

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

CITY OF AMITY, OREGON
CITY OFFICIALS
JUNE 30, 2017

<u>Name</u>	MAYOR	<u>Term</u>
Michael Cape		December 31, 2020

CITY COUNCIL MEMBERS

Caralyn Miller		December 31, 2020
Russell Blunt (July 1, 2016 – March 31, 2017)		December 31, 2018
Rudy Van Soolen		December 31, 2020
Dawn King		December 31, 2018
Max Walker		December 31, 2020
Joshua Simonson		December 31, 2018

CITY ADMINISTRATOR

Justin Hogue

CITY RECORDER

Jackie Loos

P.O. Box 159
Amity, Oregon 97101

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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Amity
P.O. Box 159
Amity, Oregon 97101

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amity, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in the notes to the financial statements. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these modified cash basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amity, Oregon as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

Basis of Accounting

We draw attention to the notes to the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The supplemental information and management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The supplemental 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 on the basis of accounting described in notes to the financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 7, 2017 on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, PC
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Devan W. Esch, A Shareholder
November 7, 2017

CITY OF AMITY, OREGON

Management's Discussion and Analysis June 30, 2017

As management of the City of Amity, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

	June 30,		change
	2017	2016	
Net position	\$ 297,253	\$ 222,835	\$ 74,418
Change in net position	74,418	31,501	42,917
Governmental net position	233,800	204,767	29,033
Proprietary net position	63,453	18,068	45,385
Change in governmental net position	29,033	(23,741)	52,774
Change in proprietary net position	45,385	55,242	(9,857)

Overview of the Financial Statements

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

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

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

The Statement of Activities (Modified Cash Basis). 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 reduce net position utilizing the modified cash basis of accounting.

In the government-wide financial statements, the City's basic activities are shown as governmental activities. All basic City government functions are shown here: such as, administration, city hall, legal, parks, streets, and police. These activities are primarily financed through property taxes and other intergovernmental activities. The business-type activities of the City include utility operations.

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 of Amity 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 of Amity, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful in obtaining an understanding of each fund's activity.

Proprietary (Enterprise) funds. The City of Amity charges customers for the utility services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Government-wide Financial Analysis

Statement of Net Position. The Statement of Net Position (modified cash basis) is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Amity, assets exceeded liabilities by \$297,253 as of June 30, 2017.

Restricted net position represents resources that are subject to external restrictions on their use, such as debt service payments or capital projects. Unrestricted net position is available for general operations of the City.

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

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 235,071	\$ 63,453	\$ 298,524	\$ 99,492	\$ 127,907	\$ 227,399
Due from other funds	-	-	-	109,839	(109,839)	-
Total Assets	235,071	63,453	298,524	209,331	18,068	227,399
Other liabilities	1,271	-	1,271	4,564	-	4,564
Due to other funds	-	-	-	-	-	-
Total Liabilities	1,271	-	1,271	4,564	-	4,564
Net Position:						
Restricted	118,299	134,580	252,879	97,517	168,745	266,262
Unrestricted	115,501	(71,127)	44,374	107,250	(150,677)	(43,427)
Total Net Position	\$ 233,800	\$ 63,453	\$ 297,253	\$ 204,767	\$ 18,068	\$ 222,835

Statement of Activities (Modified Cash Basis). The changes in the City's net position are as follows:

**City of Amity
Statements of Activities (Modified Cash Basis)
Year Ended June 30,**

	2017			2016		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 87,472	\$ 832,459	\$ 919,931	\$ 85,703	\$ 780,963	\$ 866,666
Operating grants	102,618	-	102,618	113,949	-	113,949
Capital grants	28,235	247,790	276,025	34,577	322,758	357,335
General revenues						
Taxes and assessments	255,521	-	255,521	250,626	-	250,626
Franchise taxes	80,770	-	80,770	104,377	-	104,377
Intergovernmental	49,208	-	49,208	39,191	-	39,191
Miscellaneous	25,429	7,421	32,850	31,303	5,298	36,601
<i>Total revenues</i>	<u>629,253</u>	<u>1,087,670</u>	<u>1,716,923</u>	<u>659,726</u>	<u>1,109,019</u>	<u>1,768,745</u>
Expenses						
General government	170,180	-	170,180	177,439	-	177,439
Community development	56,413	-	56,413	52,741	-	52,741
Street	81,434	-	81,434	91,409	-	91,409
Parks	42,075	-	42,075	42,242	-	42,242
Library	24,842	-	24,842	26,987	-	26,987
Public safety	203,326	-	203,326	206,146	-	206,146
Interest on long-term debt	2,950	-	2,950	6,003	-	6,003
Water	-	601,133	601,133	-	697,764	697,764
Sewer	-	460,152	460,152	-	436,513	436,513
<i>Total expenses</i>	<u>581,220</u>	<u>1,061,285</u>	<u>1,642,505</u>	<u>602,967</u>	<u>1,134,277</u>	<u>1,737,244</u>
Transfers	(19,000)	19,000	-	(80,500)	80,500	-
Change in net position	29,033	45,385	74,418	(23,741)	55,242	31,501
Net position, beginning of year	204,767	18,068	222,835	228,508	(37,174)	191,334
Net position, end of year	<u>\$ 233,800</u>	<u>\$ 63,453</u>	<u>\$ 297,253</u>	<u>\$ 204,767</u>	<u>\$ 18,068</u>	<u>\$ 222,835</u>

Financial Analysis of the City's Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's net position increased by \$74,418 during the fiscal year 2016-2017. This increase is explained in the government and business-type activities as follows:

Governmental activities: The City's net position increased by \$29,033 from governmental activities.

Business-type activities: The City's net position increased by \$45,385 from business-type activities.

Governmental funds. The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund. The General Fund is the primary operating fund of the City of Amity. Fund balance was \$46,621 as of June 30, 2017. The fund balance decreased by \$22,961 during the current fiscal year. A decrease in fund balance was budgeted at \$60,000. Actual revenues were more than budget revenues, and actual expenditures were less than budget. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 10% of total General Fund expenditures.

