

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

CITY OF AMITY, OREGON
CITY OFFICIALS
JUNE 30, 2016

<u>Name</u>	MAYOR	<u>Term</u>
Michael Cape		December 31, 2016

CITY COUNCIL MEMBERS

Caralyn Miller		December 31, 2016
Russell Blunt		December 31, 2018
Rudy van Soolen		December 31, 2016
Dawn King		December 31, 2016
Max Walker		December 31, 2016
Joshua Simonson		December 31, 2018
Brandon Zipser (July 1, 2015 – May 4, 2016)		
Karen Dahl (July 1, 2015 – June 1, 2016)		

CITY ADMINISTRATOR

Larry Layton

CITY RECORDER

Jackie Loos

P.O. Box 159
Amity, Oregon 97101

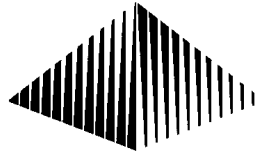
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FINANCIAL SECTION



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting 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, 2016, 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 16, 2016, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, PC
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Devan W. Esch, A Shareholder
November 16, 2016

CITY OF AMITY, OREGON

Management's Discussion and Analysis June 30, 2016

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, 2016.

Financial Highlights

	June 30,		change
	2016	2015	
Net position	\$ 222,835	\$ 191,334	\$ 31,501
Change in net position	31,501	(46,760)	78,261
Governmental net position	204,767	228,508	(23,741)
Proprietary net position	18,068	(37,174)	55,242
Change in governmental net position	(23,741)	(8,009)	(15,732)
Change in proprietary net position	55,242	(38,751)	93,993

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 \$222,835 as of June 30, 2016.

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,**

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 99,492	\$ 127,907	\$ 227,399	\$ 155,241	\$ 44,979	\$ 200,220
Internal balances	109,839	(109,839)	-	82,153	(82,153)	-
Total Assets	209,331	18,068	227,399	237,394	(37,174)	200,220
Other liabilities	4,564	-	4,564	8,886	-	8,886
Net Position:						
Restricted	97,517	168,745	266,262	106,556	138,960	245,516
Unrestricted	107,250	(150,677)	(43,427)	121,952	(176,134)	(54,182)
Total Net Position	\$ 204,767	\$ 18,068	\$ 222,835	\$ 228,508	\$ (37,174)	\$ 191,334

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,

	2016			2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 85,703	\$ 780,963	\$ 866,666	\$ 68,615	\$ 761,486	\$ 830,101
Operating grants	113,949	-	113,949	100,509	-	100,509
Capital grants	34,577	322,758	357,335	15,759	323,056	338,815
General revenues						
Taxes and assessments	250,626	-	250,626	249,642	-	249,642
Franchise taxes	104,377	-	104,377	64,693	-	64,693
Intergovernmental	39,191	-	39,191	44,559	-	44,559
Miscellaneous	31,303	5,298	36,601	14,089	4,218	18,307
<i>Total revenues</i>	<u>659,726</u>	<u>1,109,019</u>	<u>1,768,745</u>	<u>557,866</u>	<u>1,088,760</u>	<u>1,646,626</u>
Expenses						
General government	177,439	-	177,439	189,574	-	189,574
Community development	52,741	-	52,741	33,636	-	33,636
Street	91,409	-	91,409	93,309	-	93,309
Parks	42,242	-	42,242	47,002	-	47,002
Library	26,987	-	26,987	24,178	-	24,178
Public safety	206,146	-	206,146	195,732	-	195,732
Interest on long-term debt	6,003	-	6,003	6,444	-	6,444
Water	-	697,764	697,764	-	815,370	815,370
Sewer	-	436,513	436,513	-	364,487	364,487
<i>Total expenses</i>	<u>602,967</u>	<u>1,134,277</u>	<u>1,737,244</u>	<u>589,875</u>	<u>1,179,857</u>	<u>1,769,732</u>
Transfers	(80,500)	80,500	-	24,000	(24,000)	-
Issuance of debt	-	-	-	-	76,346	76,346
Change in net position	(23,741)	55,242	31,501	(8,009)	(38,751)	(46,760)
Net position, beginning of year	228,508	(37,174)	191,334	236,517	1,577	238,094
Net position, end of year	<u>\$ 204,767</u>	<u>\$ 18,068</u>	<u>\$ 222,835</u>	<u>\$ 228,508</u>	<u>\$ (37,174)</u>	<u>\$ 191,334</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 \$31,501 during the fiscal year 2015-2016. This increase is explained in the government and business-type activities as follows:

Governmental activities: The City's net position decreased by \$23,741 from governmental activities.

