	278,300	278,252	48
Capital outlay	600,000	600,000	129,374	470,626
<i>Total Expenditures</i>	1,284,900	1,284,900	814,164	470,736
REVENUES OVER (UNDER) EXPENDITURES	(1,255,400)	(1,255,400)	(793,304)	462,096
OTHER FINANCING SOURCES (USES)				
Transfers in	690,000	690,000	640,000	(50,000)
Proceeds from issuance of debt	600,000	600,000	75,000	(525,000)
<i>Total Other Financing Sources (Uses)</i>	1,290,000	1,290,000	715,000	(575,000)
CHANGE IN FUND BALANCE	34,600	34,600	(78,304)	(112,904)
FUND BALANCE, beginning of year	586,900	586,900	611,127	24,227
FUND BALANCE, end of year	\$ 621,500	\$ 621,500	\$ 532,823	\$ (88,677)

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 93,800	\$ 93,800	\$ 94,086	\$ 286
Miscellaneous	100	100	98	(2)
<i>Total Revenues</i>	93,900	93,900	94,184	284
EXPENDITURES				
Personal services	35,600	35,600	34,878	722
Materials and services	29,100	29,100	26,989	2,111
Capital outlay	500	500	452	48
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	70,200	70,200	62,319	7,881
REVENUES OVER (UNDER) EXPENDITURES	23,700	23,700	31,865	8,165
OTHER FINANCING SOURCES (USES)				
Transfers out	(27,000)	(27,000)	(27,000)	-
CHANGE IN NET POSITION	(3,300)	(3,300)	4,865	8,165
NET POSITION, beginning of year	3,900	3,900	5,552	1,652
NET POSITION, end of year	\$ 600	\$ 600	\$ 10,417	\$ 9,817

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 16,513	\$ 4,513
Miscellaneous	200	200	422	222
<i>Total Revenues</i>	12,200	12,200	16,935	4,735
EXPENDITURES				
Capital outlay	512,500	512,500	33,871	478,629
REVENUES OVER (UNDER) EXPENDITURES	(500,300)	(500,300)	(16,936)	483,364
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
Proceeds from issuance of debt	440,000	440,000	150,000	(290,000)
<i>Total Other Financing Sources (Uses)</i>	455,000	455,000	165,000	(290,000)
CHANGE IN FUND BALANCE	(45,300)	(45,300)	148,064	193,364
FUND BALANCE, beginning of year	46,100	46,100	63,057	16,957
FUND BALANCE, end of year	\$ 800	\$ 800	\$ 211,121	\$ 210,321

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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***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, 2016, 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 23, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings to report instances of noncompliance, identified as 2015-1.

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS
November 23, 2016

CITY OF DUNDEE, OREGON
SCHEDULE OF FINDINGS TO REPORT INSTANCES OF NONCOMPLIANCE
YEAR ENDED JUNE 30, 2016

CURRENT YEAR FINDINGS

See prior year finding.

PRIOR YEAR FINDINGS

2015-1 Compliance with reporting requirements

Criteria:

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

Condition:

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

Cause:

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

Current Year Update:

The City has not established cost records for capital assets prior to 2007.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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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, 2016, and have issued our report thereon dated November 23, 2016.

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 retain documentation for one of the intermediate procurements selected for testing and therefore compliance could not be verified. 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.

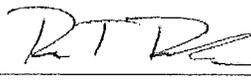
Internal Control Over Financial Reporting

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 23, 2016