

***CITY OF AMITY, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019***

CITY OF AMITY, OREGON
CITY OFFICIALS
JUNE 30, 2019

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

CITY COUNCIL MEMBERS

Ryan Lehman, Council President		December 31, 2022
Robert Andrade		December 21, 2022
Jenna Goings		December 31, 2020
Nickolas Wilkinson		December 31, 2020

CITY ADMINISTRATOR

Michael Thomas

CITY RECORDER

Natasha Johnson

P.O. Box 159
Amity, Oregon 97101

CITY OF AMITY, OREGON
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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, 2019, 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 modified cash basis 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, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting principles 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.

Emphasis of Matter – Change In Accounting Presentation

During the year ended June 30, 2019, the City combined related enterprise funds into two operating funds, Water and Sewer. Our opinion is 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 October 28, 2019 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
October 28, 2019

CITY OF AMITY, OREGON

Management's Discussion and Analysis June 30, 2019

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, 2019.

Financial Highlights

	June 30,		change
	2019	2018	
Net position	\$ 992,606	\$ 515,176	\$ 477,430
Change in net position	477,430	217,923	259,507
Governmental net position	526,816	305,054	221,762
Proprietary net position	465,790	210,122	255,668
Change in governmental net position	221,762	71,254	150,508
Change in proprietary net position	255,668	146,669	108,999

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 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 \$992,606 as of June 30, 2019.

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,**

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 526,816	\$ 465,790	\$ 992,606	\$ 307,694	\$ 210,122	\$ 517,816
Liabilities	-	-	-	2,640	-	2,640
Net Position:						
Restricted	346,580	409,629	756,209	161,540	94,503	256,043
Unrestricted	180,236	56,161	236,397	143,514	115,619	259,133
Total Net Position	<u>\$ 526,816</u>	<u>\$ 465,790</u>	<u>\$ 992,606</u>	<u>\$ 305,054</u>	<u>\$ 210,122</u>	<u>\$ 515,176</u>

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,

	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 141,686	\$ 970,894	\$1,112,580	\$ 88,370	\$ 931,622	\$ 1,019,992
Operating grants	139,227	-	139,227	113,634	-	113,634
Capital grants	265,334	266,495	531,829	37,810	221,819	259,629
General revenues						
Taxes and assessments	287,372	-	287,372	269,005	-	269,005
Franchise taxes	87,665	-	87,665	114,567	-	114,567
Intergovernmental	51,356	-	51,356	62,577	-	62,577
Miscellaneous	31,058	2,085	33,143	35,746	1,066	36,812
<i>Total revenues</i>	<u>1,003,698</u>	<u>1,239,474</u>	<u>2,243,172</u>	<u>721,709</u>	<u>1,154,507</u>	<u>1,876,216</u>
Expenses						
General government	212,572	-	212,572	187,313	-	187,313
Community development	31,185	-	31,185	65,424	-	65,424
Street	263,428	-	263,428	81,270	-	81,270
Parks	27,594	-	27,594	43,651	-	43,651
Library	37,100	-	37,100	25,211	-	25,211
Public safety	252,397	-	252,397	239,146	-	239,146
Interest on long-term debt	5,388	-	5,388	8,440	-	8,440
Water	-	531,283	531,283	-	529,557	529,557
Sewer	-	404,795	404,795	-	478,281	478,281
<i>Total expenses</i>	<u>829,664</u>	<u>936,078</u>	<u>1,765,742</u>	<u>650,455</u>	<u>1,007,838</u>	<u>1,658,293</u>
Transfers	47,728	(47,728)	-	-	-	-
Change in net position	221,762	255,668	477,430	71,254	146,669	217,923
Net position, beginning of year	305,054	210,122	515,176	233,800	63,453	297,253
Net position, end of year	<u>\$ 526,816</u>	<u>\$ 465,790</u>	<u>\$ 992,606</u>	<u>\$ 305,054</u>	<u>\$ 210,122</u>	<u>\$ 515,176</u>

Financial Analysis of the City’s 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 \$477,430 during the fiscal year 2018-2019. As described in the notes to the financial statements the City modified its chart of accounts, combining 25 individual budgetary funds into 5.

Governmental activities: The City’s net position increased by \$221,762 from governmental activities. The primary revenue increase was from capital grants. Expenses increased, but not as much as revenues.

Business-type activities: The City’s net position increased by \$255,668 from business-type activities. Charges for services and capital grants had modest increases compared to the prior year, and expenses decreased slightly.