Business-type activities: The City's net position increased by \$55,242 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 \$69,582 as of June 30, 2016. The fund balance decreased by \$15,022 during the current fiscal year. A decrease in fund balance was budgeted at \$70,000. 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 15% 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 \$27,708 which was a decrease of \$214 from the prior year. The fund balance represents 30% of total Street Fund expenditures.

Building Fund. The fund balance was \$21,573 at the end of the year. The revenues exceeded the expenditures by \$14,288 in the current year.

Police Equipment Reserve. The Police Equipment Reserve Fund is funded by transfers from the General Fund. There were no transaction in this fund in the current 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 \$11,358 during the year. Operating income was \$76,981 and \$57,720 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 decreased by \$63,514 during the year. Operating income was \$146,020 and \$204,552 was transferred out to other utility funds.

Water Capital Projects Fund. This fund accounts for activities associated with capital projects. The balance in this fund increased by \$44,828 during the year.

Water SDC Improvement Fund. This fund accounts for the use of Water SDC fees. The balance in this fund increased by \$18,062 during the year, due to fees collected and no expenditures.

Water Line Replacement Fund. This fund accounts for money set aside for water line replacement. The balance in this fund increased by \$9,976 during the year due to revenues collected and no expenditures.

Sewer Bond Fund. This fund accounts for debt service on sewer-related debt. The balance in this fund decreased by \$34 during the year.

Sewer SDC Reimbursement Fund. This fund accounts for sewer system development charges collected and related capital projects. The balance in this fund increased by \$34,848 during the year.

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 \$2,862,104 at the end of the current fiscal year. During the current fiscal year, the City's total debt decreased by \$144,311, net.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The assessed valuation of the City of Amity is \$71,453,503, therefore, the current debt limitation for the City of Amity is \$2,143,605. The City had no outstanding general obligation debt as of June 30, 2016.

City of Amity Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Loans	\$ 125,000	\$ 130,000	\$ 1,407,104	\$ 1,451,415	\$ 1,532,104	\$ 1,581,415
Refunding bonds	-	-	1,330,000	1,425,000	1,330,000	1,425,000
Total	<u>\$ 125,000</u>	<u>\$ 130,000</u>	<u>\$ 2,737,104</u>	<u>\$ 2,876,415</u>	<u>\$ 2,862,104</u>	<u>\$ 3,006,415</u>

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 2016-17 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, 2016

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 99,492	\$ 127,907	\$ 227,399
Internal balances	109,839	(109,839)	-
<i>Total Assets</i>	209,331	18,068	227,399
LIABILITIES			
Payroll withholdings	4,564	-	4,564
NET POSITION			
Restricted for:			
Customer deposits	-	57,346	57,346
Construction	27,716	111,399	139,115
Streets	41,665	-	41,665
Public safety	428	-	428
Community development	27,708	-	27,708
Unrestricted	107,250	(150,677)	(43,427)
<i>Total Net Position</i>	<u>\$ 204,767</u>	<u>\$ 18,068</u>	<u>\$ 222,835</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, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 177,439	\$ 5,173	\$ 17,903	\$ -
Community development	52,741	40,908	-	-
Street	91,409	17,944	96,046	27,379
Parks	42,242	-	-	7,198
Library	26,987	-	-	-
Public safety	206,146	21,678	-	-
Interest on long-term debt	6,003	-	-	-
<i>Total Governmental activities</i>	602,967	85,703	113,949	34,577
Business-type activities:				
Water	697,764	389,918	-	287,910
Sewer	436,513	391,045	-	34,848
<i>Total Business-type activities</i>	1,134,277	780,963	-	322,758
<i>Total Activities</i>	<u>\$ 1,737,244</u>	<u>\$ 866,666</u>	<u>\$ 113,949</u>	<u>\$ 357,335</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>
\$ (154,363)	\$ -	\$ (154,363)
(11,833)	-	(11,833)
49,960	-	49,960
(35,044)	-	(35,044)
(26,987)	-	(26,987)
(184,468)	-	(184,468)
(6,003)	-	(6,003)
(368,738)	-	(368,738)
-	(19,936)	(19,936)
-	(10,620)	(10,620)
-	(30,556)	(30,556)
(368,738)	(30,556)	(399,294)
250,626	-	250,626
104,377	-	104,377
39,191	-	39,191
31,303	5,298	36,601
425,497	5,298	430,795
(80,500)	80,500	-
(23,741)	55,242	31,501
228,508	(37,174)	191,334
\$ 204,767	\$ 18,068	\$ 222,835
\$ 204,767	\$ 18,068	\$ 222,835

