
City of Dayton, Oregon

Annual Financial Report
Year Ended June 30, 2025

redw
Advisors & CPAs

City of Dayton, Oregon

City Officials
June 30, 2025

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Annette Frank	Mayor	December 31, 2026
Drew Hildebrandt	Council President	December 31, 2028
Kitt Mackin	Council Member	December 31, 2028
Jim Maguire	Council Member	December 31, 2026
Robin Pederson	Council Member	December 31, 2028
Chris Teichroew	Council Member	December 31, 2026
Luke Wildhaber	Council Member	December 31, 2026

Council members receive mail at the City's address

Appointed Officials

Jeremy Caudle
City Manager
P.O. Box 339
Dayton, Oregon 97114

City of Dayton, Oregon

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Financial Section

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Dayton
Dayton, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dayton (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of June 30, 2025, and the respective changes in financial position—modified cash basis and, where applicable, cash flows—modified cash basis, thereof for the year then ended in accordance with the modified cash basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to the notes to 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.

Responsibilities of Management 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, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis, the combining and individual fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from, and relates 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.

Other Reporting Required by Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 26, 2026, 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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Reporting Required by Oregon Minimum Standards.

Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 26, 2026, 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.



Ryan T. Pasquarella, Principal
For REDW LLC
Salem, Oregon
March 26, 2026

City of Dayton, Oregon
Management's Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

The management of the City of Dayton, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2025. Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's financial statements which follow this section.

Financial Highlights

	June 30,		Change
	2025	2024	
Net Position	\$ 3,060,011	\$ 1,660,385	\$ 1,399,626
Change in Net Position	1,399,626	(3,052,277)	4,451,903
Governmental Net Position	1,095,982	1,007,105	88,877
Proprietary Net Position	1,964,029	653,280	1,310,749
Change in Governmental Net Position	88,877	(481,617)	570,494
Change in Proprietary Net Position	1,310,749	(2,570,660)	3,881,409

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other information. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements
4. Other information

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). The *statement of net position* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the recognized 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.

City of Dayton, Oregon
Management's Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

The Statement of Activities (Modified Cash Basis). The *statement of activities* 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 decrease net position in total.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the following:

- General Government
- Public Safety
- Public Works
- Community Development

The business-type activities of the City include the following:

- Water Operations
- Sewer Operations

The government-wide financial statements can be found on pages 11 through 12 of this report.

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 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.

Governmental funds – Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial decisions. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

City of Dayton, Oregon
Management's Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

The City maintains ten individual budgetary governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report six major funds: the General, Local Option Tax, Transient Lodging Tax, Street, Building Reserve, and Street Capital Projects funds. The State Revenue Sharing Fund has been combined with the General Fund for presentation purposes. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as supplementary information in the form of combining statements.

The governmental fund financial statements can be found on pages 13 through 14 in the basic financial statements.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all governmental funds.

Proprietary funds – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. All of the City's proprietary funds are enterprise funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses proprietary funds to account for its water and sewer activity.

The proprietary funds for Water Operations and Sewer Operations are considered to be major funds of the City and are reported separately in the proprietary financial statements in the basic financial statements. The City's debt service fund is also considered to be a major fund of the City.

The City adopts an annual appropriated budget for each Proprietary fund. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the proprietary funds as other supplementary information.

The proprietary financial statements can be found on pages 15 through 17 in the basic financial statements.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*, including the budgetary comparison schedules, and the combining nonmajor fund financial statements.

City of Dayton, Oregon
Management's Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

Government-Wide Financial Analysis

Statement of Net Position (Modified Cash 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 \$3,060,011 at the close of fiscal year 2025.

A portion of the City's net position, \$1,599,084 or approximately 52%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is net position - unrestricted totaling \$1,460,927, or approximately 48%.

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,095,982	\$ 2,068,836	\$ 3,164,818	\$ 1,006,275	\$ 653,280	\$ 1,659,555
Other liabilities	-	104,807	104,807	(830)	-	(830)
Net position						
Restricted	511,497	1,087,587	1,599,084	529,522	470,396	999,918
Unrestricted	584,485	876,442	1,460,927	477,583	182,884	660,467
Total net position	<u>\$ 1,095,982</u>	<u>\$ 1,964,029</u>	<u>\$ 3,060,011</u>	<u>\$ 1,007,105</u>	<u>\$ 653,280</u>	<u>\$ 1,660,385</u>

City of Dayton, Oregon
Management's Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

Statement of Activities (Modified Cash Basis)

The City's net position increased \$1,399,626 during the year ended June 30, 2025. This increase is explained in the government and business-type activities as follows:

Governmental activities - The City's net position increased by \$103,877 from governmental activities primarily due to a decrease in Public works expenses compared to the prior year.

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 183,561	\$ 1,767,931	\$ 1,951,492	\$ 116,482	\$ 1,745,658	\$ 1,862,140
Operating grants and contributions	257,178	-	257,178	228,020	-	228,020
Capital grants and contributions	15,104	224,939	240,043	297,783	-	297,783
General revenues						
Property taxes	569,689	-	569,689	551,887	-	551,887
Transient lodging taxes	79,522	-	79,522	86,210	-	86,210
Franchise fees	133,168	-	133,168	119,424	-	119,424
Intergovernmental	90,267	-	90,267	87,498	23,248	110,746
Investment earnings	35,857	52,122	87,979	81,865	65,838	147,703
Miscellaneous	36,465	152	36,617	12,475	65,306	77,781
Total revenues	1,400,811	2,045,144	3,445,955	1,581,644	1,900,050	3,481,694
Expenses						
General government	313,757	-	313,757	329,745	-	329,745
Public safety	346,880	-	346,880	338,410	-	338,410
Public works	621,132	-	621,132	1,069,996	-	1,069,996
Community development	358,680	-	358,680	361,910	-	361,910
Water	-	1,619,258	1,619,258	-	1,696,772	1,696,772
Sewer	-	2,611,061	2,611,061	-	5,868,475	5,868,475
Total expenses	1,640,449	4,230,319	5,870,768	2,100,061	7,565,247	9,665,308
Proceeds from sale of assets	308,515	-	308,515	-	-	-
Loan proceeds	-	3,515,924	3,515,924	-	3,131,336	3,131,336
Transfers	20,000	(20,000)	-	36,800	(36,800)	-
Change in net position	88,877	1,310,749	1,399,626	(481,617)	(2,570,661)	(3,052,278)
Net position, beginning of year	1,007,105	653,280	1,660,385	1,488,722	3,223,941	4,712,663
Net position, end of year	\$ 1,095,982	\$ 1,964,029	\$ 3,060,011	\$ 1,007,105	\$ 653,280	\$ 1,660,385

Major Governmental Funds:

General. The General fund (reported as the combination of the General fund and the State Revenue Sharing fund) is the primary operating fund of the City. Fund balance was \$125,427 on June 30, 2025. The fund balance decreased by \$50,326 during the year mainly due to the City budgeting expenditures in excess of revenues and an interfund loan payable that was incurred during 2025.

As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 16% of total General fund expenditures.

City of Dayton, Oregon
Management's Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

Local Option Tax. The Local Option Tax Fund accounts for property tax revenue received from a special levy approved by voters and is used primarily for police services. The fund balance decreased by \$32,197 during the year primarily due to increases in public safety costs.