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 as of June 30, 2019. The fund balance increased by \$72,724 during the current fiscal year. Actual revenues were slightly below budgeted revenues, and actual expenditures were about \$100,000 less than budgeted expenditures. As a measure of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 31% 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 which was a decrease of \$16,496 from the prior year. The fund balance represents 30% of total Street Fund expenditures.

SDC Fund. This fund accounts for system development charges designated for streets, parks, storm, water, and sewer. The fund balance at the end of the year was which was an increase of \$311,310 from the prior year. There were no expenditures or transfers 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 \$73,517 during the year. Operating income was \$215,543 and \$24,778 was transferred out to the General fund.

Sewer Fund. This fund accounts for the operations of the City’s sewer system. The balance in this fund increased by \$36,375 during the year. Operating income was \$59,325 and \$22,950 was transferred out to the General fund.

General Fund Budget

There were two supplemental budgets approved by City Council during the year.

Debt Administration

Long-term debt. The City had total debt outstanding of \$2,370,423 at the end of the current fiscal year. During the current fiscal year, the City’s total debt decreased by \$192,355 .

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, 2019.

**City of Amity
Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Loans	\$ 110,000	\$ 115,000	\$ 1,220,423	\$ 1,307,778	\$ 1,330,423	\$ 1,422,778
Refunding bonds	-	-	1,040,000	1,140,000	1,040,000	1,140,000
Total	\$ 110,000	\$ 115,000	\$ 2,260,423	\$ 2,447,778	\$ 2,370,423	\$ 2,562,778

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 2019-20 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, 2019

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 526,816	\$ 465,790	\$ 992,606
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for:			
Customer deposits	-	68,085	68,085
Construction	268,950	341,544	610,494
Streets	77,630	-	77,630
Unrestricted	180,236	56,161	236,397
<i>Total Net Position</i>	<u>\$ 526,816</u>	<u>\$ 465,790</u>	<u>\$ 992,606</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, 2019

	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expenses) Revenues and Changes in Net Position</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 212,572	\$ 3,434	\$ -	\$ -	\$ (209,138)	\$ -	\$ (209,138)
Community development	31,185	33,603	7,612	-	10,030	-	10,030
Street	263,428	18,657	119,965	222,358	97,552	-	97,552
Parks	27,594	2,152	4,573	42,976	22,107	-	22,107
Library	37,100	-	6,623	-	(30,477)	-	(30,477)
Public safety	252,397	83,840	454	-	(168,103)	-	(168,103)
Interest on long-term debt	5,388	-	-	-	(5,388)	-	(5,388)
<i>Total Governmental activities</i>	829,664	141,686	139,227	265,334	(283,417)	-	(283,417)
Business-type activities:							
Water	531,283	508,694	-	174,047	-	151,458	151,458
Sewer	404,795	462,200	-	92,448	-	149,853	149,853
<i>Total Business-type activities</i>	936,078	970,894	-	266,495	-	301,311	301,311
<i>Total Activities</i>	<u>\$ 1,765,742</u>	<u>\$ 1,112,580</u>	<u>\$ 139,227</u>	<u>\$ 531,829</u>	(283,417)	301,311	17,894
General Revenues:							
Property taxes					287,372	-	287,372
Franchise taxes					87,665	-	87,665
Intergovernmental					51,356	-	51,356
Miscellaneous					31,058	2,085	33,143
<i>Total General Revenues</i>					457,451	2,085	459,536
Transfers					47,728	(47,728)	-
Change in net position					221,762	255,668	477,430
Net position - beginning of year					305,054	210,122	515,176
Net position - end of year					<u>\$ 526,816</u>	<u>\$ 465,790</u>	<u>\$ 992,606</u>

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

CITY OF AMITY, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Special Revenue Street</u>	<u>Capital Projects SDC</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	180,236	\$ 77,630	\$ 610,494	\$ 868,360
LIABILITIES AND FUND BALANCE				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Restricted for:				
Construction	-	-	610,494	610,494
Streets	-	77,630		77,630
Unassigned	180,236	-	-	180,236
Total Fund Balance	<u>180,236</u>	<u>77,630</u>	<u>610,494</u>	<u>868,360</u>
Total Liabilities and Fund Balance	<u>\$ 180,236</u>	<u>\$ 77,630</u>	<u>\$ 610,494</u>	<u>\$ 868,360</u>

**Reconciliation of the Balance Sheet (Modified Cash Basis)
to the Statement of Net Position (Modified Cash Basis)**

<i>Fund balances</i>	\$ 868,360
Water and Sewer unspent SDC funds included in the SDC Fund	(341,544)
Net Position	<u>\$ 526,816</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, 2019