Street Fund. The majority of Street Fund revenues are State gas tax revenue. The fund balance at the end of the year was \$44,741 which was an increase of \$17,033 from the prior year. The fund balance represents 56% of total Street Fund expenditures.

Street SDC Improvement Fund. This fund accounts for system development charges designated for streets. The fund balance at the end of the year was \$28,916 which was an increase of \$9,280 from the prior year. There were minimal expenditures and a \$5,000 transfer out during the year.

Proprietary (Enterprise) funds. The focus of the City's enterprise funds is to account for the acquisition, operations and maintenance of the sewer and water systems. These funds are predominately self-supported through user charges to customers.

Water Fund. This fund accounts for the operations of the City's water system. The balance in this fund increased by \$51,073 during the year. Operating income was \$118,033 and \$52,169 was transferred out to other utility funds.

Sewer Fund. This fund accounts for the operations of the City's sewer system. The balance in this fund increased by \$27,515 during the year. Operating income was \$201,880 and \$165,574 was transferred out to other utility funds.

Water Bond Debt Fund. This fund accounts for water debt service activity. The balance in this fund decreased by \$833 during the year.

Water Capital Projects Fund. This fund accounts for activities associated with capital projects. The balance in this fund decreased by \$58,443 during the year due to interest payments.

Water SDC Improvement Fund. This fund accounts for the use of Water SDC fees. The balance in this fund increased by \$23,452 during the year, due to fees collected and no expenditures.

Sewer Bond Fund. This fund accounts for debt service on sewer-related debt. The balance in this fund decreased by \$1,254 during the year.

Sewer SDC Improvement Fund. This fund accounts for the collection and use of Sewer SDC charges. The balance in this fund increased by \$5,047 during the year due to fees collected and no expenditures.

Other proprietary (enterprise) funds paid for debt service and capital outlay, funded primarily by transfers from other funds.

General Fund Budget

There were no changes to the General Fund budget during the year.

Debt Administration

Long-term debt. The City had total debt outstanding of \$2,701,055 at the end of the current fiscal year. During the current fiscal year, the City's total debt decreased by \$1,396,049, net.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The City had no outstanding general obligation debt as of June 30, 2017.

City of Amity Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Loans	\$ 120,210	\$ 125,000	\$ 1,345,845	\$ 1,407,104	\$ 1,466,055	\$ 1,532,104
Refunding bonds	-	-	1,235,000	1,330,000	1,235,000	1,330,000
Total	\$ 120,210	\$ 125,000	\$ 2,580,845	\$ 2,737,104	\$ 2,701,055	\$ 2,862,104

Additional information on the City of Amity's long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and the Next Year's Budget

The City of Amity's Budget Committee considered all the following factors while preparing the City budget for the 2017-18 fiscal year:

- a. Prior history of revenues and expenses,
- b. Capital projects in the water, sewer, and street funds,
- c. Expected property tax revenue.

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City Recorder
City of Amity
P. O. Box 159
Amity, Oregon 97101

BASIC FINANCIAL STATEMENTS

CITY OF AMITY, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 235,071	\$ 63,453	\$ 298,524
LIABILITIES			
Payroll withholdings	1,271	-	1,271
NET POSITION			
Restricted for:			
Customer deposits	-	59,662	59,662
Construction	35,521	74,918	110,439
Streets	37,609	-	37,609
Public safety	428	-	428
Community development	44,741	-	44,741
Unrestricted	115,501	(71,127)	44,374
<i>Total Net Position</i>	<u>\$ 233,800</u>	<u>\$ 63,453</u>	<u>\$ 297,253</u>

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

CITY OF AMITY, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 170,180	\$ 4,708	\$ 5,546	\$ -
Community development	56,413	39,915	-	-
Street	81,434	18,237	97,072	21,520
Parks	42,075	200	-	6,715
Library	24,842	-	-	-
Public safety	203,326	24,412	-	-
Interest on long-term debt	2,950	-	-	-
<i>Total Governmental activities</i>	581,220	87,472	102,618	28,235
Business-type activities:				
Water	601,133	399,777	-	209,975
Sewer	460,152	432,682	-	37,815
<i>Total Business-type activities</i>	1,061,285	832,459	-	247,790
<i>Total Activities</i>	<u>\$ 1,642,505</u>	<u>\$ 919,931</u>	<u>\$ 102,618</u>	<u>\$ 276,025</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net position - beginning of year				
Net position - end of year				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (159,926)	\$ -	\$ (159,926)
(16,498)	-	(16,498)
55,395	-	55,395
(35,160)	-	(35,160)
(24,842)	-	(24,842)
(178,914)	-	(178,914)
(2,950)	-	(2,950)
(362,895)	-	(362,895)
-	8,619	8,619
-	10,345	10,345
-	18,964	18,964
(362,895)	18,964	(343,931)
255,521	-	255,521
80,770	-	80,770
49,208	-	49,208
25,429	7,421	32,850
410,928	7,421	418,349
(19,000)	19,000	-
29,033	45,385	74,418
204,767	18,068	222,835
\$ 233,800	\$ 63,453	\$ 297,253

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

CITY OF AMITY, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2017

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Street SDC Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 47,892	\$ 44,741	\$ 28,916
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 1,271	\$ -	\$ -
Fund Balance:			
Restricted for:			
Construction	-	-	-
Streets	-	-	28,916
Public safety	-	-	-
Community development	-	44,741	-
Committed to:			
Capital outlay	-	-	-
Debt service	-	-	-
Unassigned	46,621	-	-
	<u>46,621</u>	<u>44,741</u>	<u>28,916</u>
<i>Total Fund Balance</i>	46,621	44,741	28,916
	<u>\$ 47,892</u>	<u>\$ 44,741</u>	<u>\$ 28,916</u>
<i>Total Liabilities and Fund Balance</i>	\$ 47,892	\$ 44,741	\$ 28,916