Transient Lodging Tax. The Transient Lodging Tax Fund accounts for revenues from the transient lodging tax. Expenditures are related to tourism promotion, tourism-related facilities, and related administrative costs. The fund balance decreased by \$89,255 during the year primarily due to increases in community development expenditures.

Street. The Street Fund accounts for revenues and expenditures related to general street maintenance and improvements. The fund balance increased by \$19,316 as a result of increased miscellaneous income.

Building Reserve. The Building Reserve Fund contains amounts committed to the construction of City facilities. The fund balance increased by \$234,074 as a result of the sale of property during the year.

Street Capital Projects. The Street Capital Projects fund accounts for revenues and expenditures related to street improvements. The fund balance increased by \$65,735 as a result revenue being higher than budgeted appropriations and expenditures being less than budgeted appropriations.

Major Proprietary Funds:

Water Operations. Fund net position decreased by \$451,563 during the year primarily due to significant current year capital projects totaling \$372,250.

Sewer Operations. Fund net position increased by \$1,751,064 during the year primarily due to debt issuance netted with significant current year capital projects.

Debt Service. Fund net position increased by \$11,248 from the prior year as a result of transfers in exceeding debt service expenses.

Capital Assets and Debt Administration

Capital Assets

The City does not maintain historical cost and depreciation records for capital assets including infrastructure. Therefore, no information for capital assets is presented in the financial statements.

Debt

At the end of the current fiscal year, the City had a total of \$10,354,311 in debt outstanding.

City of Dayton, Oregon
Management’s Discussion And Analysis
For the Fiscal Year Ended June 30, 2025

The City’s debt is for business-type activities and includes \$1,804,400 in outstanding water system improvement loans from Oregon Business Development Department, \$2,096,911 in an outstanding USDA loan, \$5,500,000 in loan proceeds from the Clean Water State Revolving Fund loan program, and \$953,000 in an outstanding loan from Business Oregon. The loans are paid from net revenues of the water and sewer systems.

State statutes limit the amount of general obligation debt a government entity may issue up to three percent of its total assessed valuation. The City currently has no general obligation debt.

	Business-Type Activities	
	2025	2024
OBDD loans	\$ 1,804,400	\$ 1,945,905
USDA loan	2,096,911	2,134,317
CWSRF loan	5,500,000	3,131,336
Business Oregon loan	953,000	-
	\$ 10,354,311	\$ 7,211,558

Additional information on the City’s debt can be found in the notes to the basic financial statements.

Current Year General Fund Budgetary Highlights

There was one supplemental budget adopted for the General fund during the current fiscal year to ensure adequate funds are available for Administration, Parks, Building, and planning to pay for increased expenses; and certain adjustments are necessary to ensure adequate funds are available within the Sewer fund and the State Revenue Sharing Fund.

Economic Factors and Next Year’s Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2026 budget:

- The budget does not include any cost of living adjustment.
- The City’s tax rate is estimated to be 100% of the City’s permanent levy rate of \$1.7057 for general operations and \$1.85 for the local option tax levy.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for those with an interest in the government’s finances. Questions concerning any of the information provided in this report should be addressed to Jeremy Caudle, City Manager at P.O. Box 339, Dayton, Oregon 97114.

Basic Financial Statements

City of Dayton, Oregon
Statement of Net Position (Modified Cash Basis)
June 30, 2025

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 1,110,982	\$ 2,053,836	\$ 3,164,818
Internal balances	(15,000)	15,000	-
Total assets	1,095,982	2,068,836	3,164,818
Liabilities			
Deposits	-	104,807	104,807
Net Position			
Restricted for			
Debt service	-	218,523	218,523
Public safety	9,295	-	9,295
Streets	398,724	-	398,724
Community development	103,478	-	103,478
Capital acquisitions	-	869,064	869,064
Unrestricted	584,485	876,442	1,460,927
Total net position	\$ 1,095,982	\$ 1,964,029	\$ 3,060,011

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

City of Dayton, Oregon
Statement of Activities (Modified Cash Basis)
Year Ended June 30, 2025

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 313,757	\$ 2,821	\$ 22,886	\$ -	\$ (288,050)	\$ -	\$ (288,050)
Public safety	346,880	24,834	-	-	(322,046)	-	(322,046)
Public works	621,132	123,379	217,652	13,871	(266,230)	-	(266,230)
Community development	358,680	32,527	16,640	1,233	(308,280)	-	(308,280)
Total governmental activities	1,640,449	183,561	257,178	15,104	(1,184,606)	-	(1,184,606)
Business-type activities							
Water	1,619,258	1,019,401	-	53,875	-	(545,982)	(545,982)
Sewer	2,611,061	748,530	-	171,064	-	(1,691,467)	(1,691,467)
Total business-type activities	4,230,319	1,767,931	-	224,939	-	(2,237,449)	(2,237,449)
Total activities	\$ 5,870,768	\$ 1,951,492	\$ 257,178	\$ 240,043	(1,184,606)	(2,237,449)	(3,422,055)
General revenues							
Property taxes					569,689	-	569,689
Transient lodging taxes					79,522	-	79,522
Franchise taxes					133,168	-	133,168
Intergovernmental					90,267	-	90,267
Investment earnings					35,857	52,122	87,979
Miscellaneous					36,465	152	36,617
Total general revenues					944,968	52,274	997,242
Proceeds from sale of assets					308,515	-	308,515
Proceeds from issuance of debt					-	3,515,924	3,515,924
Transfers					20,000	(20,000)	-
Change in net position					88,877	1,310,749	1,399,626
Net position - beginning of year					1,007,105	653,280	1,660,385
Net position - end of year					\$ 1,095,982	\$ 1,964,029	\$ 3,060,011

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

City of Dayton, Oregon
Balance Sheet – Governmental Funds (Modified Cash Basis)
June 30, 2025

	Special Revenue			Capital Projects		Other Governmental Funds	Total
	General	Local Option Tax	Transient Lodging Tax	Street	Building Reserve		
Assets							
Cash and cash equivalents	\$ 140,427	\$ 9,295	\$ 182,700	\$ 217,592	\$ 354,616	\$ 181,132	\$ 1,110,982
Liabilities and Fund Balance							
Liabilities							
Interfund loan payable	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Fund Balance							
Restricted for							
Public safety	-	9,295	-	-	-	-	9,295
Streets	-	-	-	217,592	-	181,132	398,724
Community development	-	-	82,178	-	-	21,300	103,478
Committed to							
Capital acquisitions	-	-	-	-	354,616	-	358,578
Community development	-	-	100,522	-	-	-	100,522
Unassigned	125,427	-	-	-	-	(42)	125,385
Total fund balance	125,427	9,295	182,700	217,592	354,616	181,132	1,095,982
Total liabilities and fund balance	\$ 140,427	\$ 9,295	\$ 182,700	\$ 217,592	\$ 354,616	\$ 181,132	\$ 1,110,982

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

City of Dayton, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Modified Cash Basis)
Year Ended June 30, 2025