	<u>General</u>	<u>Special Revenue Street</u>	<u>Capital Projects SDC</u>	<u>Total</u>
REVENUES				
Taxes and assessments	\$ 287,372	\$ -	\$ -	\$ 287,372
Fines and forfeitures	22,787	-	-	22,787
Licenses and permits	187,697	-	-	187,697
Charges for services	-	18,657	-	18,657
Intergovernmental	59,468	219,765	311,310	590,543
Miscellaneous	42,418	-	-	42,418
<i>Total Revenues</i>	599,742	238,422	311,310	1,149,474
EXPENDITURES				
General programs	574,746	-	-	574,746
Street Programs	-	91,082	-	91,082
Capital acquisitions	-	163,836	-	163,836
<i>Total Expenditures</i>	574,746	254,918	-	829,664
REVENUES OVER (UNDER) EXPENDITURES	24,996	(16,496)	311,310	319,810
OTHER FINANCING SOURCES (USES)				
Transfers in	47,728	-	-	47,728
NET CHANGE IN FUND BALANCE	72,724	(16,496)	311,310	367,538
FUND BALANCE, beginning of year	107,512	94,126	299,184	500,822
FUND BALANCE, end of year	\$ 180,236	\$ 77,630	\$ 610,494	\$ 868,360

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

<i>Net change in fund balance</i>	\$ 367,538
Water and Sewer SDC revenues included in SDC Fund	(145,776)
<i>Change in net position</i>	\$ 221,762

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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 124,246	\$ -	\$ 124,246
Due from other funds	48,460	-	48,460
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	172,706	-	172,706
 LIABILITIES			
Due to other funds	-	48,460	48,460
	<hr/>	<hr/>	<hr/>
NET POSITION:			
Restricted for:			
Customer deposits	34,043	34,042	68,085
Unrestricted	138,663	(82,502)	56,161
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	<u>\$ 172,706</u>	<u>\$ (48,460)</u>	<u>\$ 124,246</u>

***Reconciliation of the Statement of Fund Net Position (Modified Cash Basis)
to the Statement of Net Position (Modified Cash Basis)***

<i>Fund Net position</i>	\$ 124,246
Water and Sewer unspent SDC funds included in the SDC Fund	341,544
	<hr/>
Net Position	<u>\$ 465,790</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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 508,694	\$ 462,200	\$ 970,894
Miscellaneous	165	1,920	2,085
<i>Total Operating Revenues</i>	508,859	464,120	972,979
OPERATING EXPENSES			
Personnel, materials, and services	296,854	236,836	533,690
OPERATING INCOME	212,005	227,284	439,289
NONOPERATING ITEMS			
Intergovernmental	120,719	-	120,719
Capital acquisitions	(155,923)	-	(155,923)
Debt payments			
Principal	(71,157)	(117,549)	(188,706)
Interest	(7,349)	(50,410)	(57,759)
<i>Total Nonoperating Items</i>	(113,710)	(167,959)	(281,669)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	98,295	59,325	
Transfers out	(24,778)	(22,950)	(47,728)
CHANGE IN NET POSITION	73,517	36,375	109,892
NET POSITION (Deficit), beginning of year	99,189	(84,835)	14,354
NET POSITION (Deficit), end of year	\$ 172,706	\$ (48,460)	\$ 124,246

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION TO THE STATEMENT OF ACTIVITIES

Change in net position	\$ 109,892
Water and Sewer SDC revenues included in SDC Fund	145,776
Change in net position	\$ 255,668

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

CITY OF AMITY, OREGON**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 508,859	\$ 464,120	\$ 972,979
Cash paid for operating expenses	(296,854)	(236,836)	(533,690)
<i>Net Cash Provided by (Used for) Operating Activities</i>	212,005	227,284	439,289
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Received from (paid to) other funds	36,375	(36,375)	-
Intergovernmental receipts	120,719	-	120,719
Transfers out to other funds	(24,778)	(22,950)	(47,728)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	132,316	(59,325)	72,991
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(155,923)	-	(155,923)
Interest paid on debt	(7,349)	(50,410)	(57,759)
Principal paid on debt	(71,157)	(117,549)	(188,706)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	(234,429)	(167,959)	(402,388)
<i>Increase (Decrease) in Cash and Investments</i>	109,892	-	109,892
CASH AND INVESTMENTS, Beginning of year	14,354	-	14,354
CASH AND INVESTMENTS, End of year	<u>\$ 124,246</u>	<u>\$ -</u>	<u>\$ 124,246</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ 212,005	\$ 227,284	\$ 439,289
Adjustments	-	-	-
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 212,005</u>	<u>\$ 227,284</u>	<u>\$ 439,289</u>

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. For reporting purposes, the General Fund also includes the Tourism Fund. This fund receives transfers from the General Fund. There were no expenditures in the current year.