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

CITY OF AMITY, OREGON**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

JUNE 30, 2016

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Building</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 27,708	\$ 21,573
Due from other funds	74,146	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 74,146	\$ 27,708	\$ 21,573
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 4,564	\$ -	\$ -
Fund Balance:			
Restricted for:			
Construction	-	-	-
Streets	-	-	21,573
Public safety	-	-	-
Community development	-	27,708	-
Committed to:			
Capital outlay	-	-	-
Debt service	-	-	-
Unassigned	69,582	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balance</i>	69,582	27,708	21,573
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balance</i>	\$ 74,146	\$ 27,708	\$ 21,573
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Capital Projects</i>		
<i>Police Equipment Reserve</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 50,211	\$ 99,492
35,693	-	109,839
<hr/>	<hr/>	<hr/>
\$ 35,693	\$ 50,211	\$ 209,331
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 4,564
-	27,716	27,716
-	20,092	41,665
-	428	428
-	-	27,708
35,693	134	35,827
-	1,841	1,841
-	-	69,582
<hr/>	<hr/>	<hr/>
35,693	50,211	204,767
<hr/>	<hr/>	<hr/>
\$ 35,693	\$ 50,211	\$ 209,331
<hr/>	<hr/>	<hr/>

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, 2016**

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Building</u>
REVENUES			
Taxes and assessments	\$ 250,626	\$ -	\$ -
Fines and forfeitures	21,678	-	-
Licenses and permits	109,550	-	40,908
Charges for services	-	-	-
Intergovernmental	56,945	96,046	-
Miscellaneous	22,901	150	-
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	461,700	96,196	40,908
EXPENDITURES			
General government	473,934	-	26,620
Street	-	91,235	-
Debt payments			
Principal	-	-	-
Interest	-	-	-
Capital acquisitions	-	175	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	473,934	91,410	26,620
	<hr/>	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(12,234)	4,786	14,288
OTHER FINANCING SOURCES (USES)			
Transfers in	-	(5,000)	-
Transfers out	(2,788)	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(2,788)	(5,000)	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(15,022)	(214)	14,288
FUND BALANCE, beginning of year	84,604	27,922	7,285
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 69,582	\$ 27,708	\$ 21,573
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Capital Projects</u>			
<u>Police</u>	<u>Other</u>		
<u>Equipment</u>	<u>Governmental</u>		
<u>Reserve</u>	<u>Funds</u>	<u>Total</u>	
\$ -	\$ -	\$ 250,626	
-	-	21,678	
-	34,577	185,035	
-	17,944	17,944	
-	-	152,991	
-	8,401	31,452	
-	60,922	659,726	
-	-	500,554	
-	-	91,235	
-	5,000	5,000	
-	6,003	6,003	
-	-	175	
-	11,003	602,967	
-	49,919	56,759	
-	2,788	(2,212)	
-	(75,500)	(78,288)	
-	(72,712)	(80,500)	
-	(22,793)	(23,741)	
35,693	73,004	228,508	
\$ 35,693	\$ 50,211	\$ 204,767	

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, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Projects</u>	<u>Water SDC Improvement</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 30,288
Due from other funds	-	-	-	-
<i>Total Assets</i>	-	-	-	30,288
LIABILITIES				
Current liabilities:				
Due to other funds	7,357	80,511	28,120	-
NET POSITION:				
Restricted for:				
Customer deposits	28,673	28,673	-	-
Construction	-	-	-	30,288
Unrestricted	(36,030)	(109,184)	(28,120)	-
<i>Total Net Position</i>	<u>\$ (7,357)</u>	<u>\$ (80,511)</u>	<u>\$ (28,120)</u>	<u>\$ 30,288</u>

<i>Water Line Replacement</i>	<i>Sewer Bond</i>	<i>Sewer SDC Reimbursement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 18,108 2,777	\$ 1,221 -	\$ 73,333 -	\$ 4,957 3,372	\$ 127,907 6,149
20,885	1,221	73,333	8,329	134,056
-	-	-	-	115,988
-	-	-	-	57,346
-	-	73,333	7,778	111,399
20,885	1,221	-	551	(150,677)
<u>\$ 20,885</u>	<u>\$ 1,221</u>	<u>\$ 73,333</u>	<u>\$ 8,329</u>	<u>\$ 18,068</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, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Projects</u>
OPERATING REVENUES			
Charges for services	\$ 379,943	\$ 391,045	\$ -
Miscellaneous	2,264	1,920	1,113
<i>Total Operating Revenues</i>	382,207	392,965	1,113
OPERATING EXPENSES			
Personal services	146,455	102,149	35,732
Materials and services	158,771	144,796	18,811
<i>Total Operating Expenses</i>	305,226	246,945	54,543
OPERATING INCOME	76,981	146,020	(53,430)
NONOPERATING ITEMS			
Capital acquisitions	(7,903)	(4,982)	(277,090)
Debt payments			
Principal	-	-	-
Interest	-	-	-
<i>Total Nonoperating Items</i>	(7,903)	(4,982)	(277,090)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	-	269,848
Transfers in	-	-	105,500
Transfers out	(57,720)	(204,552)	-
CHANGE IN NET POSITION	11,358	(63,514)	44,828
NET POSITION (Deficit), beginning of year	(18,715)	(16,997)	(72,948)
NET POSITION (Deficit), end of year	\$ (7,357)	\$ (80,511)	\$ (28,120)

