

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

2012-2013
FINANCIAL REPORT

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DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Herb Kuhn, President	June 30, 2015
Michelle Bechtold, Treasurer	June 30, 2015
Craig Nies, Secretary	June 30, 2017
Dan Bechtold	June 30, 2017
Larissa DeHart	June 30, 2015

Registered Agent

Herb Kuhn, Board President
P.O. Box 491
759 Hwy 99W
Dundee, Oregon 97115

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DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

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December 26, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dundee Rural Fire Protection District
Dundee, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Dundee Rural Fire Protection District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 Note 1; 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.

Auditors' 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. 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 auditors' 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 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 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 and each major fund of Dundee Rural Fire Protection District as of June 30, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes 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.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates located before the table of contents, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 26, 2013, on our consideration of 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.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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Dundee Rural Fire Protection District
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2013

This section of the Dundee Rural Fire Protection District's annual Financial Report presents our narrative overview and analysis of the financial performance of the District during the fiscal year ended June 30, 2013. Please read it in conjunction with the additional information furnished in the financial statements that follow. It is our goal in preparing this discussion to assist users of these financial statements in interpreting significant data found in the pages that follow and to analyze the results of this fiscal year. Because the information contained in this discussion is necessarily select in nature, it should be read and interpreted in conjunction with those financial statements.

BRIEF HISTORY

The Dundee Rural Fire Protection District (District) is a unit of local government managed by an elected Board of Directors consisting of five citizens within the District. It was formed to provide fire protection to a rural area surrounding the City of Dundee. The City's fire department provides fire prevention and protection services to the District on a contractual basis. Funding for this contract comes from property taxes levied by the District on taxable property within the District, as determined by the Yamhill County tax assessor.

The District has no employees and does not operate, or take part in the operation of, any firefighting apparatus. This results in minimal administrative and overhead costs. The District owns one piece of firefighting equipment (Brush Rig) used for suppressing wild fires in off- road and rough terrain areas as well as a varying number of hand-held radios and pagers for use by the volunteer firefighters. The Brush Rig is leased to the City for \$1 a year, and the City is responsible for all of the Rig's operating costs, insurance, maintenance and repair.

FINANCIAL HIGHLIGHTS

The District's total assets were \$1,402,115 at June 30, 2013. This amount includes \$1,079,465 held in the capital outlay fund and represents the unspent balance of the District's \$1,290,000 contribution toward construction of the City of Dundee's new fire stations.

During the year the District's net capital assets increased by \$142,278 due to the District's investment in the construction of a new fire station.

The general fund end-of-year balance was \$58,061, which includes an Equipment Reserve amount set aside for future expenditures for firefighting, communication and EMT equipment. This amount is held in the general fund cash account and invested in a Certificate of Deposit with US National Bank.

Given the difference in the annual property tax assessment and collection cycle and the annual due dates for debt service payments on outstanding bonds, the Statement of Receipts, Disbursements and Changes in Fund Balance shows a large ending fund balance for the debt service fund. This year-end carry-over in the debt service fund will continue in future years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial activities.

The Statement of Net Position presents information on all assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position serve as an indicator of the financial position of the District.

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Assets			
Current and other assets	\$ 1,202,417	\$ 49,315	2338.2%
Capital assets (net)	<u>199,698</u>	<u>57,420</u>	<u>247.8%</u>
Total assets	<u>1,402,115</u>	<u>106,735</u>	<u>1213.6%</u>
Noncurrent Liabilities (net)	<u>1,290,000</u>	<u>-</u>	<u>100.0%</u>
Net Position			
Net investment in capital assets	199,698	-	100.0%
Unrestricted	<u>(87,583)</u>	<u>106,735</u>	<u>-182.1%</u>
Total Net Position	<u>\$ 112,115</u>	<u>\$ 106,735</u>	<u>5.0%</u>