Street Fund

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

SDC Fund

This fund accounts for system development charges designated for streets, parks, storm, water, and sewer. Principal revenues are from SDC collections and primary expenditures are system improvements and repairs.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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.

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:

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

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, 2019 was not available.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The City adopts the budget on an object basis (personnel services, materials and services, capital outlay, debt service) for all funds. 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. During the current year the City modified its chart of accounts, combining 25 individual budgetary funds into 5.

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, 2019. Actual results may differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2019:

Cash	
Cash on hand	\$ 400
Deposits with financial institutions	301,002
Investments	
Local Government Investment Pool	691,204
	<hr/>
	\$ 992,606
	<hr/> <hr/>

Deposits

The book balance of the City’s bank deposits (checking accounts) was \$301,002 and the bank balance was \$321,490 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, 2019, \$71,490 of the City’s bank balances were covered by the PFCP.

CASH AND CASH EQUIVALENTS (Continued)

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2019, 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.

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.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2018</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2019</u>	<u>Due Within 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.	\$ 115,000	\$ -	\$ (5,000)	\$ 110,000	\$ 10,000
	<u>Outstanding July 1, 2018</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2019</u>	<u>Due Within One Year</u>
<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	\$ 734,877	\$ -	\$ (45,653)	\$ 689,224	\$ 46,110
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	548,748	-	(17,549)	531,199	15,157
2018 Oregon Business Development loan No interest, repayable within one year	24,163	1,341	(25,504)	-	-
Full Faith and Credit Refunding Obligations 2.0% - 3.5% interest rate with a maturity date of December 1, 2027	1,140,000	-	(100,000)	1,040,000	105,000
	<u>\$ 2,447,788</u>	<u>\$ 1,341</u>	<u>\$ (188,706)</u>	<u>\$ 2,260,423</u>	<u>\$ 166,267</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.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Governmental Activities

<u>Year</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 10,000	\$ 5,625	\$ 15,625
2019-20	10,000	5,175	15,175
2020-21	10,000	4,675	14,675
2021-22	10,000	4,175	14,175
2022-23	10,000	3,675	13,675
2023-2027	50,000	10,665	60,665
2028-2031	10,000	2,256	12,256
Totals	<u>\$ 110,000</u>	<u>\$ 36,246</u>	<u>\$ 146,246</u>

Business-type Activities

<u>Year</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 166,267	\$ 62,473	\$ 228,740
2019-20	167,453	58,794	226,247
2020-21	168,678	54,812	223,490
2021-22	174,943	50,453	225,396
2022-23	181,252	45,770	227,022
2024-2028	852,967	150,085	1,003,052
2029-2033	339,819	73,432	413,251
2034-2038	167,981	34,054	202,035
2039-2040	41,063	(656)	40,407
Totals	<u>\$ 2,260,423</u>	<u>\$ 529,217</u>	<u>\$ 2,789,640</u>

PENSION PLAN

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

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

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

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

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

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

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

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

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

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

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

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

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 8.33% for Tier One/Tier Two employees, 4.02% for OPSRP general service employees, and 8.79% for OPSRP police/fire employees. The City's total contributions to PERS were \$14,885 for fiscal year ended June 30, 2019.

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2019 were based on the December 31, 2016 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

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

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2019, the City reported a net pension liability of \$360,383 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on a December 31, 2016 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00238% as of the June 30, 2018 measurement date, compared to 0.00193% as of June 30, 2017.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.20%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2016.

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

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

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.20%, 7.20%, and 8.20%.

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 602,769	\$ 360,683	\$ 160,860

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

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

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees. Total contributions were \$32,867 for the year ended June 30, 2019. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

TRANSFERS

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

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 47,728	\$ -
Water	-	24,778
Sewer	-	22,950
	<u>\$ 47,728</u>	<u>\$ 47,728</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, 2019

BUDGETED AND ACTUAL DEFICIT FUND BALANCES

The Street fund reported a budgeted deficit fund balance of \$163 as of June 30, 2019. The Sewer fund reported budgeted and actual deficit fund balances of \$143,456 and \$48,460, respectively, as of June 30, 2019.

RESTATEMENT OF BEGINNING FUND BALANCES

During the fiscal year the City modified its chart of accounts, combining 25 individual budgetary funds into 5. The modification required the restatement of beginning fund balances to reflect the new fund structure. The restatement of beginning fund balances was computed as follows.