<i>Other Governmental Funds</i>	<i>Total</i>
<u>\$ 113,522</u>	<u>\$ 235,071</u>
\$ -	\$ 1,271
35,521	35,521
8,693	37,609
428	428
-	44,741
61,379	61,379
7,501	7,501
-	46,621
<u>113,522</u>	<u>233,800</u>
<u>\$ 113,522</u>	<u>\$ 235,071</u>

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

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

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Street SDC Improvement</u>
REVENUES			
Taxes and assessments	\$ 255,521	\$ -	\$ -
Fines and forfeitures	24,412	-	-
Licenses and permits	85,679	-	14,975
Charges for services	-	-	-
Intergovernmental	54,473	97,072	-
Miscellaneous	17,029	281	-
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	437,114	97,353	14,975
EXPENDITURES			
General government	452,075	-	-
Street	-	80,320	-
Debt payments			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	-	-	695
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	452,075	80,320	695
REVENUES OVER (UNDER) EXPENDITURES			
	(14,961)	17,033	14,280
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(8,000)	-	(5,000)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(8,000)	-	(5,000)
NET CHANGE IN FUND BALANCE			
	(22,961)	17,033	9,280
FUND BALANCE, beginning of year			
	69,582	27,708	19,636
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year			
	\$ 46,621	\$ 44,741	\$ 28,916
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 255,521
-	24,412
53,174	153,828
18,237	18,237
-	151,545
8,400	25,710
<hr/>	<hr/>
79,811	629,253
39,970	492,045
-	80,320
4,790	4,790
2,950	2,950
420	1,115
<hr/>	<hr/>
48,130	581,220
<hr/>	<hr/>
31,681	48,033
8,000	8,000
(14,000)	(27,000)
<hr/>	<hr/>
(6,000)	(19,000)
<hr/>	<hr/>
25,681	29,033
87,841	204,767
<hr/>	<hr/>
\$ 113,522	\$ 233,800
<hr/> <hr/>	<hr/> <hr/>

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

CITY OF AMITY, OREGON**STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) – PROPRIETARY (ENTERPRISE) FUNDS
JUNE 30, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Water Bond Debt</u>	<u>Water Capital Projects</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	43,716	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	43,716	-	-	-
LIABILITIES				
Current liabilities:				
Due to other funds	-	52,996	282	86,563
	<hr/>	<hr/>	<hr/>	<hr/>
NET POSITION:				
Restricted for:				
Customer deposits	29,831	29,831	-	-
Construction	-	-	-	-
Unrestricted	13,885	(82,827)	(282)	(86,563)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	\$ 43,716	\$ (52,996)	\$ (282)	\$ (86,563)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Water SDC Improvement</i>	<i>Sewer Bond</i>	<i>Sewer SDC Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 53,740	\$ -	\$ 9,453	\$ 260	\$ 63,453
-	-	-	96,158	139,874
53,740	-	9,453	96,418	203,327
-	33	-	-	139,874
-	-	-	-	59,662
-	-	9,453	65,465	74,918
53,740	(33)	-	30,953	(71,127)
<u>\$ 53,740</u>	<u>\$ (33)</u>	<u>\$ 9,453</u>	<u>\$ 96,418</u>	<u>\$ 63,453</u>

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

CITY OF AMITY, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) – PROPRIETARY (ENTERPRISE) FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Water Bond Debt</u>
OPERATING REVENUES			
Charges for services	\$ 389,709	\$ 432,682	\$ -
Miscellaneous	2,101	4,843	-
<i>Total Operating Revenues</i>	391,810	437,525	-
OPERATING EXPENSES			
Personal services	145,170	97,498	-
Materials and services	128,607	138,147	-
<i>Total Operating Expenses</i>	273,777	235,645	-
OPERATING INCOME	118,033	201,880	-
NONOPERATING ITEMS			
Capital acquisitions	(14,791)	(8,791)	-
Debt payments			
Principal	-	-	(44,754)
Interest	-	-	(8,248)
<i>Total Nonoperating Items</i>	(14,791)	(8,791)	(53,002)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(52,169)	(165,574)	52,169
CHANGE IN NET POSITION	51,073	27,515	(833)
NET POSITION (Deficit), beginning of year	(7,357)	(80,511)	551
NET POSITION (Deficit), end of year	\$ 43,716	\$ (52,996)	\$ (282)

<i>Water Capital Projects</i>	<i>Water SDC Improvement</i>	<i>Sewer Bond</i>	<i>Sewer SDC Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ - 477	\$ - -	\$ - -	\$ - -	\$ 10,068 -	\$ 832,459 7,421
477	-	-	-	10,068	839,880
470 2,233	- -	- -	- -	- -	243,138 268,987
2,703	-	-	-	-	512,125
(2,226)	-	-	-	10,068	327,755
(256,862)	-	-	-	(48,886)	(329,330)
- -	- -	(111,506) (55,322)	- -	- -	(156,260) (63,570)
(256,862)	-	(166,828)	-	(48,886)	(549,160)
181,645 19,000 -	23,452 - -	- 165,574 -	5,047 - -	37,646 - -	247,790 184,574 (165,574)
(58,443)	23,452	(1,254)	5,047	(1,172)	45,385
(28,120)	30,288	1,221	4,406	97,590	18,068
\$ (86,563)	\$ 53,740	\$ (33)	\$ 9,453	\$ 96,418	\$ 63,453

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Amity, Oregon (the “City”) is governed by an elected mayor and six council members who comprise the City Council. The City provides various services as authorized by its charter, including water and sewer utilities.

There are certain governmental agencies and various service entities 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 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.

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 fund types (general, special revenue, debt service and capital projects) and proprietary (enterprise) type funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Non-major 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 supplemental information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Government accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the government and enterprise combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

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 police protection, insurance and general administration.

Street Fund

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

Street SDC Improvement Fund

This fund accounts for system development charges designated for streets. Principal revenues are from SDC collections and primary expenditures are street repairs and maintenance.

The City reports the following nonmajor governmental funds:

Street SDC Reimbursement Fund

This fund accounts for system development charges for past street projects. Principal revenues are from SDC collections.