	Special Revenue				Capital Projects		Other	Total
	General Fund	Local Option Tax	Transient Lodging Tax	Street	Building Reserve	Street Capital Projects	Governmental Funds	
Revenues								
Taxes and assessments	\$ 273,455	\$ 296,234	\$ 79,522	\$ -	\$ -	\$ -	\$ -	\$ 649,211
Licenses and permits	258,897	-	-	-	-	13,871	1,233	274,001
Intergovernmental	108,327	-	-	217,652	-	-	15,213	341,192
Fines and forfeitures	2,307	16,401	-	-	-	-	-	18,708
Miscellaneous	70,068	1,069	8,498	25,612	6,944	4,120	1,388	117,699
Total revenues	713,054	313,704	88,020	243,264	6,944	17,991	17,834	1,400,811
Expenditures								
Current								
General government	268,844	-	-	-	-	-	-	268,844
Public safety	-	345,894	-	-	-	-	-	345,894
Public works	209,072	-	-	149,348	-	-	-	358,420
Community development	309,423	-	151,281	-	-	-	38,891	499,595
Capital acquisitions	41	7	1,994	4,600	101,385	2,256	57,413	167,696
Total expenditures	787,380	345,901	153,275	153,948	101,385	2,256	96,304	1,640,449
Revenues Over (Under) Expenditures	(74,326)	(32,197)	(65,255)	89,316	(94,441)	15,735	(78,470)	(239,638)
Other Financing Sources (Uses)								
Transfers in	24,000	-	-	-	20,000	50,000	20,000	114,000
Transfers out	-	-	(24,000)	(70,000)	-	-	-	(94,000)
Proceeds from sales of assets	-	-	-	-	308,515	-	-	308,515
Total other financing sources (uses)	24,000	-	(24,000)	(70,000)	328,515	50,000	20,000	328,515
Net changes in fund balance	(50,326)	(32,197)	(89,255)	19,316	234,074	65,735	(58,470)	88,877
Fund balance, beginning of year	175,753	-	271,955	198,276	120,542	115,397	125,182	1,007,105
Change within financial reporting entity (nonmajor to major)	-	41,492	-	-	-	-	(41,492)	-
Fund balance, beginning of year, as adjusted	175,753	41,492	271,955	198,276	120,542	115,397	83,690	1,007,105
Fund balance, end of year	\$ 125,427	\$ 9,295	\$ 182,700	\$ 217,592	\$ 354,616	\$ 181,132	\$ 25,220	\$ 1,095,982

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

City of Dayton, Oregon
Statement of Fund Net Position – Proprietary Funds (Modified Cash Basis)
June 30, 2025

	Water Operations	Sewer Operations	Debt Service	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 761,740	\$ 798,679	\$ 493,417	\$ 2,053,836
Interfund loan receivable	-	15,000	-	15,000
Total assets	\$ 761,740	\$ 813,679	\$ 493,417	\$ 2,068,836
Liabilities				
Current liabilities				
Deposits	\$ 100,847	\$ 3,960	\$ -	\$ 104,807
Fund Net Position				
Restricted for				
Debt service	-	-	218,523	218,523
Capital acquisitions	160,825	708,239	-	869,064
Unrestricted	500,068	101,480	274,894	876,442
Total fund net position	\$ 660,893	\$ 809,719	\$ 493,417	\$ 1,964,029

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

City of Dayton, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Net Position –
Proprietary Funds (Modified Cash Basis)
Year Ended June 30, 2025

	Water Operations	Sewer Operations	Debt Service	Total
Operating Revenues				
Charges for services	\$ 1,019,401	\$ 748,530	\$ -	\$ 1,767,931
Miscellaneous	152	-	-	152
Total operating revenues	1,019,553	748,530	-	1,768,083
Operating Expenses				
Personal services	443,987	323,422	-	767,409
Materials and services	559,809	271,014	-	830,823
Total operating expenses	1,003,796	594,436	-	1,598,232
Operating Income	15,757	154,094	-	169,851
Nonoperating Revenues/Expenses				
Issuance of debt	-	3,515,924	-	3,515,924
Capital acquisitions	(372,250)	(2,016,625)	-	(2,388,875)
Debt service				
Principal	-	-	(183,533)	(183,533)
Interest expense	-	-	(59,679)	(59,679)
Interest revenue	32,020	8,854	11,248	52,122
Total nonoperating revenues/expenses	(340,230)	1,508,153	(231,964)	935,959
Net Income Before Transfers and Contributions	(324,473)	1,662,247	(231,964)	1,105,810
Capital contributions	53,875	171,064	-	224,939
Transfers in	-	-	243,212	243,212
Transfers out	(180,965)	(82,247)	-	(263,212)
Change in fund net position	(451,563)	1,751,064	11,248	1,310,749
Fund net position (deficit), beginning of year	1,112,456	(941,345)	482,169	653,280
Fund net position (deficit), end of year	\$ 660,893	\$ 809,719	\$ 493,417	\$ 1,964,029

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

City of Dayton, Oregon
Statement of Cash Flows – Proprietary Funds (Modified Cash Basis)
Year Ended June 30, 2025

	Water Operations	Sewer Operations	Debt Service	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,120,400	\$ 752,490	\$ -	\$ 1,872,890
Cash paid to employees and others for salaries and benefits	(443,987)	(323,422)	-	(767,409)
Cash paid to suppliers and others	(559,809)	(271,014)	-	(830,823)
Net cash provided by (used for) operating activities	<u>116,604</u>	<u>158,054</u>	<u>-</u>	<u>274,658</u>
Cash flows from noncapital financing activities				
Received from (paid to) other funds				
Transfers in	-	-	243,212	243,212
Transfers out	(180,965)	(82,247)	-	(263,212)
Issuance of interfund loan	-	(15,000)	-	(15,000)
Net cash provided by (used for) noncapital financing activities	<u>(180,965)</u>	<u>(97,247)</u>	<u>243,212</u>	<u>(35,000)</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(372,250)	(2,016,625)	-	(2,388,875)
Proceeds from issuance of debt	-	3,515,924	-	3,515,924
Interest paid on debt	-	-	(59,679)	(59,679)
Principal paid on debt	-	-	(183,533)	(183,533)
Capital contributions	53,875	171,064	-	224,939
Net cash used for capital and related financing activities	<u>(318,375)</u>	<u>1,670,363</u>	<u>(243,212)</u>	<u>1,108,776</u>
Cash flows from investing activities				
Interest received	32,020	8,854	11,248	52,122
Increase (decrease) in cash and cash equivalents	<u>(350,716)</u>	<u>1,740,024</u>	<u>11,248</u>	<u>1,400,556</u>
Cash and cash equivalents, beginning of year	1,112,456	(941,345)	482,169	653,280
Cash and cash equivalents, end of year	<u>\$ 761,740</u>	<u>\$ 798,679</u>	<u>\$ 493,417</u>	<u>\$ 2,053,836</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 15,757	\$ 154,094	\$ -	\$ 169,851
Increase (decrease) in assets				
Deposits	100,847	3,960	-	104,807
Net cash provided by operating activities	<u>\$ 116,604</u>	<u>\$ 158,054</u>	<u>\$ -</u>	<u>\$ 274,658</u>

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

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

1) Summary of Significant Accounting Policies

The City of Dayton, Oregon was incorporated in 1880 under the provisions of the Oregon Statutes. The City is governed by a city council and mayor who are responsible for rulemaking, budget preparation and enforcement, expenditure approval, and hiring of the City management personnel. The mayor and six council members are elected by vote of the general public.