	<i>Per prior year audited financial statements</i>	<i>Adjustments</i>	<i>Per modified chart of accounts</i>
<i>Governmental funds:</i>			
General fund	\$ 55,655	\$ 51,857	\$ 107,512
Street fund	65,947	28,179	94,126
SDC fund	-	299,184	299,184
Street SDC Improvement fund	49,881	(49,881)	-
Parks SDC Improvement fund	33,224	(33,224)	-
Street SDC Reimbursement fund	3,206	(3,206)	-
Building fund	22,865	(22,865)	-
911 fund	428	(428)	-
Street Reserve fund	27,179	(27,179)	-
Storm Drain SDC Improvement fund	15,563	(15,563)	-
Storm Drain SDC Reimbursement fund	307	(307)	-
Park SDC Reimbursement fund	1,235	(1,235)	-
Police Equipment Reserve fund	22,333	(22,333)	-
Sidewalk Reserve fund	1,000	(1,000)	-
General Bond Debt fund	6,231	(6,231)	-
	<hr/>	<hr/>	<hr/>
Total governmental funds	305,054	195,768	500,822

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

RESTATEMENT OF BEGINNING FUND BALANCES (Continued)

	<i>Per prior year audited financial statements</i>	<i>Adjustments</i>	<i>Per modified chart of accounts</i>
<i>Business-type funds:</i>			
Water fund	\$ 23,150	\$ 76,039	\$ 99,189
Sewer fund	(86,247)	1,412	(84,835)
Water Bond Debt fund	69,386	(69,386)	-
Water Capital Projects fund	(34,578)	34,578	-
Water SDC Improvement fund	75,812	(75,812)	-
Sewer Bond fund	1,412	(1,412)	-
Water Line Replacement fund	41,231	(41,231)	-
Water SDC Reimbursement fund	12,842	(12,842)	-
Sewer SDC Reimbursement fund	91,965	(91,965)	-
Sewer SDC Inporovement fund	15,149	(15,149)	-
	<hr/>	<hr/>	<hr/>
Total business-type funds	210,122	(195,768)	14,354
	<hr/>	<hr/>	<hr/>
Total, all funds	\$ 515,176	\$ -	\$ 515,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SUPPLEMENTAL INFORMATION

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, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 279,500	\$ 279,500	\$ 287,372	\$ 7,872
Fines and forfeitures	22,000	22,000	22,787	787
Licenses and permits	247,495	247,495	187,697	(59,798)
Intergovernmental	57,101	57,101	59,468	2,367
Miscellaneous	31,800	31,800	42,418	10,618
<i>Total Revenues</i>	637,896	637,896	599,742	(38,154)
EXPENDITURES				
General programs	-	591,017	574,746	16,271
Personnel services	329,663	-	-	-
Materials and services	288,739	-	-	-
Debt service				
Principal	5,000	-	-	-
Interest	5,490	-	-	-
Contingency	59,365	102,370	-	102,370
<i>Total Expenditures</i>	688,257	693,387	574,746	102,370
REVENUES OVER (UNDER) EXPENDITURES	(50,361)	(55,491)	24,996	64,216
OTHER FINANCING SOURCES (USES)				
Transfers in	13,880	8,750	47,728	38,978
Transfers out	(13,880)	(8,750)	-	8,750
<i>Total Other Financing Sources (Uses)</i>	-	-	47,728	47,728
NET CHANGE IN FUND BALANCE	(50,361)	(55,491)	72,724	111,944
FUND BALANCE, beginning of year	86,120	86,120	107,512	21,392
FUND BALANCE, end of year	\$ 35,759	\$ 30,629	\$ 180,236	\$ 133,336

CITY OF AMITY, OREGON
GENERAL FUND - ORIGINAL BUDGET RECONCILIATION
YEAR ENDED JUNE 30, 2019

During the current year the City merged the Tourism fund, the General Bond Debt fund, the Library Reserve fund, and the Police Equipment fund into the General fund. Original budgets were adopted separately for each of these funds. The original budget data shown on the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance (budget and actual) is composed of the following amounts.