<i>Water SDC Improvement</i>	<i>Water Line Replacement</i>	<i>Sewer Bond</i>	<i>Sewer SDC Reimbursement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ 9,976	\$ -	\$ -	\$ -	\$ 780,964
-	-	-	-	-	5,297
-	9,976	-	-	-	786,261
-	-	-	-	-	284,336
-	-	-	-	-	322,378
-	-	-	-	-	606,714
-	9,976	-	-	-	179,547
-	-	-	-	-	(289,975)
-	-	(95,000)	-	(44,311)	(139,311)
-	-	(89,586)	-	(8,691)	(98,277)
-	-	(184,586)	-	(53,002)	(527,563)
18,062	-	-	34,848	-	322,758
-	-	184,552	-	52,720	342,772
-	-	-	-	-	(262,272)
18,062	9,976	(34)	34,848	(282)	55,242
12,226	10,909	1,255	38,485	8,611	(37,174)
\$ 30,288	\$ 20,885	\$ 1,221	\$ 73,333	\$ 8,329	\$ 18,068

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 and special revenue) and proprietary (enterprise) type funds (enterprise). 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.

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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 Reimbursement Fund

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

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.

The City reports the following nonmajor governmental funds:

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.

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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.

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 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.

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.

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 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.

The City reports the following proprietary funds as nonmajor:

Water Bond Fund

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

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 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.

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, capital assets such as property and equipment, and long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the 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 or the Enterprise Fund Statements of Fund Net Position.

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, 2016 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, 2016. Actual results may differ from those estimates.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2016:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
Cash		
Cash on hand	\$ 400	\$ 400
Deposits with financial institutions	82,496	82,496
Investments		
Local Government Investment Pool	144,503	144,503
	<u>\$ 227,399</u>	<u>\$ 227,399</u>

Deposits

The book balance of the City’s bank deposits (checking accounts) was \$82,496 and the bank balance was \$109,243 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, 2016, 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, 2016, the fair value of the position in the Oregon State Treasurer’s Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. 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, 2016

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 July 1, 2015</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2016</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.	\$ 130,000	\$ -	\$ (5,000)	\$ 125,000	\$ 5,000

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

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2015</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2016</u>	<u>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	\$ 869,142	\$ -	\$ (44,311)	\$ 824,831	\$ 44,754
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	-	-	582,273	13,176
Full Faith and Credit Refunding Obligations 2.0% - 3.5% interest rate with a maturity date of December 1, 2027	1,425,000	-	(95,000)	1,330,000	95,000
	<u>\$ 2,876,415</u>	<u>\$ -</u>	<u>\$ (139,311)</u>	<u>\$ 2,737,104</u>	<u>\$ 152,930</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

<u>Year</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 5,000	\$ 6,300	\$ 11,300
2017-18	5,000	6,075	11,075
2018-19	5,000	5,850	10,850
2019-20	10,000	5,625	15,625
2020-21	10,000	5,175	15,175
2022-2026	50,000	18,375	68,375
2027-2031	40,000	7,071	47,071
Totals	<u>\$ 125,000</u>	<u>\$ 54,471</u>	<u>\$ 179,471</u>

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

LONG-TERM DEBT (Continued)

Business-type Activities

<u>Year</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 152,930	\$ 71,841	\$ 224,771
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
2022-2026	906,932	226,688	1,133,620
2027-2031	622,794	109,364	732,158
2032-2036	250,460	56,786	307,246
2037-2040	156,142	5,486	161,628
Totals	<u>\$ 2,737,104</u>	<u>\$ 726,099</u>	<u>\$ 3,463,203</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, 2016

PENSION PLAN (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, 2016

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, 2013 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, 2016 were \$40,662, excluding amounts to fund employer specific liabilities.

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The total contributed by the City on behalf of employees for the year ended December 31, 2015 was \$41,894.