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Receipts			
Taxes	\$ 172,505	\$ 75,188	129.4%
Interest income	1,108	-	100.0%
Miscellaneous	339	7,586	-95.5%
Total Receipts	<u>173,952</u>	<u>82,774</u>	<u>110.2%</u>
Disbursements			
Materials and supplies	156,021	78,663	98.3%
Interfund transfers	-	3,000	-100.0%
Total Disbursements	<u>156,021</u>	<u>81,663</u>	<u>91.1%</u>
Change in Net Position	17,931	1,111	1514.0%
Beginning Net Position	<u>94,183</u>	<u>93,072</u>	<u>1.2%</u>
Ending Net Position	<u>\$ 112,114</u>	<u>\$ 94,183</u>	<u>19.0%</u>

SPECIAL EVENTS

In September of 2012 the District sold \$1,290,000 of Government obligation (GO) bonds to assist the City in financing the construction of a new Fire Station. The District's commitment was to pay one-third of the cost of construction, not to exceed \$1,290,000. The financial statements reflect that sale and the deposit of net bond receipts into the City's construction fund.

FUND FINANCIAL STATEMENTS

Fund Statements provide more detailed information about the District's operations and provide the ability to easily keep track of sources of funding and spending for particular purposes. Most of the District's operations are included in governmental funds statements, which focus on how cash flows in and out, monitors the source and use of funds for different programs, and reports balances left at year-end that are available for expenditure. Consequently, the fund statements provide a *short-term* view that helps a reader determine whether there are more or fewer financial resources available to finance future District programs.

GENERAL FUND - ACTUAL AND BUDGETED

During the fiscal year ending June 30, 2013 the District underspent its anticipated budget by \$30,761.

- 1) Total receipts were down \$22,015 due largely to a decision not to seek \$20,000 in donations to acquire equipment under the Volunteer Fire Assistance Grant program.
- 2) From time to time federal grant funding, administered through the Oregon Department of Forestry, becomes available. These grants cover a variety of firefighting equipment acquisitions and are available only to Rural Fire Districts. They are referred to as “reimbursable” grants in that the District must first provide the funding necessary to acquire the equipment and then request reimbursement from the Grantor. Often the approval/disapproval of our grant application is not received before our final budget is due. Past practice has been to include in our budget the capital outlay we would make, as well as anticipated funding (donations) if our application were to be approved. During the audit year our grant application was not approved, and the planned \$12,000 capital outlay was not made.
- 3) Approximately \$10,000 of auditing costs and software acquisitions were reprogrammed into the next fiscal year. Additionally, the \$12,000 in capital outlays did not occur. These expenditures have been appropriated into the fiscal year ending June 30, 2014 to better coincide with completion of the new Fire Station.

REQUESTS FOR INFORMATION

This Financial Report is intended to provide a general overview of the Dundee Rural Fire Protection District’s financial condition. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Dundee RFPD, P.O. Box 491, Dundee, OR 97115.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

BASIC FINANCIAL STATEMENTS

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DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 122,952
Cash, Restricted	1,079,465
Capital Assets	<u>199,698</u>
 TOTAL ASSETS	 <u>1,402,115</u>
 LIABILITIES AND NET POSITION	
Liabilities	
General Obligation Bond	<u>1,290,000</u>
 TOTAL LIABILITIES	 <u>1,290,000</u>
 Net Position	
Net Investment in Capital Assets	199,698
Restricted	1,144,356
Unrestricted	<u>(1,231,939)</u>
 TOTAL NET POSITION	 <u>\$ 112,115</u>

See accompanying notes to the basic financial statements.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2013

<u>FUNCTIONS</u>	<u>DISBURSEMENTS</u>	<u>PROGRAM REVENUES</u>		<u>NET RECEIPTS (DISBURSEMENTS) AND CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Fire Services				
Total Governmental Activities	<u>\$ 156,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,020)</u>
General Receipts				
				172,505
Property Taxes				1,108
Interest Income				339
Miscellaneous				<u>339</u>
Total General Receipts				<u>173,952</u>
Changes in Net Position				17,932
Net Position - Modified Cash Basis - Beginning				<u>94,183</u>
Net Position - Modified Cash Basis - Ending				<u>\$ 112,115</u>