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 all the recorded assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components: restricted for special purposes, amounts which must be spent in accordance with legal restrictions; and unrestricted, the amount available for ongoing City activities.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

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 (general, special revenue and capital projects) and proprietary type (enterprise) funds. Major individual governmental funds, and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplementary information.

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.

Government accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the government and proprietary combined) for the determination of major funds.

The City reports the following major governmental funds:

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 fees and State shared revenues. Primary expenditures are for general administration.

State Revenue Sharing Fund

This fund accounts for state fund resources and expenditures are for general operations. This fund is included with the General Fund for reporting purposes.

Local Option Tax Fund

This fund accounts for the property tax revenue received from a special levy approved by the voters. The money is used primarily to pay for police services.

Transient Lodging Tax Fund

This fund accounts for transient lodging taxes received that will be spent on tourism promotion, tourism-related facilities, and related administrative costs, with some restrictions.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

Street Fund

This fund accounts for street maintenance and improvements. The primary source of revenues is from motor vehicle fuel taxes and expenditures are for street maintenance and improvements.

Building Reserve Fund

This fund accounts for money set aside for building improvements. The principal revenues are from transfers in, and primary expenditures are for building improvements.

Street Capital Projects Fund

This fund accounts for money set aside for street improvements. The principal revenues are from transfers in and the primary expenditures are for street improvements.

The City reports the following nonmajor governmental funds:

American Rescue Plan Act Fund

This fund accounts for revenues received through the American Rescue Plan Act of 2021. The money is used to respond to the COVID-19 pandemic and its negative economic impacts.

Park Capital Projects Fund

This fund accounts for money set aside for park improvements. The principal revenues are transfers from the General Fund and primary expenditures are for park projects.

Equipment Replacement Reserve Fund

This fund accounts for money set aside for equipment purchases. The principal revenues are from transfers from the General Fund and primary expenditures are for equipment purchases.

The City reports the following proprietary operations as major. They 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 Operations

This fund accounts for the operations, maintenance, capital construction projects and payments of principal and interest on loans for the water system, which are funded through utility fees and debt proceeds.

Sewer Operations

This fund accounts for the operations, maintenance, capital construction projects and payments of principal and interest on loans for the sewer system, which are funded through utility fees and debt proceeds.

Debt Service Fund

This fund accounts for the accumulation of resources and payment of principal and interest on loans. Interest earnings and transfers from other funds are the primary source of revenues.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

The City reports the following nonmajor proprietary fund:

Stormwater Fund

This fund accounts for the operations, maintenance, capital construction projects and payments of principal and interest on loans for the stormwater system, which are funded through utility fees and debt proceeds.

Fund Balance

In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

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 City Manager 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. This classification is also used to report any negative fund balance amounts in other governmental funds.

When expenditures 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.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

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. Budgetary Special Revenue Funds whose primary source of funding is transfers from the General Fund must be reported as part of the General Fund. Therefore, in the Governmental Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances, the State Revenue Sharing Fund has been combined with the General Fund.

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

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.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by the 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, long-term liabilities such as debt are only reported in the notes to the financial statements.

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 proprietary 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.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. 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.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

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 in the financial statements 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.

Investments are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported in the notes to the financial statements.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures/expenses when paid.

Accrued Compensated Absences

Accumulated unpaid vacation and comp time pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid.

Budgets and Budgetary Accounting

The City adopts the budget on an object basis (personnel services, materials and services, capital outlay, debt service), for all funds except the General fund, where the budget is adopted on a departmental basis. Therefore, cash expenditures of 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. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

Use of Estimates

The preparation of basic financial statements, in conformity with the modified cash basis of accounting 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 basic financial statements and reported amounts of revenues and expenses/expenditures during the year ended June 30, 2025. Actual results may differ from such estimates.

2) Cash and Cash Equivalents

	Carrying Value
Cash	
Cash on hand	\$ 350
Deposits with financial institutions	139,010
Investments	
Local Government Investment Pool	3,025,458
	\$ 3,164,818

Deposits

At year-end, the book balance of the City's bank deposits (checking account) was \$139,010 and the bank balance was \$271,520. 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 Credit 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 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, 2025, \$21,520 of the City's bank balances was covered by the PFCP.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

Custodial Risk – Local Government Investment Pool

For the LGIP, 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.

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, 2025, 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.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

3) 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:

	Outstanding July 1, 2024	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2025	Due Within One Year
Direct placement - business-type activities					
Note payable to Infrastructure Finance Authority (Oregon Business Development Department)	\$ 1,613,449	\$ -	\$ (127,199)	\$ 1,486,250	\$ 128,471
Note payable to Infrastructure Finance Authority (Oregon Business Development Department)	332,456	-	(14,306)	318,150	14,449
USDA Sewer Improvement Loan	2,134,317	-	(37,406)	2,096,911	42,926
Clean Water State Revolving Fund Loan	3,131,336	2,562,924	(194,260)	5,500,000	-
Business Oregon Loan	-	953,000	-	953,000	32,595
	\$ 7,211,558	\$ 3,515,924	\$ (373,171)	\$ 10,354,311	\$ 218,441

Loans Payable – Business Type Activities

Infrastructure Finance Authority (OBDD): On September 30, 2002, the City entered into a loan agreement with the Oregon Business Development Division for water system improvements. The loan was for \$3,383,000 and calls for annual payments of \$143,333. The loan bears interest at 1%. Final maturity is December 1, 2032. In the event of default OBDD may declare all amounts immediately due and payable and pursue any remedies that are legally available.

Infrastructure Finance Authority (OBDD): On November 18, 2014, the City entered into a loan agreement with the Oregon Business Development Division for water system improvements. The loan was for \$910,000 with a \$455,000 conditional forgivable portion which was forgiven in June 2015. The loan calls for annual payments of \$17,630 and bears interest at 1%. Final maturity is December 1, 2044. In the event of default OBDD may declare all amounts immediately due and payable and pursue any remedies that are legally available.

USDA Sewer Improvement Loan: On December 6, 2019, the City refinanced the existing loan with Oregon DEQ in the amount of \$2,300,000 through the U.S. Department of Agriculture. The loan will bear interest at 1.874% and will be repaid in equal installments over 40 years. In the event of default USDA may pursue any remedies that are legally available.

USDA requires a Debt Service Reserve, which is fully funded at \$82,248. There is also a requirement for an annual deposit of \$14,544 to the Short-Lived Assets Reserve (SLAR). The annual deposit was made as of June 30, 2025. The balance in the SLAR was \$30,000 and \$15,000 as of June 30, 2025 and June 30, 2024, respectively.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

Clean Water State Revolving Fund (CWSRF): On March 5, 2021, the City entered into a \$750,000 loan agreement with the State of Oregon, acting through its Department of Environmental Quality (DEQ), with an interest rate of 1.72%. However, the City did not draw down the loan of \$750,000. On July 26, 2023, the loan was amended to a principal amount of \$6,000,000, with \$500,000 forgiven, resulting in a net loan amount of \$5,500,000. The amended loan carries an interest rate of 1% and will be repaid in two annual installments over 30 years. In case of default, the DEQ may pursue legally available remedies. Additionally, there is a requirement for a loan reserve of \$106,725. The City's debt service fund balance stands at \$493,417.