	<i>Original Budget</i>					<i>Total</i>
	<i>General</i>	<i>Tourism</i>	<i>General Bonded Debt</i>	<i>Library Reserve</i>	<i>Police Equipment</i>	
REVENUES						
Taxes and assessments	\$ 279,500	\$ -	\$ -	\$ -	\$ -	\$ 279,500
Fines and forfeitures	22,000	-	-	-	-	22,000
Licenses and permits	247,495	-	-	-	-	247,495
Intergovernmental	57,101	-	-	-	-	57,101
Miscellaneous	21,600	-	10,200	-	-	31,800
<i>Total Revenues</i>	627,696	-	10,200	-	-	637,896
EXPENDITURES						
Personnel services	329,663	-	-	-	-	329,663
Materials and services	283,739	5,000	-	-	-	288,739
Debt service						
Principal	-	-	5,000	-	-	5,000
Interest	-	-	5,490	-	-	5,490
Contingency	59,365	-	-	-	-	59,365
<i>Total Expenditures</i>	672,767	5,000	10,490	-	-	688,257
REVENUES OVER (UNDER) EXPENDITURES	(45,071)	(5,000)	(290)	-	-	(50,361)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	5,250	3,000	500	5,130	13,880
Transfers out	(13,880)	-	-	-	-	(13,880)
<i>Total Other Financing Sources and Uses</i>	(13,880)	5,250	3,000	500	5,130	-
CHANGE IN FUND BALANCE	(58,951)	250	2,710	500	5,130	(50,361)
FUND BALANCE, beginning of year	58,951	4,235	6,241	-	16,693	86,120
FUND BALANCE, end of year	\$ -	\$ 4,485	\$ 8,951	\$ 500	\$ 21,823	\$ 35,759

CITY OF AMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET FUND****YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 18,000	\$ 18,000	\$ 18,657	\$ 657
Intergovernmental	200,000	200,000	219,765	19,765
Miscellaneous	200	200	-	(200)
<i>Total Revenues</i>	218,200	218,200	238,422	20,222
EXPENDITURES				
Street Operations	-	273,822	254,918	18,904
Personnel services	54,653	-	-	-
Materials and services	112,200	-	-	-
Capital outlay	100,000	-	-	-
Contingency	31,698	31,698	-	31,698
<i>Total Expenditures</i>	298,551	305,520	254,918	50,602
REVENUES OVER (UNDER) EXPENDITURES	(80,351)	(87,320)	(16,496)	70,824
OTHER FINANCING SOURCES (USES)				
Transfers in	41,000	41,000	-	(41,000)
Transfers out	(41,000)	(41,000)	-	41,000
NET CHANGE IN FUND BALANCE	(80,351)	(87,320)	(16,496)	70,824
FUND BALANCE, beginning of year	87,157	87,157	94,126	6,969
FUND BALANCE (Deficit), end of year	\$ 6,806	\$ (163)	\$ 77,630	\$ 77,793

CITY OF AMITY, OREGON
STREET FUND - ORIGINAL BUDGET RECONCILIATION
YEAR ENDED JUNE 30, 2019

During the current year the City merged the Street Reserve fund and the Sidewalk Reserve fund into the Street fund. Original budgets were adopted separately for each of these funds. The original budget data shown on the Street Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance (budget and actual) is composed of the following amounts.

	<i>Original Budget</i>			<i>Total</i>
	<i>Street</i>	<i>Street Reserve</i>	<i>Sidewalk Reserve</i>	
REVENUES				
Charges for services	\$ -	\$ 18,000	\$ -	\$ 18,000
Intergovernmental	200,000	-	-	200,000
Miscellaneous	200	-	-	200
<i>Total Revenues</i>	200,200	18,000	-	218,200
EXPENDITURES				
Personnel services	54,653	-	-	54,653
Materials and services	112,200	-	-	112,200
Capital outlay	100,000	-	-	100,000
Contingency	31,698	-	-	31,698
<i>Total Expenditures</i>	298,551	-	-	298,551
REVENUES OVER (UNDER) EXPENDITURES	(98,351)	18,000	-	(80,351)
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	-	1,000	41,000
Transfers out	(1,000)	(40,000)	-	(41,000)
<i>Total Other Financing Sources and Uses</i>	39,000	(40,000)	1,000	-
CHANGE IN FUND BALANCE	(59,351)	(22,000)	1,000	(80,351)
FUND BALANCE, beginning of year	59,351	26,806	1,000	87,157
FUND BALANCE, end of year	\$ -	\$ 4,806	\$ 2,000	\$ 6,806

CITY OF AMITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SDC FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 236,128	\$ 236,128	\$ 311,310	\$ 75,182
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	236,128	236,128	311,310	75,182
OTHER FINANCING SOURCES (USES)				
Transfers out	(325,294)	(364,651)	-	364,651
NET CHANGE IN FUND BALANCE	(89,166)	(128,523)	311,310	439,833
FUND BALANCE, beginning of year	310,606	310,606	299,184	(11,422)
FUND BALANCE, end of year	\$ 221,440	\$ 182,083	\$ 610,494	\$ 428,411