See accompanying notes to the basic financial statements.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

BALANCE SHEET - MODIFIED CASH BASIS
June 30, 2013

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL FUNDS</u>
ASSETS				
Cash and Investments	\$ 58,061	\$ 1,079,465	\$ 64,891	\$ 1,202,417
Total Assets	<u>\$ 58,061</u>	<u>\$ 1,079,465</u>	<u>\$ 64,891</u>	<u>\$ 1,202,417</u>
FUND BALANCE				
Restricted	\$ -	\$ 1,079,465	\$ 64,891	\$ 1,144,356
Unassigned	<u>58,061</u>	<u>-</u>	<u>-</u>	<u>58,061</u>
Total Liabilities and Fund Balance - Modified Cash Basis	<u>\$ 58,061</u>	<u>\$ 1,079,465</u>	<u>\$ 64,891</u>	<u>\$ 1,202,417</u>

See accompanying notes to the basic financial statements.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2013

Total Fund Balance - Governmental Funds \$ 1,202,417

The cost of capital assets (land, buildings, and equipment) purchased or constructed is reported as an expenditure in the governmental fund. The Statement of Net Position includes those capital assets among the assets of the District as a whole. 199,698

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Notes Payable (1,290,000)

Net Position \$ 112,115

See accompanying notes to the basic financial statements.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

June 30, 2013

	GENERAL FUND	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	TOTAL FUNDS
RECEIPTS				
Taxes	\$ 86,124	\$ -	\$ 86,381	\$ 172,505
Earnings on Investments	1,108	-	-	1,108
Miscellaneous Income	339	-	-	339
	<u>87,571</u>	<u>-</u>	<u>86,381</u>	<u>173,952</u>
DISBURSEMENTS				
Materials and Supplies	78,825	-	-	78,825
Debt Service	-	-	21,490	21,490
Capital Outlay	-	210,535	-	210,535
	<u>78,825</u>	<u>210,535</u>	<u>21,490</u>	<u>310,850</u>
OTHER FINANCING SOURCES				
Bond Proceeds	-	1,290,000	-	1,290,000
	<u>-</u>	<u>1,290,000</u>	<u>-</u>	<u>1,290,000</u>
Net Change in Fund Balance	8,746	1,079,465	64,891	1,153,102
Beginning Fund Balance - Modified Cash Basis	49,315	-	-	49,315
Ending Fund Balance - Modified Cash Basis	<u>\$ 58,061</u>	<u>\$ 1,079,465</u>	<u>\$ 64,891</u>	<u>\$ 1,202,417</u>

See accompanying notes to the basic financial statements.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

Reconciliation of the Governmental Fund
Statement of Receipts, Disbursements and Changes in Fund Balance - Modified Cash Basis
to the Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2013

Total Net Changes in Fund Balances - Governmental Funds	\$	1,153,102
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Capital Outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital Outlay	\$ 159,818	
Depreciation Expense	<u>(4,988)</u>	
		154,830

Debt issued		(1,290,000)
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Change in Net Position of Governmental Activities	\$	<u>17,932</u>
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DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Dundee Rural Fire Protection District (District) have been prepared in conformity with the modified cash basis of accounting as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The Dundee Rural Fire Protection District (the District) is a municipal corporation, exempt from federal and state income taxes, which is governed by an elected five-member board. It was organized under provisions of Oregon Statutes Chapter 478 for the purpose of providing fire protection and other emergency services. Accounting principles generally accepted in the United States of America require that these financial statements present the primary government and all component units, if any. Component units, as established by GASB Statement 61, are separate organizations that are included in the District's reporting because of the significance of their operational or financial relationships with the District. There are no component units.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial operations are accounted for in the following funds:

General Fund

This fund accounts for all financial revenue and expenditures of the District, except those required to be accounted for in another fund. The principal source of disbursements is property taxes and the primary expenditures are for fire protection and administration.