Building Fund

This fund accounts for building permits revenues. Principal revenues are from building permits revenues and primary expenditures are for building inspection services.

911 Tax Fund

This fund accounts for 911 revenues. Principal revenues are from 911 revenues and transfers in. Primary expenditures are for dispatch services. There was no activity in this fund during the fiscal year.

Street Reserve Fund

This fund accounts for revenues collected from utility customers earmarked for future street projects.

Storm Drain SDC Improvement Fund

This fund accounts for system development charges designated for storm drainage. Principal revenues are from SDC collections and primary expenditures are for storm drainage repairs and maintenance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Storm Drain SDC Reimbursement Fund

This fund accounts for system development charges for past storm drainage projects. Principal revenues are from SDC collections.

Parks SDC Improvement Fund

This fund accounts for system development charges designated for parks. Principal revenue is from system development charges and primary expenditures are for parks improvement projects.

Parks SDC Reimbursement Fund

This fund accounts for system development charges for past parks projects. There was no activity in this fund during the fiscal year.

Police Equipment Reserve Fund

This fund accounts for money set aside for police equipment. Principal revenues are from transfers in and primary expenditures are for police equipment.

General Bond Debt Fund

This fund accounts for debt service payments on the Lee property note. Principal revenues are from rental income and transfers from the General Fund.

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

Water Fund

This fund accounts for the operation of the City's water system. Principal revenues are from customer charges.

Sewer Fund

This fund accounts for the operation of the City's sewer system. Principal revenues are from customer charges.

Water Bond Debt Fund

This fund accounts for water debt service activity. Principal revenues are from transfers in and primary expenses are for water debt service.

Water Capital Project Fund

This fund accounts for the activity associated with capital projects. The principal revenues are from grants and primary expenditures are for capital projects.

Water SDC Improvement Fund

This fund accounts for the collection and use of Water SDC revenues. There were no expenditures from this fund during the fiscal year.

Sewer Bond Fund

This fund accounts for sewer debt service activity. Principal revenues are from transfers in and primary expenses are for sewer debt service.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Sewer SDC Improvement Fund

This fund accounts for the collection and use of Sewer SDC charges. There were no expenditures from this fund during the fiscal year.

The City reports the following proprietary funds as nonmajor:

Water Line Replacement Fund

This fund accounts for money set aside for future uses. Principal revenues are from transfers in and primary expenses are for water line replacement.

Water SDC Reimbursement Fund

This fund accounts for system development charges for past water system projects. There was no activity in this fund during the fiscal year.

Sewer SDC Reimbursement Fund

This fund accounts for system development charges for past sewer system projects. There were no expenditures in this fund during the fiscal year.

Fund Balance

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

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

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used.

The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types

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

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

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

Debt Service Funds account for payments on the City’s governmental debt.

Measurement Focus and Basis of Accounting

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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. Capital assets are not reported in 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 enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position 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 the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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 on the government-wide Statement of Net Position, the Enterprise Fund Statements of Fund Net Position, or 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 pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. The amount payable for accumulated unpaid vacation and earned but unpaid sick pay at June 30, 2017 was not available.

Budgets and Budgetary Accounting

The City adopts the budget for the General Fund by department and for all other funds on an object basis. Therefore, cash expenditures of a fund may not legally exceed that fund's appropriations for specific objects. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect reporting amounts of certain assets, liabilities, revenues and expenditures as of June 30, 2017. Actual results may differ from those estimates.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2017:

Cash

Cash on hand	\$	400
Deposits with financial institutions		75,014

Investments

Local Government Investment Pool		223,110
	\$	<u>298,524</u>

Deposits

The book balance of the City's bank deposits (checking accounts) was \$75,014 and the bank balance was \$166,179 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

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 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2017, all of the City's bank balances were covered by FDIC insurance.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2017, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

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

CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party.

The 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.

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

	<u>Outstanding</u> <u>July 1,</u> <u>2016</u>	<u>Issued</u>	<u>Matured/</u> <u>Redeemed</u> <u>During Year</u>	<u>Outstanding</u> <u>June 30,</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental Activities</i>					
Lee Property Loan (US Bank)					
Due in annual installments of \$5,000 or \$10,000 (depending on year). Interest rates are 2.75%, 4.10%, 4.65%, and 5.10% for the four underlying debt issues due in 5, 10, 15, and 20 years respectively.	\$ 125,000	\$ -	\$ (4,790)	\$ 120,210	\$ 5,000

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

LONG-TERM DEBT (Continued)

	<i>Outstanding July 1, 2016</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2017</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>					
2002 Safe Drinking Water State Revolving Fund, due in annual installments of \$53,002 including interest at 1.0% through 2032	\$ 824,831	\$ -	\$ (44,754)	\$ 780,078	\$ 45,201
2009 Safe Drinking Water State Revolving Fund 4.78% interest rate with a maturity date of approximately 25 years with the first payment on December 1 following the completion date	582,273	-	(16,506)	565,767	13,806
Full Faith and Credit Refunding Obligations 2.0% - 3.5% interest rate with a maturity date of December 1, 2027	1,330,000	-	(95,000)	1,235,000	95,000
	<u>\$ 2,737,104</u>	<u>\$ -</u>	<u>\$ (156,260)</u>	<u>\$ 2,580,845</u>	<u>\$ 154,007</u>

The City is required by the 2002 Safe Drinking Water loan agreement to submit GAAP financial statements within ninety days after the close of each fiscal year. The City did not meet this requirement.