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, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service

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

PENSION PLAN (Continued)

Actuarial Methods and Assumptions: (Continued)

Mortality

Healthy retirees and beneficiaries:
RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.
Active members:
Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
Disabled retirees:
Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

Discount Rate

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in 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, 2016

PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	8.00 %	4.10 %
Short-Term Bonds	8.00	3.65
Bank/Leveraged Loans	3.00	5.69
High Yield Bonds	1.00	6.67
Large/Mid Cap US Equities	15.75	7.96
Small Cap US Equities	1.31	8.93
Micro Cap US Equities	1.31	9.37
Developed Foreign Equities	13.13	8.34
Emerging Market Equities	4.13	10.56
Non-US Small Cap Equities	1.88	9.01
Private Equity	17.50	11.60
Real Estate (Property)	10.00	6.48
Real Estate (REITS)	2.50	8.74
Hedge Fund of Funds - Diversified	2.50	4.94
Hedge Fund - Event-driven	0.63	7.07
Timber	1.88	6.60
Farmland	1.88	7.11
Infrastructure	3.75	8.31
Commodities	1.88	6.07
Assumed Inflation - Mean		2.50

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 646,254	\$ 267,770	\$ (51,192)

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

TRANSFERS

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

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 2,788
Street	-	5,000
Street SDC Reimbursement	-	3,500
General Bond Debt	2,788	-
Street Reserve	-	44,000
Street SDC Improvement	-	22,500
Storm Drain SDC Improvement	-	5,500
Water	-	57,720
Water Bond	52,720	-
Water Capital Projects	105,500	-
Sewer	-	204,552
Sewer Bond	184,552	-
	<u>\$ 345,560</u>	<u>\$ 345,560</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, 2016

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, 2016 occurred as follows:

<u>Fund / Appropriation category</u>	<u>Appropriation</u>	<u>Disbursement</u>	<u>Variance</u>
General			
Personal services	\$ 323,618	\$ 332,182	\$ (8,564)
Building			
Materials and services	14,900	20,198	(5,298)
Water			
Materials and services	139,000	158,771	(19,771)
Sewer			
Materials and services	127,297	144,796	(17,499)
Transfers out	(153,228)	(204,552)	(51,324)
Sewer Bond			
Debt service			
Interest	38,263	89,586	(51,323)

The following funds reported deficit fund balances as of June 30, 2016:

	<u>Deficit</u> <u>Fund Balance</u>
Water	\$ (7,357)
Water Capital Projects	(28,120)
Sewer	(80,511)
	<u>\$ (115,988)</u>

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2016, 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, 2016

	<i>Special Revenue</i>		<i>Capital Projects</i>	
	<i>Street SDC Reimbursement</i>	<i>911 Tax</i>	<i>Street Reserve</i>	<i>Street SDC Improvement</i>
ASSETS				
Cash and cash equivalents	\$ 134	\$ 428	\$ 456	\$ 19,636
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>	\$ -	\$ -	\$ -	\$ -
<i>Fund Balance:</i>				
Restricted for:				
Capital acquisitions	-	-	-	-
Streets	-	-	456	19,636
Public safety	-	428	-	-
Committed to:				
Capital outlay	134	-	-	-
Debt service	-	-	-	-
<i>Total Fund Balance</i>	134	428	456	19,636
<i>Total Liabilities and Fund Balance</i>	\$ 134	\$ 428	\$ 456	\$ 19,636

<i>Capital Projects</i>				<i>Debt Service</i>	
<i>Storm Drain SDC Improvement</i>	<i>Storm Drain SDC Reimbursement</i>	<i>Parks SDC Improvement</i>	<i>Parks SDC Reimbursement</i>	<i>General Bond Debt</i>	<i>Total</i>
\$ 9,155	\$ 218	\$ 18,056	\$ 287	\$ 1,841	\$ 50,211
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,155	218	18,056	287	-	27,716
-	-	-	-	-	20,092
-	-	-	-	-	428
-	-	-	-	-	134
-	-	-	-	1,841	1,841
9,155	218	18,056	287	1,841	50,211
\$ 9,155	\$ 218	\$ 18,056	\$ 287	\$ 1,841	\$ 50,211

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

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Street SDC Reimbursement</u>	<u>911 Tax</u>	<u>Street Reserve</u>	<u>Street SDC Improvement</u>
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ 19,190
Charges for services	-	-	17,944	-
Miscellaneous	-	-	-	-
<i>Total Revenues</i>	-	-	17,944	19,190
EXPENDITURES				
Debt payments				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total Expenditures</i>	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	17,944	19,190
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(3,500)	-	(44,000)	(22,500)
<i>Total Other Financing Sources and Uses</i>	(3,500)	-	(44,000)	(22,500)
NET CHANGE IN FUND BALANCE	(3,500)	-	(26,056)	(3,310)
FUND BALANCE, beginning of year	3,634	428	26,512	22,946
FUND BALANCE, end of year	\$ 134	\$ 428	\$ 456	\$ 19,636