Capital Outlay Fund

This fund accounts for revenues derived from specific taxes or other earmarked revenue sources, which are legally restrict to expenditures for the building of the new fire station.

Debt Service Fund

This fund is used to account for financial resources to be used for the repayment of general obligation and other long term debt.

C. BASIS OF ACCOUNTING

The financial statements report information on the modified cash basis of accounting. Under the modified cash basis of accounting, receipts are recognized when collected rather than when measurable and available and disbursements are recognized when paid rather when incurred. The principal modifications from the cash basis is the recording of capital assets, depreciation and long-term debt in the government-wide statements.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING (CONTINUED)

The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. Accounting principles generally accepted in the United States of America would require that all funds considered to be governmental funds be accounted for on the modified accrual basis of accounting whereby revenues are recorded when measurable and available, and expenditures are recorded when incurred, with certain modifications. For the government-wide statements, generally accepted accounting principles requires that the accrual basis of accounting be applied. Under the accrual basis of accounting, the cost of capital assets is capitalized and depreciated over their estimated useful lives, inventory is expensed when used instead of when purchased, debt is recorded as incurred, receipts are recorded when earned irrespective of the collection of cash and expenses, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable due to its size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law.

D. CASH AND CASH EQUIVALENTS

For financial reporting purposes, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The principles of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) has been adopted, as applicable to the modified cash basis financial statements. The Statement requires presentation of both government-wide and fund financial statements, and reconciliation of the two types of statements, if necessary.

The government-wide financial reports information about the entire District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct disbursement of a given function or segments is offset by program receipts. Direct disbursements a clearly identifiable with a specific function or segment. Program receipts 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 receipts are reported instead as general receipts.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

F. BUDGET

A budget is required to be prepared and legally adopted for each fund in the main program categories required by the Oregon Local Budget Law. The budget for all funds is adopted on a basis consistent with the modified cash basis of accounting. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption; however, budgeted disbursements for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30th.

Disbursements budgets are appropriated at the following levels for each fund:

Level of Control

Materials and Supplies
Capital Outlay
Debt Service
Contingency

Disbursements cannot legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations.

G. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt. As permitted by GASB Statement No. 34 the cost of bond issuance will be amortized prospectively from the date of adoption of GASB Statement No. 34.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. CAPITAL ASSETS

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated and depreciated using the straight-line method. The District has no defined a capital asset policy. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized, but rather disbursements as incurred.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

J. NET POSITION

Net position is comprised of the various net earnings from operations, nonoperating receipts, disbursements and contributions of capital. Net position is classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, restricted net position of \$1,144,356 represented the required amounts of \$1,079,465 in the Capital Outlay Fund and \$64,891 required to be in the Debt Service Fund.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

K. FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, there are five classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable represents amounts that are not in a spendable form.
- Restricted represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed represents funds formally set aside by the Board for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board or by an official to whom that authority has been given by the Board.
- Unassigned is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. FUND BALANCE

There were no nonspendable, committed or assigned fund balances at year end.

The Board has not adopted a policy that dictates the order of spending regarding fund balance categories; therefore, the default approach assumes that restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for disbursements. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

2. CASH AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorize investing in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The District's cash is deposited in an approved depository for public funds, and thus is collateralized under ORS 295.

INVESTMENTS

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions, as well as investments in repurchase agreements and reverse repurchase agreements.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2013. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments at June 30, 2013 were comprised of the following:

<u>Type of Deposit</u>	<u>Total Cash Balance</u>
Insured deposits with financial institutions	\$ 129,922
Oregon Local Government Investment Pool	<u>1,072,495</u>
Total cash and investments	<u>\$ 1,202,417</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2013, the total bank balance of \$129,922 was fully insured by the Federal Deposit Insurance Corporation.