Future debt service requirements are as follows:

Governmental Activities

<i>Year</i>	<i>Total</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017-18	\$ 5,000	\$ 6,075	\$ 11,075
2018-19	5,210	5,850	11,060
2019-20	10,000	5,625	15,625
2020-21	10,000	5,175	15,175
2021-2022	10,000	4,675	14,675
2023-2027	50,000	15,840	65,840
2028-2031	30,000	4,931	34,931
Totals	<u>\$ 120,210</u>	<u>\$ 48,171</u>	<u>\$ 168,381</u>

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

LONG-TERM DEBT (Continued)

Business-type Activities

<u>Year</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 154,007	\$ 68,865	\$ 222,872
2018-19	160,119	65,802	225,921
2019-20	166,267	62,473	228,740
2020-21	167,453	58,794	226,247
2021-2022	168,678	54,812	223,490
2023-2027	933,707	201,570	1,135,277
2028-2032	505,842	94,310	600,152
2033-2037	205,483	49,030	254,513
2038-2040	119,289	1,932	121,221
Totals	<u>\$ 2,580,845</u>	<u>\$ 657,588</u>	<u>\$ 3,238,433</u>

PENSION PLAN

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple employer defined benefit plan. Qualified employees of the City are provided with pensions through OPERS. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS issues a publicly available financial report that can be obtained at

http://www.oregon.gov/pers/pages/section/financial_reports/financials.aspx.

Benefits provided under ORS Chapter 238 – Tier One/ Tier Two

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

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

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

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

PENSION PLAN (Continued)

Benefits provided under ORS Chapter 238 – Tier One/ Tier Two (Continued)

employed in a PERS-covered job, or; the member was on an official leave of absence from a PERS-covered job at the time of death.

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

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

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

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

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

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

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

Benefit Changes After Retirement: Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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

PENSION PLAN (Continued)

Contributions

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

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The City's contribution rates in effect for the fiscal year ended June 30, 2016 were 11.04 percent for Tier One/Two members, 6.67 percent for OPSRP general service members, and 10.78 percent for OPSRP uniformed members. The City's contributions for the year ended June 30, 2017 were \$40,128, excluding amounts to fund employer specific liabilities.

Actuarial Methods and Assumptions:

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

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

PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued):

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

Discount Rate

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

Long-Term Expected Rate of Return

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

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

PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate share of the net pension liability	\$ 940,188	\$ 582,280	\$ 283,131

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

TRANSFERS

Interfund transfers in and out for all funds were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 8,000
Police Equipment Reserve	3,000	-
General Bond Debt	5,000	-
Street Reserve	-	10,000
Street SDC Improvement	-	5,000
Storm Drain SDC Improvement	-	4,000
Water	-	52,169
Water Bond	52,169	-
Water Capital Projects	19,000	-
Sewer	-	165,574
Sewer Bond	165,574	-
	<u>\$ 244,743</u>	<u>\$ 244,743</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Budgetary charges that do not represent services provided are reclassified as transfers for the fund financial statements.

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 claims exceeded policy limits in the past three years.

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

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

OVER-EXPENDITURE OF APPROPRIATIONS AND DEFICIT FUND BALANCES

Oregon law prohibits expenditures of a fund in excess of Council approved appropriations.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2017 occurred as follows:

<i>Fund / Appropriation category</i>	<i>Appropriation</i>	<i>Disbursement</i>	<i>Variance</i>
<i>Building</i>			
Materials and services	\$ 22,500	\$ 34,784	\$ (12,284)
<i>Water</i>			
Capital outlay	12,500	14,791	(2,291)
<i>Sewer</i>			
Capital outlay	-	8,791	(8,791)
<i>Water Capital Projects</i>			
Personal services	-	470	(470)
Materials and services	1,100	2,233	(1,133)

The following funds reported deficit fund balances as of June 30, 2017:

	<i>Deficit Fund Balance</i>
Water Bond	\$ (282)
Water Capital Projects	(86,563)
Sewer	(52,996)
Sewer Bond	(33)

NEW PRONOUNCEMENTS

The City implemented the following pronouncement during the current fiscal year:

GASB Statement No. 77, “Tax Abatement Disclosures,” addresses the disclosure requirements for governments that have tax abated properties in their jurisdiction. It will require governments to disclose the a description of the tax abatement program, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. The adoption of the statement had no effect on the financial statements.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2017.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2017, the date on which the financial statements were available to be issued. Management is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF AMITY, OREGON

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

JUNE 30, 2017

	<i>Special Revenue</i>		
	<i>Street SDC Reimbursement</i>	<i>Building</i>	<i>911 Tax</i>
ASSETS			
Cash and cash equivalents	\$ 1,169	\$ 21,517	\$ 428
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital acquisitions	-	-	-
Streets	-	-	-
Public safety	-	-	428
Committed to:			
Capital outlay	1,169	21,517	-
Debt service	-	-	-
<i>Total Fund Balance</i>	<u>1,169</u>	<u>21,517</u>	<u>428</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 1,169</u>	<u>\$ 21,517</u>	<u>\$ 428</u>

Capital Projects

<u>Street Reserve</u>	<u>Storm Drain SDC Improvement</u>	<u>Storm Drain SDC Reimbursement</u>	<u>Parks SDC Improvement</u>	<u>Parks SDC Reimbursement</u>	<u>Police Equipment Reserve</u>
\$ 8,693	\$ 10,205	\$ 258	\$ 24,376	\$ 682	\$ 38,693
-	-	-	-	-	-
-	10,205	258	24,376	682	-
8,693	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	38,693
-	-	-	-	-	-
8,693	10,205	258	24,376	682	38,693
\$ 8,693	\$ 10,205	\$ 258	\$ 24,376	\$ 682	\$ 38,693

CITY OF AMITY, OREGON

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

(Continued)

JUNE 30, 2017

	<u>Debt Service</u>	
	<u>General Bond</u>	<u>Total</u>
	<u>Debt</u>	
ASSETS		
Cash and cash equivalents	\$ 7,501	\$ 113,522
	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE		
Liabilities:	\$ -	\$ -
Fund Balance:		
Restricted for:		
Capital outlay	-	35,521
Streets	-	8,693
Public safety	-	428
Committed to:		
Capital outlay	-	61,379
Community development	7,501	7,501
	<hr/>	<hr/>
<i>Total Fund Balance</i>	7,501	113,522
	<hr/>	<hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 7,501	\$ 113,522
	<hr/>	<hr/>