CITY OF AMITY, OREGON
SDC FUND - ORIGINAL BUDGET RECONCILIATION
YEAR ENDED JUNE 30, 2019

During the current year the City merged the Street SDC Reimbursement and Improvement funds, the Park SDC Reimbursement and Improvement funds, the Storm SDC Reimbursement and Improvement funds, the Water SDC Reimbursement and Improvement funds, and the Sewer SDC Reimbursement and Improvement funds into the SDC fund. Original budgets were adopted separately for each of these funds. The original budget data shown on the SDC Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance (budget and actual) is composed of the following amounts.

	<i>Original Budget</i>										
	<i>Street SDC Reimbursement</i>	<i>Street SDC Improvement</i>	<i>Storm SDC Improvement</i>	<i>Storm SDC Reimbursement</i>	<i>Park SDC Improvement</i>	<i>Park SDC Reimbursement</i>	<i>Water SDC Improvement</i>	<i>Water SDC Reimbursement</i>	<i>Sewer SDC Improvement</i>	<i>Sewer SDC Reimbursement</i>	<i>Total</i>
REVENUES											
Licenses and permits	\$ 4,656	\$ 47,920	\$ 16,160	\$ 128	\$ 20,224	1,264	\$ 44,144	\$ 9,184	\$ 22,784	\$ 69,664	\$ 236,128
EXPENDITURES	-	-	-	-	-	-	-	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	4,656	47,920	16,160	128	20,224	1,264	44,144	9,184	22,784	69,664	236,128
OTHER FINANCING SOURCES (USES)											
Transfers out	-	-	-	-	-	-	(119,954)	-	(39,357)	(165,983)	(325,294)
CHANGE IN FUND BALANCE	4,656	47,920	16,160	128	20,224	1,264	(75,810)	9,184	(16,573)	(96,319)	(89,166)
FUND BALANCE, beginning of year	3,497	52,876	16,572	315	34,488	1,314	75,810	12,842	16,573	96,319	310,606
FUND BALANCE, end of year	\$ 8,153	\$ 100,796	\$ 32,732	\$ 443	\$ 54,712	\$ 2,578	\$ -	\$ 22,026	\$ -	\$ -	\$ 221,440

CITY OF AMITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 537,000	\$ 537,000	\$ 508,694	\$ (28,306)
Intergovernmental	6,501,190	6,501,190	120,719	(6,380,471)
Miscellaneous	2,500	2,500	165	(2,335)
<i>Total Revenues</i>	7,040,690	7,040,690	629,578	(6,411,112)
EXPENDITURES				
Water operations	605,122	6,945,809	531,283	6,414,526
Debt service				
Principal	138,333	-	-	-
Interest	22,601	-	-	-
Capital outlay	6,596,948	-	-	-
Contingency	67,073	67,073	-	67,073
<i>Total Expenditures</i>	7,430,077	7,012,882	531,283	6,481,599
REVENUES OVER (UNDER) EXPENDITURES	(389,387)	27,808	98,295	70,487
OTHER FINANCING SOURCES (USES)				
Transfers in	511,433	511,433	-	(511,433)
Transfers out	(186,139)	(391,499)	(24,778)	366,721
<i>Total Other Financing Sources and Uses</i>	325,294	119,934	(24,778)	(144,712)
CHANGE IN FUND BALANCE	(64,093)	147,742	73,517	(74,225)
FUND BALANCE, beginning of year	105,684	105,684	99,189	(6,495)
FUND BALANCE, end of year	\$ 41,591	\$ 253,426	\$ 172,706	\$ (80,720)

CITY OF AMITY, OREGON
WATER FUND - ORIGINAL BUDGET RECONCILIATION
YEAR ENDED JUNE 30, 2019

During the current year the City merged the Water Capital Projects fund, the Water Line Replacement fund, the Water Bond Debt fund, and the Water Reserve fund into the Water fund. Original budgets were adopted separately for each of these funds. The original budget data shown on the Water Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance (budget and actual) is composed of the following amounts.