As of June 30, 2025, the City had drawn down \$5,694,260, for Sewer Utility Capital expenditure, of which \$194,260 was forgiven. No repayments were made during the year.

Oregon Business Development Department: On May 23, 2024, the City entered into a \$953,000 loan agreement with the State of Oregon, acting through its Business Oregon Commission. The loan is to be prepaid in annual installments of \$51,032 and bears interest at 3.5%. Final maturity is December 1, 2054.

Future maturities of unmatured principal and interest for the fiscal years ending June 30 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 218,441	\$ 158,758	\$ 377,199
2027	368,053	141,944	509,997
2028	372,592	137,405	509,997
2029	377,098	132,900	509,998
2030	381,875	128,123	509,998
2031-2035	1,981,998	568,043	2,550,041
2036-2040	1,528,642	448,264	1,976,906
2041-2045	1,488,496	344,771	1,833,267
2046-2050	1,510,659	234,511	1,745,170
2051-2055	1,629,337	115,833	1,745,170
2056-2060	496,282	22,805	519,087
2061-2065	838	-	838
	\$ 10,354,311	\$ 2,433,357	\$ 12,787,668

4) Interfund Receivables and Payables

In 2025, the Sewer Utility fund issued a \$15,000 interfund loan to the General fund for operating purposes to cover increased appropriations in the General fund that were the result of a supplemental budget in 2025. The loan is to be paid in full no later than June 30, 2026.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

5) Pension Plan

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

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

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

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

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

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

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

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

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [55] otherwise.

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

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

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

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2025 were 21.97% for Tier One/Tier Two employees, 18.33% for OPSRP general service employees, and 23.12% for OPSRP police/fire employees. The City's total contributions to PERS were \$145,904 for fiscal year ended June 30, 2025.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2025 were based on the December 31, 2022, actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

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

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2025, the City reported a net pension liability of \$1,037,492 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on a December 31, 2022, actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00467% as of the June 30, 2024, measurement date, compared to 0.00563% as of June 30, 2023.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2022, actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.40%, projected salary increases of 3.40%, investment rate of return of 6.90%, and mortality rates based on the Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs. These assumptions were based on the results of the December 31, 2022, actuarial experience study.

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

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

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 5.90%, 6.90%, and 7.90%.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$ 1,636,602	\$ 1,037,492	\$ 535,709

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

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$50,139 for the year ended June 30, 2025. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

6) Expenditures in Excess of Appropriations

Oregon law prohibits disbursements of a fund in excess of Council approved appropriations. Disbursements in excess of appropriations in individual funds occurred as follows:

Fund/Appropriation Category	Budget	Actual	Variance
Water utility			
Materials and services	\$ 548,524	\$ 559,809	\$ (11,285)

7) Interfund Transfers (Budgetary Basis)

Fund	Transfers In	Transfers Out
General	\$ 19,000	\$ 11,089
Transient Lodging Tax	-	24,000
Street	-	70,000
Building Reserve	20,000	-
Street Capital Projects	50,000	-
State Revenue Sharing	16,089	-
Equipment Replacement Reserve	20,000	-
Water Utility	-	280,965
Water Utility Capital	100,000	-
Sewer Utility	-	132,247
Sewer Utility Capital	50,000	-
Debt Service	243,212	-
	\$ 518,301	\$ 518,301

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, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Dayton, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2025

8) Deficit Fund Balance

The American Rescue Plan Act Fund has a deficit fund balance of \$42 as of June 30, 2025. The deficit was primarily due to a lack of activity in the fund to resolve the preexisting beginning deficit fund balance. The deficit will be recovered through future transfers from the City's governmental activities and other funds.

9) 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. There were no open claims at the time of this report. No insurance settlements have exceeded coverage in the last three years.

Supplementary Information

City of Dayton, Oregon
Reconciliation of Budgetary Funds to Reporting Funds – General Fund –
Balance Sheet (Budgetary Basis)
June 30, 2025

	Budgetary Funds		Total (Reported as General Fund)
	General	State Revenue Sharing	
Assets			
Cash and cash equivalents	\$ 139,202	\$ 1,225	\$ 140,427
Liabilities and Fund Balance			
Liabilities	\$ -	\$ -	\$ -
Fund balance			
Unassigned	139,202	1,225	140,427
Total liabilities and fund balance	\$ 139,202	\$ 1,225	140,427
Interfund loan payable			(15,000)
Fund balance, end of year - modified cash basis			\$ 125,427

City of Dayton, Oregon
Reconciliation of Budgetary Funds to Reporting Funds – General Fund –
Statement of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis)
Year Ended June 30, 2025

	Budgetary Funds			Total (Reported as General Fund)
	General	State Revenue Sharing	Elimination	
Revenues				
Taxes and assessments	\$ 273,455	\$ -	\$ -	\$ 273,455
Licenses and permits	258,897	-	-	258,897
Intergovernmental	81,940	26,387	-	108,327
Fines and forfeitures	2,307	-	-	2,307
Miscellaneous	67,873	2,195	-	70,068
Total revenues	684,472	28,582	-	713,054
Expenditures				
General government	207,791	61,094	-	268,885
Public works	209,072	-	-	209,072
Community development	309,423	-	-	309,423
Total expenditures	726,286	61,094	-	787,380
Revenues Over (Under) Expenditures	(41,814)	(32,512)	-	(74,326)
Other Financing Sources (Uses)				
Transfers in	19,000	16,089	(11,089)	24,000
Transfers out	(11,089)	-	11,089	-
Proceeds from issuance of debt	15,000	-	-	15,000
Total other financing sources (uses)	22,911	16,089	-	39,000
Net change in fund balance	(18,903)	(16,423)	-	(35,326)
Fund balance, beginning of year	158,105	17,648	-	175,753
Fund balance, end of year	\$ 139,202	\$ 1,225	\$ -	140,427
Interfund loan payable				(15,000)
Fund balance, end of year - modified cash basis				\$ 125,427

City of Dayton, Oregon
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2025

	Capital Projects			Total
	American Rescue Plan Act	Park Capital Projects	Equipment Replacement Reserve	
Assets				
Cash and cash equivalents	\$ (42)	\$ 21,300	\$ 3,962	\$ 25,220
Liabilities and Fund Balance				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balance				
Restricted for				
Community development	-	21,300	-	21,300
Committed to				
Capital acquisitions	-	-	3,962	3,962
Unassigned	(42)	-	-	(42)
Total fund balance	(42)	21,300	3,962	25,220
Total liabilities and fund balance	\$ (42)	\$ 21,300	\$ 3,962	\$ 25,220