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

	<i>Special Revenue</i>		
	<i>Street SDC Reimbursement</i>	<i>Building</i>	<i>911 Tax</i>
REVENUES			
Licenses and permits	\$ 1,455	\$ 39,914	\$ -
Charges for services	-	-	-
Miscellaneous	-	-	-
<i>Total Revenues</i>	1,455	39,914	-
EXPENDITURES			
General government	-	39,970	-
Debt payments			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	420	-	-
<i>Total Expenditures</i>	420	39,970	-
REVENUES OVER (UNDER) EXPENDITURES	1,035	(56)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources and Uses</i>	-	-	-
NET CHANGE IN FUND BALANCE	1,035	(56)	-
FUND BALANCE, beginning of year	134	21,573	428
FUND BALANCE, end of year	\$ 1,169	\$ 21,517	\$ 428

Capital Projects

<i>Street Reserve</i>	<i>Storm Drain SDC Improvement</i>	<i>Storm Drain SDC Reimbursement</i>	<i>Parks SDC Improvement</i>	<i>Parks SDC Reimbursement</i>	<i>Police Equipment Reserve</i>
\$ -	\$ 5,050	\$ 40	\$ 6,320	\$ 395	\$ -
18,237	-	-	-	-	-
-	-	-	-	-	-
18,237	5,050	40	6,320	395	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,237	5,050	40	6,320	395	-
-	-	-	-	-	3,000
(10,000)	(4,000)	-	-	-	-
(10,000)	(4,000)	-	-	-	3,000
8,237	1,050	40	6,320	395	3,000
456	9,155	218	18,056	287	35,693
\$ 8,693	\$ 10,205	\$ 258	\$ 24,376	\$ 682	\$ 38,693

CITY OF AMITY, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS (Continued)

YEAR ENDED JUNE 30, 2017

	<u>Debt Service</u>	
	<u>General Bond Debt</u>	<u>Total</u>
REVENUES		
Licenses and permits	\$ -	\$ 53,174
Charges for services	-	18,237
Miscellaneous	8,400	8,400
	<hr/>	<hr/>
<i>Total Revenues</i>	8,400	79,811
EXPENDITURES		
General government	-	39,970
Debt payments		
Principal	4,790	4,790
Interest	2,950	2,950
Capital acquisitions	-	420
	<hr/>	<hr/>
<i>Total Expenditures</i>	7,740	48,130
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	660	31,681
OTHER FINANCING SOURCES (USES)		
Transfers in	5,000	8,000
Transfers out	-	(14,000)
	<hr/>	<hr/>
<i>Total Other Financing Sources and Uses</i>	5,000	(6,000)
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	5,660	25,681
FUND BALANCE, beginning of year	1,841	87,841
	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 7,501	\$ 113,522
	<hr/> <hr/>	<hr/> <hr/>

CITY OF AMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 254,000	\$ 254,000	\$ 255,521	\$ 1,521
Fines and forfeitures	25,300	25,300	24,412	(888)
Licenses and permits	115,400	115,400	85,679	(29,721)
Intergovernmental	52,400	52,400	54,473	2,073
Miscellaneous	9,500	9,500	17,029	7,529
<i>Total Revenues</i>	456,600	456,600	437,114	(19,486)
EXPENDITURES				
Personal services	334,018	334,018	314,517	19,501
Materials and services	150,500	150,500	137,558	12,942
Contingency	24,082	24,082	-	24,082
<i>Total Expenditures</i>	508,600	508,600	452,075	56,525
REVENUES OVER (UNDER) EXPENDITURES	(52,000)	(52,000)	(14,961)	37,039
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,000)	(8,000)	(8,000)	-
NET CHANGE IN FUND BALANCE	(60,000)	(60,000)	(22,961)	37,039
FUND BALANCE, beginning of year	60,000	60,000	69,582	9,582
FUND BALANCE, end of year	\$ -	\$ -	\$ 46,621	\$ 46,621

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 97,072	\$ 7,072
Miscellaneous	-	-	281	281
<i>Total Revenues</i>	90,000	90,000	97,353	7,353
EXPENDITURES				
Personal services	62,257	62,257	51,290	10,967
Materials and services	47,600	47,600	29,030	18,570
Capital outlay	3,000	3,000	-	3,000
Contingency	43	43	-	43
<i>Total Expenditures</i>	112,900	112,900	80,320	32,580
NET CHANGE IN FUND BALANCE	(22,900)	(22,900)	17,033	39,933
FUND BALANCE, beginning of year	22,900	22,900	27,708	4,808
FUND BALANCE, end of year	\$ -	\$ -	\$ 44,741	\$ 44,741

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 14,975	\$ (5,025)
EXPENDITURES				
Capital outlay	15,446	15,446	695	14,751
REVENUES OVER (UNDER) EXPENDITURES	4,554	4,554	14,280	9,726
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE	(446)	(446)	9,280	9,726
FUND BALANCE, beginning of year	446	446	19,636	19,190
FUND BALANCE, end of year	\$ -	\$ -	\$ 28,916	\$ 28,916

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 6,000	\$ 6,000	\$ 1,455	\$ (4,545)
EXPENDITURES				
Capital outlay	9,634	9,634	420	9,214
NET CHANGE IN FUND BALANCE	(3,634)	(3,634)	1,035	4,669
FUND BALANCE, beginning of year	3,634	3,634	134	(3,500)
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,169	\$ 1,169

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – BUILDING FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 39,914	\$ 14,914
Miscellaneous	300	300	-	(300)
<i>Total Revenues</i>	25,300	25,300	39,914	14,614
EXPENDITURES				
Personal services	6,803	6,803	5,186	1,617
Materials and services	22,500	22,500	34,784	(12,284)
Contingency	4,761	4,761	-	4,761
<i>Total Expenditures</i>	34,064	34,064	39,970	(5,906)
NET CHANGE IN FUND BALANCE	(8,764)	(8,764)	(56)	8,708
FUND BALANCE, beginning of year	8,764	8,764	21,573	12,809
FUND BALANCE, end of year	\$ -	\$ -	\$ 21,517	\$ 21,517

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - 911 FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	428	428
FUND BALANCE, end of year	\$ -	\$ -	\$ 428	\$ 428