<i>Capital Projects</i>				<i>Debt Service</i>	
<i>Storm Drain SDC Improvement</i>	<i>Storm Drain SDC Reimbursement</i>	<i>Parks SDC Improvement</i>	<i>Parks SDC Reimbursement</i>	<i>General Bond Debt</i>	<i>Total</i>
\$ 8,189	\$ -	\$ 7,198	\$ -	\$ -	\$ 34,577
-	-	-	-	-	17,944
-	-	-	-	8,401	8,401
8,189	-	7,198	-	8,401	60,922
-	-	-	-	5,000	5,000
-	-	-	-	6,003	6,003
-	-	-	-	11,003	11,003
8,189	-	7,198	-	(2,602)	49,919
-	-	-	-	2,788	2,788
(5,500)	-	-	-	-	(75,500)
(5,500)	-	-	-	2,788	(72,712)
2,689	-	7,198	-	186	(22,793)
6,466	218	10,858	287	1,655	73,004
\$ 9,155	\$ 218	\$ 18,056	\$ 287	\$ 1,841	\$ 50,211

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 254,000	\$ 254,000	\$ 250,626	\$ (3,374)
Fines and forfeitures	31,700	31,700	21,678	(10,022)
Licenses and permits	106,600	106,600	109,550	2,950
Intergovernmental	53,700	53,700	56,945	3,245
Miscellaneous	5,500	5,500	22,901	17,401
<i>Total Revenues</i>	451,500	451,500	461,700	10,200
EXPENDITURES				
Personal services	323,618	323,618	332,182	(8,564)
Materials and services	164,500	164,500	141,752	22,748
Contingency	27,594	27,594	-	27,594
<i>Total Expenditures</i>	515,712	515,712	473,934	41,778
REVENUES OVER (UNDER) EXPENDITURES	(64,212)	(64,212)	(12,234)	51,978
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,788)	(5,788)	(2,788)	3,000
NET CHANGE IN FUND BALANCE	(70,000)	(70,000)	(15,022)	54,978
FUND BALANCE, beginning of year	70,000	70,000	84,604	14,604
FUND BALANCE, end of year	\$ -	\$ -	\$ 69,582	\$ 69,582

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 96,046	\$ 6,046
Miscellaneous	-	-	150	150
<i>Total Revenues</i>	90,000	90,000	96,196	6,196
EXPENDITURES				
Personal services	51,501	51,501	50,989	512
Materials and services	51,800	51,800	40,246	11,554
Capital outlay	3,000	3,000	175	2,825
Contingency	6,699	6,699	-	6,699
<i>Total Expenditures</i>	113,000	113,000	91,410	21,590
REVENUES OVER (UNDER) EXPENDITURES	(23,000)	(23,000)	4,786	27,786
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE	(28,000)	(28,000)	(214)	27,786
FUND BALANCE, beginning of year	28,000	28,000	27,922	(78)
FUND BALANCE, end of year	\$ -	\$ -	\$ 27,708	\$ 27,708

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
EXPENDITURES				
Capital outlay	6,134	6,134	-	6,134
REVENUES OVER (UNDER) EXPENDITURES	(134)	(134)	-	134
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,500)	(3,500)	(3,500)	-
NET CHANGE IN FUND BALANCE	(3,634)	(3,634)	(3,500)	134
FUND BALANCE, beginning of year	3,634	3,634	3,634	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 134	\$ 134

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, 2016

	<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	35,693	35,693	35,693	-
FUND BALANCE, end of year	\$ 38,693	\$ 38,693	\$ 35,693	\$ (3,000)

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 17,000	\$ 17,000	\$ 40,908	\$ 23,908
Miscellaneous	300	300	-	(300)
<i>Total Revenues</i>	17,300	17,300	40,908	23,608
EXPENDITURES				
Personal services	6,598	6,598	6,422	176
Materials and services	14,900	14,900	20,198	(5,298)
Contingency	702	702	-	702
<i>Total Expenditures</i>	22,200	22,200	26,620	(4,420)
NET CHANGE IN FUND BALANCE	(4,900)	(4,900)	14,288	19,188
FUND BALANCE, beginning of year	4,900	4,900	7,285	2,385
FUND BALANCE, end of year	\$ -	\$ -	\$ 21,573	\$ 21,573

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, 2016

	<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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 18,000	\$ 18,000	\$ 17,944	\$ (56)
EXPENDITURES				
Capital outlay	423	423	-	423
REVENUES OVER (UNDER) EXPENDITURES	17,577	17,577	17,944	367
OTHER FINANCING SOURCES (USES)				
Transfers out	(44,000)	(44,000)	(44,000)	-
NET CHANGE IN FUND BALANCE	(26,423)	(26,423)	(26,056)	367
FUND BALANCE, beginning of year	26,423	26,423	26,512	89
FUND BALANCE, end of year	\$ -	\$ -	\$ 456	\$ 456