City of Dayton, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Formerly Nonmajor Fund	Capital Projects			Total
	Local Option Tax	American Rescue Plan Act	Park Capital Projects	Equipment Replacement Reserve	
Revenues					
Licenses and permits	\$ -	\$ -	\$ 1,233	\$ -	\$ 1,233
Intergovernmental	-	-	15,213	-	15,213
Miscellaneous	-	-	1,214	174	1,388
Total revenues	-	-	17,660	174	17,834
Expenditures					
Current					
Community development	-	-	38,891	-	38,891
Capital acquisitions	-	-	4,258	53,155	57,413
Total expenditures	-	-	43,149	53,155	96,304
Revenues Over (Under) Expenditures	-	-	(25,489)	(52,981)	(78,470)
Other Financing Sources (Uses)					
Transfers in	-	-	-	20,000	20,000
Net changes in fund balance	-	-	(25,489)	(32,981)	(58,470)
Fund balance (deficit), beginning of year	41,492	(42)	46,789	36,943	125,182
Change within financial reporting entity (nonmajor to major fund)	(41,492)	-	-	-	(41,492)
Fund balance, beginning of year, as adjusted	-	(42)	46,789	36,943	83,690
Fund balance (deficit), end of year	\$ -	\$ (42)	\$ 21,300	\$ 3,962	\$ 25,220

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – General Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes and assessments	\$ 262,000	\$ 262,000	\$ 273,455	\$ 11,455
Licenses and permits	187,125	240,676	258,897	18,221
Intergovernmental	89,811	89,811	81,940	(7,871)
Fines and forfeitures	2,950	2,950	2,307	(643)
Miscellaneous	59,250	59,250	67,873	8,623
Total revenues	601,136	654,687	684,472	29,785
Expenditures				
Administration	291,199	231,380	207,791	23,589
Parks	161,064	174,009	163,127	10,882
Library	104,440	92,744	79,228	13,516
Planning and development	75,224	163,801	129,844	33,957
Building program	117,878	173,751	146,296	27,455
Total expenditures	749,805	835,685	726,286	109,399
Revenues Over (Under) Expenditures	(148,669)	(180,998)	(41,814)	139,184
Other Financing Sources (Uses)				
Transfers in	19,000	19,000	19,000	-
Transfers out	-	(11,089)	(11,089)	-
Interfund loan proceeds	-	15,000	15,000	-
Total other financing sources (uses)	19,000	22,911	22,911	-
Net change in fund balance	(129,669)	(158,087)	(18,903)	139,184
Fund balance, beginning of year	129,669	158,087	158,105	18
Fund balance, end of year	\$ -	\$ -	\$ 139,202	\$ 139,202

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – State Revenue Sharing Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 33,000	\$ 33,000	\$ 26,387	\$ (6,613)
Miscellaneous	4,800	4,800	2,195	(2,605)
Total revenues	37,800	37,800	28,582	(9,218)
Expenditures				
Materials and services	65,217	76,306	61,053	15,253
Capital outlay	800	800	41	759
Total expenditures	66,017	77,106	61,094	16,012
Revenues Over (Under) Expenditures	(28,217)	(39,306)	(32,512)	6,794
Other Financing Sources (Uses)				
Transfers in	5,000	16,089	16,089	-
Net change in fund balance	(23,217)	(23,217)	(16,423)	6,794
Fund balance, beginning of year	23,217	23,217	17,648	(5,569)
Fund balance, end of year	\$ -	\$ -	\$ 1,225	\$ 1,225

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Local Option Tax Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes and assessments	\$ 273,500	\$ 273,500	\$ 296,234	\$ 22,734
Fines and forfeitures	19,000	19,000	16,401	(2,599)
Miscellaneous	11,000	11,000	1,069	(9,931)
Total revenues	303,500	303,500	313,704	10,204
Expenditures				
Personnel services	84,936	85,826	77,027	8,799
Materials and services	266,535	272,059	268,867	3,192
Capital outlay	500	7	7	-
Contingency	5,921	-	-	-
Total expenditures	357,892	357,892	345,901	11,991
Net change in fund balance	(54,392)	(54,392)	(32,197)	22,195
Fund balance, beginning of year	54,392	54,392	41,492	(12,900)
Fund balance, end of year	\$ -	\$ -	\$ 9,295	\$ 9,295

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Transient Lodging Tax Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes and assessments	\$ 80,000	\$ 80,000	\$ 79,522	\$ (478)
Miscellaneous	1,800	1,800	8,498	6,698
Total revenues	81,800	81,800	88,020	6,220
Expenditures				
Personal services	68,135	68,135	55,302	12,833
Materials and services	150,140	150,140	95,979	54,161
Capital outlay	5,000	5,000	1,994	3,006
Contingency	37,222	37,222	-	37,222
Total expenditures	260,497	260,497	153,275	107,222
Revenues Over (Under) Expenditures	(178,697)	(178,697)	(65,255)	113,442
Other Financing Sources (Uses)				
Transfers out	(24,000)	(24,000)	(24,000)	-
Net change in fund balance	(202,697)	(202,697)	(89,255)	113,442
Fund balance, beginning of year	252,697	252,697	271,955	19,258
Fund balance, end of year	\$ 50,000	\$ 50,000	\$ 182,700	\$ 132,700

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Street Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 217,652	\$ 17,652
Miscellaneous	5,100	5,100	25,612	20,512
Total revenues	205,100	205,100	243,264	38,164
Expenditures				
Personnel services	84,301	84,301	71,899	12,402
Materials and services	139,450	139,450	77,449	62,001
Capital outlay	16,000	16,000	4,600	11,400
Contingency	14,524	14,524	-	14,524
Total expenditures	254,275	254,275	153,948	100,327
Revenues Over (Under) Expenditures	(49,175)	(49,175)	89,316	138,491
Other Financing Sources (Uses)				
Transfers out	(70,000)	(70,000)	(70,000)	-
Net change in fund balance	(119,175)	(119,175)	19,316	138,491
Fund balance, beginning of year	119,175	119,175	198,276	79,101
Fund balance, end of year	\$ -	\$ -	\$ 217,592	\$ 217,592

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Building Reserve Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 6,944	\$ 1,944
Expenditures				
Capital outlay	160,000	160,000	101,385	58,615
Contingency	247,726	247,726	-	247,726
Total expenditures	407,726	407,726	101,385	306,341
Revenues Over (Under) Expenditures	(402,726)	(402,726)	(94,441)	308,285
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	20,000	-
Proceeds from sales of assets	300,000	300,000	308,515	8,515
Total other financing sources (uses)	320,000	320,000	328,515	8,515
Net change in fund balance	(82,726)	(82,726)	234,074	316,800
Fund balance, beginning of year	152,726	152,726	120,542	(32,184)
Fund balance, end of year	\$ 70,000	\$ 70,000	\$ 354,616	\$ 284,616

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Street Capital Projects Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Licenses and permits	\$ 2,250	\$ 2,250	\$ 13,871	\$ 11,621
Intergovernmental	250,000	250,000	-	(250,000)
Miscellaneous	10,000	10,000	4,120	(5,880)
Total revenues	262,250	262,250	17,991	(244,259)
Expenditures				
Capital outlay	425,000	425,000	2,256	422,744
Contingency	16,665	16,665	-	16,665
Total expenditures	441,665	441,665	2,256	439,409
Revenues Over (Under) Expenditures	(179,415)	(179,415)	15,735	195,150
Other Financing Sources (Uses)				
Transfers in	50,000	50,000	50,000	-
Net change in fund balance	(129,415)	(129,415)	65,735	195,150
Fund balance, beginning of year	179,415	179,415	115,397	(64,018)
Fund balance, end of year	\$ 50,000	\$ 50,000	\$ 181,132	\$ 131,132