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 18,000	\$ 18,000	\$ 18,237	\$ 237
EXPENDITURES				
Capital outlay	8,100	8,100	-	8,100
REVENUES OVER (UNDER) EXPENDITURES	9,900	9,900	18,237	8,337
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	(10,000)	-
NET CHANGE IN FUND BALANCE	(100)	(100)	8,237	8,337
FUND BALANCE, beginning of year	100	100	456	356
FUND BALANCE, end of year	\$ -	\$ -	\$ 8,693	\$ 8,693

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STORM DRAIN SDC IMPROVEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 5,050	\$ 1,050
EXPENDITURES				
Capital outlay	966	966	-	966
REVENUES OVER (UNDER) EXPENDITURES	3,034	3,034	5,050	2,016
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	(4,000)	-
NET CHANGE IN FUND BALANCE	(966)	(966)	1,050	2,016
FUND BALANCE, beginning of year	966	966	9,155	8,189
FUND BALANCE, end of year	\$ -	\$ -	\$ 10,205	\$ 10,205

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STORM DRAIN SDC REIMBURSEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 200	\$ 200	\$ 40	\$ (160)
EXPENDITURES				
Capital outlay	418	418	-	418
NET CHANGE IN FUND BALANCE	(218)	(218)	40	258
FUND BALANCE, beginning of year	218	218	218	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 258	\$ 258

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – PARKS SDC IMPROVEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 6,320	\$ 1,320
EXPENDITURES				
Capital outlay	15,858	15,858	-	15,858
NET CHANGE IN FUND BALANCE	(10,858)	(10,858)	6,320	17,178
FUND BALANCE, beginning of year	10,858	10,858	18,056	7,198
FUND BALANCE, end of year	\$ -	\$ -	\$ 24,376	\$ 24,376

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – PARKS SDC REIMBURSEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 287	\$ 287	\$ 395	\$ 108
EXPENDITURES				
Capital outlay	574	574	-	574
NET CHANGE IN FUND BALANCE	(287)	(287)	395	682
FUND BALANCE, beginning of year	287	287	287	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 682	\$ 682

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – POLICE EQUIPMENT RESERVE FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	3,000	3,000	-
NET CHANGE IN FUND BALANCE	3,000	3,000	3,000	-
FUND BALANCE, beginning of year	38,693	38,693	35,693	(3,000)
FUND BALANCE, end of year	\$ 41,693	\$ 41,693	\$ 38,693	\$ (3,000)

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,400	\$ 8,400	\$ 8,400	\$ -
EXPENDITURES				
Debt service				
Principal	5,000	5,000	4,790	210
Interest	6,300	6,300	2,950	3,350
<i>Total Expenditures</i>	<u>11,300</u>	<u>11,300</u>	<u>7,740</u>	<u>3,560</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,900)	(2,900)	660	3,560
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	2,100	2,100	5,660	3,560
FUND BALANCE, beginning of year	1,645	1,645	1,841	196
FUND BALANCE, end of year	<u>\$ 3,745</u>	<u>\$ 3,745</u>	<u>\$ 7,501</u>	<u>\$ 3,756</u>

CITY OF AMITY, OREGON

**COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) –
NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS**

JUNE 30, 2017

	<u>Water Line Replacement</u>	<u>Water SDC Reimbursement</u>	<u>Sewer SDC Reimbursement</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ 260
Due from other funds	30,953	8,250	56,955
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	30,953	8,250	57,215
LIABILITIES			
	<hr/>	<hr/>	<hr/>
	-	-	-
NET POSITION			
Restricted for:			
Construction	-	8,250	57,215
Unrestricted	30,953	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	<u>\$ 30,953</u>	<u>\$ 8,250</u>	<u>\$ 57,215</u>

Total

\$ 260
96,158

96,418

-

65,465
30,953

\$ 96,418

CITY OF AMITY, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Water Line Replacement</u>	<u>Water SDC Reimbursement</u>	<u>Sewer SDC Reimbursement</u>
OPERATING REVENUES			
Charges for services	\$ 10,068	\$ -	\$ -
OPERATING EXPENSES	-	-	-
OPERATING INCOME	10,068	-	-
NONOPERATING ITEMS			
Capital acquisitions	-	-	(48,886)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	4,878	32,768
CHANGE IN NET POSITION	10,068	4,878	(16,118)
NET POSITION, beginning of year	20,885	3,372	73,333
NET POSITION, end of year	\$ 30,953	\$ 8,250	\$ 57,215

Total

\$ 10,068

-

10,068

(48,886)

37,646

(1,172)

97,590

\$ 96,418

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 399,000	\$ 399,000	\$ 389,709	\$ (9,291)
Miscellaneous	-	-	2,101	2,101
<i>Total Revenues</i>	399,000	399,000	391,810	(7,190)
EXPENDITURES				
Personal services	156,438	156,438	145,170	11,268
Materials and services	164,700	164,700	128,607	36,093
Capital outlay	12,500	12,500	14,791	(2,291)
Contingency	13,193	13,193	-	13,193
<i>Total Expenditures</i>	346,831	346,831	288,568	58,263
REVENUES OVER (UNDER) EXPENDITURES	52,169	52,169	103,242	51,073
OTHER FINANCING SOURCES (USES)				
Transfers out	(52,169)	(52,169)	(52,169)	-
CHANGE IN FUND BALANCE	-	-	51,073	51,073
FUND BALANCE (Deficit), beginning of year	-	-	(7,357)	(7,357)
FUND BALANCE, end of year	\$ -	\$ -	\$ 43,716	\$ 43,716