	<i>Original Budget</i>					<i>Total</i>
	<i>Water</i>	<i>Water Capital Projects</i>	<i>Water Line Replacement</i>	<i>Water Bond Debt</i>	<i>Water Reserve</i>	
REVENUES						
Charges for services	\$ 527,000	\$ -	\$ -	\$ -	\$ -	\$ 527,000
Licenses and permits	-	-	10,000	-	-	10,000
Intergovernmental	20,000	6,481,190	-	-	-	6,501,190
Miscellaneous	2,500	-	-	-	-	2,500
<i>Total Revenues</i>	549,500	6,481,190	10,000	-	-	7,040,690
EXPENDITURES						
Personnel services	130,569	-	-	-	-	130,569
Materials and services	263,150	-	2,043	-	-	265,193
Debt service						
Principal	-	-	-	153,585	-	153,585
Interest	-	-	-	7,349	-	7,349
Capital outlay	3,538	6,798,770	-	-	4,000	6,806,308
Contingency	67,073	-	-	-	-	67,073
<i>Total Expenditures</i>	464,330	6,798,770	2,043	160,934	4,000	7,430,077
REVENUES OVER (UNDER) EXPENDITURES	85,170	(317,580)	7,957	(160,934)	(4,000)	(389,387)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	374,294	-	123,876	13,263	511,433
Transfers out	(137,139)	-	(49,000)	-	-	(186,139)
<i>Total Other Financing Sources and Uses</i>	(137,139)	374,294	(49,000)	123,876	13,263	325,294
CHANGE IN FUND BALANCE	(51,969)	56,714	(41,043)	(37,058)	9,263	(64,093)
FUND BALANCE, beginning of year	51,969	(56,714)	41,043	69,386		105,684
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ 32,328	\$ 9,263	\$ 41,591

CITY OF AMITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2019

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 495,890	\$ 495,890	\$ 462,200	\$ (33,690)
Miscellaneous	1,920	1,920	1,920	-
<i>Total Revenues</i>	497,810	497,810	464,120	(33,690)
EXPENDITURES				
Sewer operations	-	616,946	404,795	212,151
Personnel services	104,179	-	-	-
Materials and services	197,795	-	-	-
Debt service				
Principal	135,465	-	-	-
Interest	32,513	-	-	-
Capital outlay	3,538	-	-	-
Contingency	1,369	1,369	-	1,369
<i>Total Expenditures</i>	474,859	618,315	404,795	213,520
REVENUES OVER (UNDER) EXPENDITURES	22,951	(120,505)	59,325	179,830
OTHER FINANCING SOURCES (USES)				
Transfers in	167,241	167,241	-	(167,241)
Transfers out	(167,241)	(167,241)	(22,950)	144,291
<i>Total Other Financing Sources and Uses</i>	-	-	(22,950)	(22,950)
CHANGE IN FUND BALANCE	22,951	(120,505)	36,375	156,880
FUND BALANCE (Deficit), beginning of year	(22,951)	(22,951)	(84,835)	(61,884)
FUND BALANCE (Deficit), end of year	\$ -	\$ (143,456)	\$ (48,460)	\$ 94,996

CITY OF AMITY, OREGON
SEWER FUND - ORIGINAL BUDGET RECONCILIATION
YEAR ENDED JUNE 30, 2019

During the current year the City merged the Sewer Bond fund into the Sewer fund. Original budgets were adopted separately for each of these funds. The original budget data shown on the Sewer Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance (budget and actual) is composed of the following amounts.

	<i>Original Budget</i>		
	<i>Sewer</i>	<i>Sewer Bond</i>	<i>Total</i>
REVENUES			
Charges for services	495,890	\$ -	\$ 495,890
Miscellaneous	1,920	-	1,920
<i>Total Revenues</i>	497,810	-	497,810
EXPENDITURES			
Personnel services	104,179	-	104,179
Materials and services	200,683	650	201,333
Debt service			
Principal	-	135,465	135,465
Interest	-	32,513	32,513
Contingency	1,369	-	1,369
<i>Total Expenditures</i>	306,231	168,628	474,859
REVENUES OVER (UNDER) EXPENDITURES	191,579	(168,628)	22,951
OTHER FINANCING SOURCES (USES)			
Transfers in	-	167,241	167,241
Transfers out	(167,241)	-	(167,241)
<i>Total Other Financing Sources and Uses</i>	(167,241)	167,241	-
CHANGE IN FUND BALANCE	24,338	(1,387)	22,951
FUND BALANCE, beginning of year	(24,338)	1,387	(22,951)
FUND BALANCE, end of year	\$ -	\$ -	\$ -

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, 2019, and have issued our report thereon dated October 28, 2019.

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 budgeted and actual deficit fund balances as noted in the notes to the financial statements.
2. The City failed to meet loan covenant reporting requirements as noted in the notes to the financial statements.
3. 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
October 28, 2019