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – American Rescue Plan Act Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers out	(3,200)	(3,200)	-	3,200
Net change in fund balance	(3,200)	(3,200)	-	3,200
Fund balance (deficit), beginning of year	3,200	3,200	(42)	(3,242)
Fund balance (deficit), end of year	\$ -	\$ -	\$ (42)	\$ (42)

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Park Capital Projects Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Licenses and permits	\$ 400	\$ 400	\$ 1,233	\$ 833
Intergovernmental	50,000	50,000	15,213	(34,787)
Miscellaneous	10,000	10,000	1,214	(8,786)
Total revenues	60,400	60,400	17,660	(42,740)
Expenditures				
Materials and services	60,000	60,000	38,891	21,109
Capital outlay	41,000	41,000	4,258	36,742
Contingency	9,793	9,793	-	9,793
Total expenditures	110,793	110,793	43,149	67,644
Net change in fund balance	(50,393)	(50,393)	(25,489)	24,904
Fund balance, beginning of year	50,393	50,393	46,789	(3,604)
Fund balance, end of year	\$ -	\$ -	\$ 21,300	\$ 21,300

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Equipment Replacement Reserve Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 174	\$ 174
Expenditures				
Capital outlay	60,000	60,000	53,155	6,845
Contingency	16,409	16,409	-	16,409
Total expenditures	76,409	76,409	53,155	23,254
Revenues Over (Under) Expenditures	(76,409)	(76,409)	(52,981)	23,428
Other Financing Sources (Uses)				
Transfers in	40,000	40,000	20,000	(20,000)
Net change in fund balance	(36,409)	(36,409)	(32,981)	3,428
Fund balance, beginning of year	36,409	36,409	36,943	534
Fund balance, end of year	\$ -	\$ -	\$ 3,962	\$ 3,962

City of Dayton, Oregon
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances -
Water Operations
Year Ended June 30, 2025

	Water Utility	Water Utility Capital	Interfund Eliminations	Total Water Operations
Revenues				
Charges for services	\$ 1,019,401	\$ -	\$ -	\$ 1,019,401
Licenses and permits	-	53,875	-	53,875
Miscellaneous	28,399	3,773	-	32,172
Total revenues	1,047,800	57,648	-	1,105,448
Expenditures				
Personnel services	443,987	-	-	443,987
Materials and services	559,809	-	-	559,809
Capital outlay	12,729	359,521	-	372,250
Total expenditures	1,016,525	359,521	-	1,376,046
Revenues Over (Under) Expenditures	31,275	(301,873)	-	(270,598)
Other Financing Sources (Uses)				
Transfers in	-	100,000	(100,000)	-
Transfers out	(280,965)	-	100,000	(180,965)
Total other financing sources (uses)	(280,965)	100,000	-	(180,965)
Net change in fund balance	(249,690)	(201,873)	-	(451,563)
Fund balance, beginning of year	749,758	362,698	-	1,112,456
Fund balance, end of year	\$ 500,068	\$ 160,825	\$ -	\$ 660,893

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Water Utility Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 1,068,700	\$ 1,068,700	\$ 1,019,401	\$ (49,299)
Miscellaneous	21,000	21,000	28,399	7,399
Total revenues	1,089,700	1,089,700	1,047,800	(41,900)
Expenditures				
Personnel services	512,943	512,943	443,987	68,956
Materials and services	533,524	548,524	559,809	(11,285)
Capital outlay	37,000	96,634	12,729	83,905
Contingency	24,634	-	-	-
Total expenditures	1,108,101	1,158,101	1,016,525	141,576
Revenues Over (Under) Expenditures	(18,401)	(68,401)	31,275	99,676
Other Financing Sources (Uses)				
Transfers out	(350,000)	(300,000)	(280,965)	19,035
Net change in fund balance	(368,401)	(368,401)	(249,690)	118,711
Fund balance, beginning of year	418,401	418,401	749,758	331,357
Fund balance, end of year	\$ 50,000	\$ 50,000	\$ 500,068	\$ 450,068

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Water Utility Capital Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Licenses and permits	\$ 16,968	\$ 16,968	\$ 53,875	\$ 36,907
Miscellaneous	20,000	20,000	3,773	(16,227)
Total revenues	36,968	36,968	57,648	20,680
Expenditures				
Capital outlay	525,000	525,000	359,521	165,479
Contingency	49,845	49,845	-	49,845
Total expenditures	574,845	574,845	359,521	215,324
Revenues Over (Under) Expenditures	(537,877)	(537,877)	(301,873)	236,004
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Net change in fund balance	(437,877)	(437,877)	(201,873)	236,004
Fund balance, beginning of year	437,877	437,877	362,698	(75,179)
Fund balance, end of year	\$ -	\$ -	\$ 160,825	\$ 160,825

City of Dayton, Oregon
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances –
Sewer Operations
Year Ended June 30, 2025

	Sewer Utility	Sewer Utility Capital	Interfund Eliminations	Total Sewer Operations
Revenues				
Charges for services	\$ 748,530	\$ -	\$ -	\$ 748,530
Intergovernmental	-	75,000	-	75,000
Licenses and permits	-	96,064	-	96,064
Miscellaneous	4,517	4,337	-	8,854
Total revenues	753,047	175,401	-	928,448
Expenditures				
Personnel services	323,422	-	-	323,422
Materials and services	271,014	-	-	271,014
Capital outlay	22	2,016,603	-	2,016,625
Total expenditures	594,458	2,016,603	-	2,611,061
Revenues Over (Under) Expenditures	158,589	(1,841,202)	-	(1,682,613)
Other Financing Sources (Uses)				
Transfers in	-	50,000	(50,000)	-
Transfers out	(132,247)	-	50,000	(82,247)
Issuance of interfund loan	(15,000)	-	-	(15,000)
Proceeds from issuance of debt	-	3,515,924	-	3,515,924
Total other financing sources (uses)	(147,247)	3,565,924	-	3,418,677
Net change in fund balance	11,342	1,724,722	-	1,736,064
Fund balance (deficit), beginning of year	75,138	(1,016,483)	-	(941,345)
Fund balance, end of year	\$ 86,480	\$ 708,239	\$ -	794,719
Interfund loan receivable				15,000
Fund net position, end of year - modified cash basis				\$ 809,719

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Sewer Utility Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 771,400	\$ 771,400	\$ 748,530	\$ (22,870)
Miscellaneous	20,250	20,250	4,517	(15,733)
Total revenues	791,650	791,650	753,047	(38,603)
Expenditures				
Personnel services	352,088	352,088	323,422	28,666
Materials and services	257,147	304,905	271,014	33,891
Capital outlay	4,500	4,500	22	4,478
Contingency	47,758	-	-	-
Total expenditures	661,493	661,493	594,458	67,035
Revenues Over (Under) Expenditures	130,157	130,157	158,589	28,432
Other Financing Sources (Uses)				
Transfers out	(175,380)	(160,380)	(132,247)	28,133
Issuance of interfund loan	-	(15,000)	(15,000)	-
Total other financing sources (uses)	(175,380)	(175,380)	(147,247)	28,133
Net change in fund balance	(45,223)	(45,223)	11,342	56,565
Fund balance, beginning of year	45,223	45,223	75,138	29,915
Fund balance, end of year	\$ -	\$ -	\$ 86,480	\$ 86,480