Concentration of Credit Risk

At June 30, 2013, 100% of total investments were in the Oregon State Treasury's Local Government Investment Pool. State statutes do not limit the percentage of investment in the Pool.

Restricted Cash

The restricted fund balance of \$1,079,465 in the Capital Outlay Fund is the proceeds from the General Bond obligation that was issued in 2012, less disbursements that went towards the construction of the new Fire Station. Those construction costs have been capitalized and can be seen as construction in progress in the Capital Outlay section of the financial statements and notes.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Adjustments	Additions	Deletions	Balance June 30, 2013
Non-depreciable Assets					
Construction in Progress	\$ -	\$ -	\$ 159,818	\$ -	\$ 159,818
Depreciable Assets					
Equipment	94,600	(17,032)	-	-	77,568
Subtotal	94,600	(17,032)	159,818	-	237,386
Accumulated Depreciation					
Equipment	37,180	(4,480)	4,988	-	37,688
Subtotal	37,180	(4,480)	4,988	-	37,688
Capital Assets, Net	\$ 57,420				\$ 199,698

4. RISK MANAGEMENT

There is exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for the last three years.

5. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limitation, tax receipts are separated into those for public schools and those for local governments other than public schools. The limitation specifies a maximum rate for all local government operations of \$10 per \$1,000 of real market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. Local government taxes in the District do not exceed the \$10 rate limit; however, this limitation may affect the availability of future tax receipts for the District.

In May 1997 voters approved Measure 50, which rolled back assessed values to 90% of the assessed value of 1995-96 and limited future increases of taxable assessed values to 3% per year, except for major improvements. Tax rates are fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided that a majority approves at either (1) a general election in an even number year, or (2) any other election in which at least 50% of registered voters cast a ballot.

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. GENERAL OBLIGATION BOND

On June 20, 2012 the District entered into a construction agreement with the City of Dundee, Oregon after voters approved Measure 36-151 on May 15, 2012, which allowed the District to issue up to \$1,290,000 in general obligation bonds to finance a one-third share of the capital improvement and construction costs for a new fire station in the City that will serve District residents, and to pay bond issuance costs.

The changes in long-term debt for the year ended June 30, 2013 is comprised of the following:

	Outstanding July 1, 2012	Additions	Payments and Deletions	Outstanding June 30, 2013
2012 GO Bond Series	\$ -	\$ 1,290,000	\$ -	\$ 1,290,000

Future debt service requirements for bonds payable and loans payable are as follows:

	Principal	2012 GO Bond Interest	Total
2013-2014	\$ 35,000	\$ 45,368	\$ 80,368
2014-2015	35,000	45,053	\$ 80,053
2015-2016	35,000	44,659	\$ 79,659
2016-2017	40,000	44,140	\$ 84,140
2017-2018	40,000	43,490	\$ 83,490
2018-2023	205,000	200,625	\$ 405,625
2023-2028	240,000	161,550	\$ 401,550
2028-2033	295,000	107,381	\$ 402,381
2033-2038	365,000	39,321	\$ 404,321
	<u>\$ 1,290,000</u>	<u>\$ 731,587</u>	<u>\$ 813,335</u>

7. INTERGOVERNMENTAL AGREEMENT

There is a contract for fire and rescue services with the City of Dundee. The terms of this agreement call for the City to provide fire protection services to the District throughout the time period the District GO Bonds are outstanding, but no longer than 25 years from the issuance date of the District GO Bonds, in exchange for 85% of the permanent rate tax levy revenues collected by Yamhill County and paid to the District during each contract year of the agreement. Payments to the City are made by the 15th of the month equal to 85% of the permanent rate tax levy revenues received by the District from Yamhill County in the preceding month.