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 19,190	\$ (810)
EXPENDITURES				
Capital outlay	20,100	20,100	-	20,100
REVENUES OVER (UNDER) EXPENDITURES	(100)	(100)	19,190	19,290
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,500)	(22,500)	(22,500)	-
NET CHANGE IN FUND BALANCE	(22,600)	(22,600)	(3,310)	19,290
FUND BALANCE, beginning of year	22,600	22,600	22,946	346
FUND BALANCE, end of year	\$ -	\$ -	\$ 19,636	\$ 19,636

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 8,189	\$ 4,189
EXPENDITURES				
Capital outlay	4,275	4,275	-	4,275
REVENUES OVER (UNDER) EXPENDITURES	(275)	(275)	8,189	8,464
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,500)	(5,500)	(5,500)	-
NET CHANGE IN FUND BALANCE	(5,775)	(5,775)	2,689	8,464
FUND BALANCE, beginning of year	5,775	5,775	6,466	691
FUND BALANCE, end of year	\$ -	\$ -	\$ 9,155	\$ 9,155

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 200	\$ 200	\$ -	\$ (200)
EXPENDITURES				
Capital outlay	415	415	-	415
NET CHANGE IN FUND BALANCE	(215)	(215)	-	215
FUND BALANCE, beginning of year	215	215	218	3
FUND BALANCE, end of year	\$ -	\$ -	\$ 218	\$ 218

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 7,198	\$ 2,198
EXPENDITURES				
Capital outlay	13,128	13,128	-	13,128
NET CHANGE IN FUND BALANCE	(8,128)	(8,128)	7,198	15,326
FUND BALANCE, beginning of year	8,128	8,128	10,858	2,730
FUND BALANCE, end of year	\$ -	\$ -	\$ 18,056	\$ 18,056

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, 2016

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

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 8,400	\$ 8,400	\$ 8,401	\$ 1
EXPENDITURES				
Debt service				
Principal	5,000	5,000	5,000	-
Interest	6,525	6,525	6,003	522
<i>Total Expenditures</i>	<u>11,525</u>	<u>11,525</u>	<u>11,003</u>	<u>522</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,125)	(3,125)	(2,602)	523
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,788</u>	<u>2,788</u>	<u>2,788</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(337)	(337)	186	523
FUND BALANCE, beginning of year	337	337	1,655	1,318
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,841</u>	<u>\$ 1,841</u>

CITY OF AMITY, OREGON

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

JUNE 30, 2016

	<u>Water Bond</u>	<u>Water SDC Reimbursement</u>	<u>Sewer SDC Improvement</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 551	\$ -	\$ 4,406
Due from other funds	-	3,372	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	551	3,372	4,406
LIABILITIES			
	<hr/>	<hr/>	<hr/>
	-	-	-
NET POSITION			
Restricted for:			
Construction	-	3,372	4,406
Unrestricted	551	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	<u>\$ 551</u>	<u>\$ 3,372</u>	<u>\$ 4,406</u>

Total

\$ 4,957
3,372

8,329

-

7,778
551

\$ 8,329

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, 2016**

	<u>Water Bond</u>	<u>Water SDC Reimbursement</u>	<u>Sewer SDC Improvement</u>
OPERATING REVENUES	\$ -	\$ -	\$ -
OPERATING EXPENSES	-	-	-
OPERATING INCOME	-	-	-
NONOPERATING ITEMS			
Debt payments			
Principal	(44,311)	-	-
Interest	(8,691)	-	-
<i>Total Nonoperating Items</i>	(53,002)	-	-
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS			
Transfers in	52,720	-	-
CHANGE IN NET POSITION	(282)	-	-
NET POSITION, beginning of year	833	3,372	4,406
NET POSITION, end of year	\$ 551	\$ 3,372	\$ 4,406

Total

\$ -

-

-

(44,311)

(8,691)

(53,002)

52,720

(282)

8,611

\$ 8,329

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 374,000	\$ 374,000	\$ 379,943	\$ 5,943
Miscellaneous	-	-	2,264	2,264
<i>Total Revenues</i>	374,000	374,000	382,207	8,207
EXPENDITURES				
Personal services	150,977	150,977	146,455	4,522
Materials and services	139,000	139,000	158,771	(19,771)
Capital outlay	12,500	12,500	7,903	4,597
Contingency	13,803	13,803	-	13,803
<i>Total Expenditures</i>	316,280	316,280	313,129	3,151
REVENUES OVER (UNDER) EXPENDITURES	57,720	57,720	69,078	11,358
OTHER FINANCING SOURCES (USES)				
Transfers out	(57,720)	(57,720)	(57,720)	-
CHANGE IN FUND BALANCE	-	-	11,358	11,358
FUND BALANCE (Deficit), beginning of year	-	-	(18,715)	(18,715)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (7,357)	\$ (7,357)