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Sewer Utility Capital Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 1,453,000	\$ 1,453,000	\$ 75,000	\$ (1,378,000)
Licenses and permits	15,128	15,128	96,064	80,936
Miscellaneous	10,000	10,000	4,337	(5,663)
Total revenues	1,478,128	1,478,128	175,401	(1,302,727)
Expenditures				
Capital outlay	3,159,775	3,159,775	2,016,603	1,143,172
Contingency	18,915	18,915	-	18,915
Total expenditures	3,178,690	3,178,690	2,016,603	1,162,087
Revenues Over (Under) Expenditures	(1,700,562)	(1,700,562)	(1,841,202)	(140,640)
Other Financing Sources (Uses)				
Transfers in	53,200	53,200	50,000	(3,200)
Proceeds from issuance of debt	1,500,000	1,500,000	3,515,924	2,015,924
Total other financing sources (uses)	1,553,200	1,553,200	3,565,924	2,012,724
Net change in fund balance	(147,362)	(147,362)	1,724,722	1,872,084
Fund balance (deficit), beginning of year	177,362	177,362	(1,016,483)	(1,193,845)
Fund balance, end of year	\$ 30,000	\$ 30,000	\$ 708,239	\$ 678,239

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Stormwater Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Materials and services	-	75,100	-	75,100
Revenues Over (Under) Expenditures	-	(75,100)	-	75,100
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	75,100	-	(75,100)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Dayton, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) –
Budget and Actual – Debt Service Fund
Year Ended June 30, 2025

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 23,249	\$ 23,249	\$ -	\$ (23,249)
Miscellaneous	15,000	15,000	11,248	(3,752)
Total revenues	38,249	38,249	11,248	(27,001)
Expenditures				
Debt service				
Principal	342,880	342,880	183,533	159,347
Interest	131,619	131,619	59,679	71,940
Total expenditures	474,499	474,499	243,212	231,287
Revenues Over (Under) Expenditures	(436,250)	(436,250)	(231,964)	204,286
Other Financing Sources (Uses)				
Transfers in	335,380	335,380	243,212	(92,168)
Net change in fund balance	(100,870)	(100,870)	11,248	112,118
Fund balance, beginning of year	382,790	382,790	482,169	99,379
Fund balance, end of year	\$ 281,920	\$ 281,920	\$ 493,417	\$ 211,497

Compliance Section

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Dayton
Dayton, Oregon

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 Dayton (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on 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) as a basis for designing 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-01 that we consider to be a significant deficiency.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

REDW LLC

Salem, Oregon
March 26, 2026

Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control Over
Compliance in Accordance with the Uniform Guidance

Honorable Mayor and Members of the City Council
City of Dayton
Dayton, Oregon

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Dayton (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2025. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated March 26, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

REDW LLC

Salem, Oregon
March 26, 2026

City of Dayton
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Environmental Protection Agency			
<i>Passed through Oregon Department of Environmental Quality</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	R26753	\$ 1,373,774
Total Environmental Protection Agency			<u>1,373,774</u>
National Parks Service			
<i>Passed through Oregon State Parks and Recreation</i>			
Historic Preservation Fund Grants in Aid	15.904	NMHLPCFHB9V4 65FF1	9,371
Total Environmental Protection Agency			<u>9,371</u>
Total federal expenditures			<u>\$ 1,383,145</u>
Reconciling Items			
Prior year federal expenditures reimbursed in the current year			\$ 1,189,700
Total federal revenue			<u>\$ 2,572,845</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Dayton
Notes to Schedule of Expenditures of Federal Awards
June 30, 2025

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Dayton (the “City”) for the year ended June 30, 2025. The federal award information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of City of Dayton.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3) Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Dayton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

City of Dayton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section II – Financial Statement Findings

Finding 2025-01: Budget Noncompliance – Over-expenditures, Deficit fund balances, budgeted transfers in not agreeing to budgeted transfers out, and fund appropriations not being adopted by organizational unit (Significant Deficiency)

Criteria

State law and the organization’s budget policies require that:

- Expenditures not exceed appropriated amounts for each fund and organizational unit.
- All fund balances must not be in deficit at fiscal year-end.
- Budgeted transfers in agree to budgeted transfers out.
- Expenditures must be appropriated by organizational unit, and no expenditures may be made from funds for which no appropriation exists.

Condition

During the audit of the fiscal year ended June 30, 2025, we noted the following:

- The Water Utility fund had expenditures exceeding its legally adopted appropriations by about \$11,000.
- The American Rescue Plan Act fund reported deficit fund balances of \$42 at year-end.
- The final budget for fiscal year 2024-25 contained transfers in exceeding transfers out by \$65,000.
- The original adopted budget for fiscal year 2025-26 contained transfers out exceeding transfers in by \$15,000.
- Within the adopted budget for fiscal year 2025-26, expenditures in several fund were not appropriated by organizational unit.

Cause

These noncompliance issues occurred due to a presentation adjustment for recording deposit liability during the current year that resulted in expenditures exceeding the budget appropriations, errors in properly verifying the equality of transfers in and transfers out, and incomplete budgeting processes which failed to ensure all organizational units were properly appropriated.

City of Dayton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Effect

Failing to comply with state budgeting requirements increases the risk of financial instability, unauthorized spending, and potential statutory violations. Over-expenditures and deficit fund balances may result in loss of public confidence, restricted funding options, and challenges in maintaining essential public services.

Recommendation

We recommend management implement enhanced procedures for monitoring budget-to-actual expenditures on a regular basis, including a month-end review of appropriations by fund and organizational unit. Management should improve methodologies for estimating beginning cash balances and ensure that all organizational units are appropriated in the adopted budget. The governing body should be provided with timely and accurate budget vs. actual reports throughout the fiscal year to facilitate informed decisions and compliance with legal requirements.

Views of Responsible Officials and Planned Corrective Actions: The City's management concurs with the finding and acknowledges the importance of proper budgeting process and estimates. Steps are being taken to address the significant deficiency identified, including retaining finance staff, improving internal processes, and improved training related to budget compliance. Some of the issues identified, such as the fund balance deficit in the ARPA Fund, have already been addressed by the City staff. The management commits to implementing these measures to ensure future compliance with budget law.

Section III – Federal Award Findings

There were no federal award findings reported for the fiscal year ended June 30, 2025.

Independent Auditor's Report
Required by Oregon State Regulations

Honorable Mayor and Members of the City Council
City of Dayton
Dayton, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Dayton, Oregon (the "City") as of and for the year ended June 30, 2025, and have issued our report thereon dated March 26, 2026.

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 for the following:

- Expenditures in excess of appropriations as detailed in the notes to the basic financial statements on page 32.
- The deficit fund balance as detailed in the notes to the basic financial statements on page 32.
- Budgeted transfers in exceed budgeted transfers out in the final FY 2025 budget.
- Budgeted transfers out exceed budgeted transfers in the FY 2026 adopted budget.
- The FY26 adopted budget contains funds that were not appropriated at the department or organizational unit level.

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.

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 significant deficiencies identified.

Restriction on Use

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



Ryan T. Pasquarella, Principal
For REDW LLC
March 26, 2026