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 430,000	\$ 430,000	\$ 432,682	\$ 2,682
Miscellaneous	-	-	4,843	4,843
<i>Total Revenues</i>	430,000	430,000	437,525	7,525
EXPENDITURES				
Personal services	113,857	113,857	97,498	16,359
Materials and services	149,900	149,900	138,147	11,753
Capital outlay	-	-	8,791	(8,791)
Contingency	669	669	-	669
<i>Total Expenditures</i>	264,426	264,426	244,436	19,990
REVENUES OVER (UNDER) EXPENDITURES	165,574	165,574	193,089	27,515
OTHER FINANCING SOURCES (USES)				
Transfers out	(165,574)	(165,574)	(165,574)	-
CHANGE IN FUND BALANCE	-	-	27,515	27,515
FUND BALANCE (Deficit), beginning of year	-	-	(80,511)	(80,511)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (52,996)	\$ (52,996)

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	44,754	44,754	44,754	-
Interest	8,248	8,248	8,248	-
<i>Total Expenditures</i>	53,002	53,002	53,002	-
REVENUES OVER (UNDER) EXPENDITURES	(53,002)	(53,002)	(53,002)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	52,169	52,169	52,169	-
CHANGE IN FUND BALANCE	(833)	(833)	(833)	-
FUND BALANCE, beginning of year	833	833	551	(282)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (282)	\$ (282)

CITY OF AMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER CAPITAL PROJECTS FUND****YEAR ENDED JUNE 30, 2017**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 2,334,042	\$ 2,334,042	\$ 181,645	\$ (2,152,397)
Miscellaneous	5,000	5,000	477	(4,523)
<i>Total Revenues</i>	2,339,042	2,339,042	182,122	(2,156,920)
EXPENDITURES				
Personal services	-	-	470	(470)
Materials and services	1,100	1,100	2,233	(1,133)
Capital outlay	2,341,042	2,341,042	256,862	2,084,180
Contingency	15,900	15,900	-	15,900
<i>Total Expenditures</i>	2,358,042	2,358,042	259,565	2,098,477
REVENUES OVER (UNDER) EXPENDITURES	(19,000)	(19,000)	(77,443)	(58,443)
OTHER FINANCING SOURCES (USES)				
Transfers in	19,000	19,000	19,000	-
CHANGE IN FUND BALANCE	-	-	(58,443)	(58,443)
FUND BALANCE (Deficit), beginning of year	-	-	(28,120)	(28,120)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (86,563)	\$ (86,563)

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER SDC IMPROVEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 8,063	\$ 8,063	\$ 23,452	\$ 15,389
EXPENDITURES				
Capital outlay	20,289	20,289	-	20,289
CHANGE IN FUND BALANCE	(12,226)	(12,226)	23,452	35,678
FUND BALANCE, beginning of year	12,226	12,226	30,288	18,062
FUND BALANCE, end of year	\$ -	\$ -	\$ 53,740	\$ 53,740

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	111,506	111,506	111,506	-
Interest	55,323	55,323	55,322	1
<i>Total Expenditures</i>	<u>166,829</u>	<u>166,829</u>	<u>166,828</u>	<u>1</u>
REVENUES OVER (UNDER) EXPENDITURES	(166,829)	(166,829)	(166,828)	1
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>165,574</u>	<u>165,574</u>	<u>165,574</u>	<u>-</u>
CHANGE IN FUND BALANCE	(1,255)	(1,255)	(1,254)	1
FUND BALANCE, beginning of year	<u>1,255</u>	<u>1,255</u>	<u>1,221</u>	<u>(34)</u>
FUND BALANCE (Deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33)</u>	<u>\$ (33)</u>

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER SDC IMPROVEMENT FUND

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 5,047	\$ 47
EXPENDITURES				
Capital outlay	9,406	9,406	-	9,406
CHANGE IN FUND BALANCE	(4,406)	(4,406)	5,047	9,453
FUND BALANCE, beginning of year	4,406	4,406	4,406	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 9,453	\$ 9,453

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER LINE REPLACEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 10,068	\$ 68
EXPENDITURES				
Capital outlay	30,096	30,096	-	30,096
CHANGE IN FUND BALANCE	(20,096)	(20,096)	10,068	30,164
FUND BALANCE, beginning of year	20,096	20,096	20,885	789
FUND BALANCE, end of year	\$ -	\$ -	\$ 30,953	\$ 30,953

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER SDC REIMBURSEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 3,000	\$ 3,000	\$ 4,878	\$ 1,878
EXPENDITURES				
Capital outlay	6,372	6,372	-	6,372
CHANGE IN FUND BALANCE	(3,372)	(3,372)	4,878	8,250
FUND BALANCE, beginning of year	3,372	3,372	3,372	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 8,250	\$ 8,250

CITY OF AMITY, OREGON

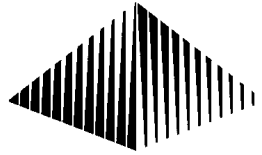
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER SDC REIMBURSEMENT FUND

YEAR ENDED JUNE 30, 2017

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 32,768	\$ (7,232)
EXPENDITURES				
Capital outlay	95,999	95,999	48,886	47,113
CHANGE IN FUND BALANCE	(55,999)	(55,999)	(16,118)	39,881
FUND BALANCE, beginning of year	55,999	55,999	73,333	17,334
FUND BALANCE, end of year	\$ -	\$ -	\$ 57,215	\$ 57,215

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Mayor
and Members of the City Council
City of Amity
P. O. Box 159
Amity, Oregon 97101

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Amity, Oregon as of and for the year ended June 30, 2017, and have issued our report thereon dated November 7, 2017.

Compliance and Other Matters

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

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

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

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. The City had overexpenditures as noted in the notes to the financial statements.
2. The City had deficit fund balances as noted in the notes to the financial statements.
3. Some restricted net assets were used for purposes other than the purpose for which they were restricted.
4. The City failed to meet loan covenant reporting requirements as noted in the notes to the financial statements.
5. The City failed to comply with ORS 98.336 in turning over outstanding checks more than two years old to the State Division of Lands.
6. The City does not maintain historical cost or depreciation records for capital assets.

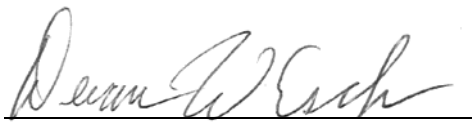
Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By: 
Devan W. Esch, A Shareholder
November 7, 2017