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 400,000	\$ 400,000	\$ 391,045	\$ (8,955)
Miscellaneous	-	-	1,920	1,920
<i>Total Revenues</i>	400,000	400,000	392,965	(7,035)
EXPENDITURES				
Personal services	106,975	106,975	102,149	4,826
Materials and services	127,297	127,297	144,796	(17,499)
Capital outlay	12,500	12,500	4,982	7,518
<i>Total Expenditures</i>	246,772	246,772	251,927	(5,155)
REVENUES OVER (UNDER) EXPENDITURES	153,228	153,228	141,038	(12,190)
OTHER FINANCING SOURCES (USES)				
Transfers out	(153,228)	(153,228)	(204,552)	(51,324)
CHANGE IN FUND BALANCE	-	-	(63,514)	(63,514)
FUND BALANCE (Deficit), beginning of year	-	-	(16,997)	(16,997)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (80,511)	\$ (80,511)

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 633,225	\$ 633,225	\$ 269,848	\$ (363,377)
Miscellaneous	32,200	32,200	1,113	(31,087)
<i>Total Revenues</i>	665,425	665,425	270,961	(394,464)
EXPENDITURES				
Personal services	161,691	161,691	35,732	125,959
Materials and services	169,075	169,075	18,811	150,264
Capital outlay	346,244	346,244	277,090	69,154
Contingency	93,915	93,915	-	93,915
<i>Total Expenditures</i>	770,925	770,925	331,633	439,292
REVENUES OVER (UNDER) EXPENDITURES	(105,500)	(105,500)	(60,672)	44,828
OTHER FINANCING SOURCES (USES)				
Transfers in	105,500	105,500	105,500	-
CHANGE IN FUND BALANCE	-	-	44,828	44,828
FUND BALANCE (Deficit), beginning of year	-	-	(72,948)	(72,948)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (28,120)	\$ (28,120)

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 18,062	\$ 8,062
EXPENDITURES				
Capital outlay	22,226	22,226	-	22,226
CHANGE IN FUND BALANCE	(12,226)	(12,226)	18,062	30,288
FUND BALANCE, beginning of year	12,226	12,226	12,226	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 30,288	\$ 30,288

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, 2016

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 9,976	\$ (24)
EXPENDITURES				
Capital outlay	20,823	20,823	-	20,823
CHANGE IN FUND BALANCE	(10,823)	(10,823)	9,976	20,799
FUND BALANCE, beginning of year	10,823	10,823	10,909	86
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,885</u>	<u>\$ 20,885</u>

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	95,000	95,000	95,000	-
Interest	38,263	38,263	89,586	(51,323)
<i>Total Expenditures</i>	<u>133,263</u>	<u>133,263</u>	<u>184,586</u>	<u>(51,323)</u>
REVENUES OVER (UNDER) EXPENDITURES	(133,263)	(133,263)	(184,586)	(51,323)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>133,228</u>	<u>133,228</u>	<u>184,552</u>	<u>51,324</u>
CHANGE IN FUND BALANCE	(35)	(35)	(34)	1
FUND BALANCE, beginning of year	<u>35</u>	<u>35</u>	<u>1,255</u>	<u>1,220</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221</u>	<u>\$ 1,221</u>

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, 2016

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 34,848	\$ (5,152)
EXPENDITURES				
Capital outlay	78,485	78,485	-	78,485
CHANGE IN FUND BALANCE	(38,485)	(38,485)	34,848	73,333
FUND BALANCE, beginning of year	38,485	38,485	38,485	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 73,333	\$ 73,333

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, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	44,311	44,311	44,311	-
Interest	8,691	8,691	8,691	-
<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	52,720	52,720	52,720	-
CHANGE IN FUND BALANCE	(282)	(282)	(282)	-
FUND BALANCE, beginning of year	282	282	833	551
FUND BALANCE, end of year	\$ -	\$ -	\$ 551	\$ 551

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, 2016

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

CITY OF AMITY, OREGON

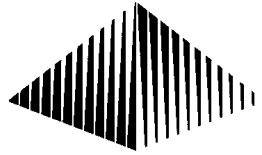
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2016

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

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, 2016, and have issued our report thereon dated November 16, 2016.

Compliance and Other Matters

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

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

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

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

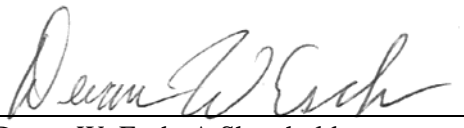
Internal Control Over Financial Reporting

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 16, 2016