REQUIRED SUPPLEMENTARY INFORMATION

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DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET - GENERAL FUND

June 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS				
Taxes	\$ 87,586	\$ 87,586	\$ 86,124	\$ (1,462)
Donations	20,000	20,000	-	(20,000)
Other income	2,000	2,000	1,447	(553)
Total Receipts	109,586	109,586	87,571	(22,015)
DISBURSEMENTS				
Materials and Supplies	96,586 (1)	96,586 (1)	78,825	17,761
Capital Outlay	12,000 (1)	12,000 (1)	-	12,000
Contingency	1,000 (1)	1,000 (1)	-	1,000
Total Disbursements	109,586	109,586	78,825	30,761
Excess of Receipts, Over (Under) Disbursements	-	-	8,746	8,746
Net Change in Fund Balance	-	-	8,746	8,746
Beginning Fund Balance	49,315	49,315	49,315	-
Ending Fund Balance	\$ 49,315	\$ 49,315	\$ 58,061	\$ 8,746

(1) Appropriation Level

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SUPPLEMENTARY INFORMATION

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**DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET - CAPITAL OUTLAY FUND
June 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS				
General Obligation Bonds	\$ 1,290,000	\$ 1,290,000	\$ 1,290,000	\$ -
Total Receipts	<u>1,290,000</u>	<u>1,290,000</u>	<u>1,290,000</u>	<u>-</u>
DISBURSEMENTS				
Capital Outlay	<u>1,290,000 (1)</u>	<u>1,290,000 (1)</u>	<u>210,535</u>	<u>1,079,465</u>
Total Disbursements	<u>1,290,000</u>	<u>1,290,000</u>	<u>210,535</u>	<u>1,079,465</u>
Net Change in Fund Balance	-	-	1,079,465	1,079,465
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,079,465</u>	<u>\$ 1,079,465</u>

(1) Appropriation Level

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET - DEBT SERVICE FUND**

June 30, 2013

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
RECEIPTS				
Taxes	\$ 94,426	\$ 94,426	\$ 86,381	\$ (8,045)
DISBURSEMENTS				
Debt Service	29,883 (1)	29,883 (1)	21,490	8,393
Total Disbursements	<u>29,883</u>	<u>29,883</u>	<u>21,490</u>	<u>8,393</u>
Net Change in Fund Balance	64,543	64,543	64,891	348
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ 64,543</u>	<u>\$ 64,543</u>	<u>\$ 64,891</u>	<u>\$ 348</u>

(1) Appropriation Level

DUNDEE RURAL FIRE PROTECTION DISTRICT
DUNDEE, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
For the year ended June 30, 2013

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2012	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2013
Current						
2012-13	\$ 182,531	\$ 4,511	\$ (1,122)	\$ 141	\$ 168,568	\$ 8,471
Prior Years						
2011-12	3,704	-	98	134	3,937	-
2010-11	-	-	-	-	-	-
2009-10	-	-	-	-	-	-
2008-09	-	-	-	-	-	-
2007-08 & Prior	-	-	-	-	-	-
Total Prior	3,704	-	98	134	3,937	-
Total	<u>\$ 186,236</u>	<u>\$ 4,511</u>	<u>\$ (1,024)</u>	<u>\$ 275</u>	<u>\$ 172,505</u>	<u>\$ 8,471</u>

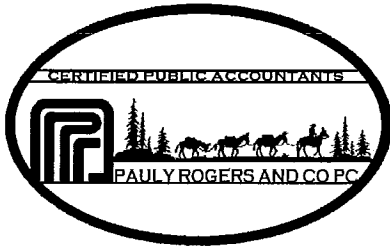
Reconciliation to Funds:

General Fund	\$ 86,124
Debt Service Fund	86,381
Total	<u>\$ 172,505</u>

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INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

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December 26, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Dundee Rural Fire Protection District as of and for the year ended June 30, 2013 and have issued our report thereon dated December 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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)**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **Authorized investment of surplus funds (ORS Chapter 294)**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

In connection with our testing, nothing came to our attention that caused us to believe the District was not in 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures 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 internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated December 26, 2013.

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

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" at the beginning.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.