

***CITY OF AMITY, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2020***

**CITY OF AMITY, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2020**

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| <u><i>Name</i></u> | <u><i>Position</i></u> | <u><i>Term Expires</i></u> |
|--------------------|------------------------|----------------------------|
| Michael Cape       | Mayor                  | December 31, 2020          |
| Ryan Lehman        | Council President      | December 31, 2022          |
| Robert Andrade     | Council Member         | December 21, 2022          |
| Jenna Goings       | Council Member         | December 31, 2020          |
| Sandy McArthur     | Council Member         | December 31, 2020          |

The above individuals may be contacted at the address below.

**CITY ADMINISTRATOR**

Michael Thomas

**CITY RECORDER**

Natasha Johnson

**MAILING ADDRESS**

P.O. Box 159  
Amity, Oregon 97101

**CITY OF AMITY, OREGON**  
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***FINANCIAL SECTION***



# GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## ***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, 2020, 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

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

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

## ***Opinions***

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amity, as of June 30, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting principles in the notes to the financial statements.

## ***Basis of Accounting***

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

## ***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***

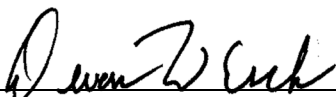
#### ***Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 17, 2021 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  
February 17, 2021

# CITY OF AMITY, OREGON

## Management's Discussion and Analysis June 30, 2020

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, 2020.

### Financial Highlights

|                                     | June 30,     |            | change     |
|-------------------------------------|--------------|------------|------------|
|                                     | 2020         | 2019       |            |
| Net position                        | \$ 1,397,884 | \$ 924,521 | \$ 473,363 |
| Change in net position              | 473,363      | 477,430    | (4,067)    |
| Governmental net position           | 671,007      | 526,816    | 144,191    |
| Proprietary net position            | 726,877      | 397,705    | 329,172    |
| Change in governmental net position | 144,191      | 221,762    | (77,571)   |
| Change in proprietary net position  | 329,172      | 255,668    | 73,504     |

### 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, general government, community development, street, parks, library, and public safety. 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 *supplemental information*, including the budgetary comparison 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 \$1,397,884 as of June 30, 2020.

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,**

|                           | 2020                    |                          |              | 2019                    |                          |            |
|---------------------------|-------------------------|--------------------------|--------------|-------------------------|--------------------------|------------|
|                           | Governmental Activities | Business-type Activities | Total        | Governmental Activities | Business-type Activities | Total      |
| Cash and cash equivalents | \$ 671,007              | \$ 795,777               | \$ 1,466,784 | \$ 526,816              | \$ 465,790               | \$ 992,606 |
| Liabilities               | -                       | 68,900                   | 68,900       | -                       | 68,085                   | 68,085     |
| Net Position:             |                         |                          |              |                         |                          |            |
| Restricted                | 457,723                 | 496,602                  | 954,325      | 346,580                 | 341,544                  | 688,124    |
| Unrestricted              | 213,284                 | 230,275                  | 443,559      | 180,236                 | 56,161                   | 236,397    |
| Total Net Position        | \$ 671,007              | \$ 726,877               | \$ 1,397,884 | \$ 526,816              | \$ 397,705               | \$ 924,521 |

**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,**

|                                              | 2020                       |                                 |                     | 2019                       |                                 |                   |
|----------------------------------------------|----------------------------|---------------------------------|---------------------|----------------------------|---------------------------------|-------------------|
|                                              | Governmental<br>Activities | Business-<br>type<br>Activities | Total               | Governmental<br>Activities | Business-<br>type<br>Activities | Total             |
| <b>Revenues</b>                              |                            |                                 |                     |                            |                                 |                   |
| Program revenues                             |                            |                                 |                     |                            |                                 |                   |
| Charges for service                          | \$ 153,019                 | \$ 1,033,007                    | \$ 1,186,026        | \$ 141,686                 | \$ 970,894                      | \$ 1,112,580      |
| Operating grants                             | 152,171                    | -                               | 152,171             | 139,227                    | -                               | 139,227           |
| Capital grants                               | 144,765                    | 958,921                         | 1,103,686           | 265,334                    | 266,495                         | 531,829           |
| General revenues                             |                            |                                 |                     |                            |                                 |                   |
| Taxes and assessments                        | 302,454                    | -                               | 302,454             | 287,372                    | -                               | 287,372           |
| Franchise taxes                              | 89,560                     | -                               | 89,560              | 87,665                     | -                               | 87,665            |
| Intergovernmental                            | 58,492                     | -                               | 58,492              | 51,356                     | -                               | 51,356            |
| Miscellaneous                                | 32,084                     | 1,410                           | 33,494              | 31,058                     | 2,085                           | 33,143            |
| <i>Total revenues</i>                        | <u>932,545</u>             | <u>1,993,338</u>                | <u>2,925,883</u>    | <u>1,003,698</u>           | <u>1,239,474</u>                | <u>2,243,172</u>  |
| <b>Expenses</b>                              |                            |                                 |                     |                            |                                 |                   |
| General government                           | 217,688                    | -                               | 217,688             | 212,572                    | -                               | 212,572           |
| Community development                        | 64,799                     | -                               | 64,799              | 31,185                     | -                               | 31,185            |
| Street                                       | 221,235                    | -                               | 221,235             | 263,428                    | -                               | 263,428           |
| Parks                                        | 27,570                     | -                               | 27,570              | 27,594                     | -                               | 27,594            |
| Library                                      | 35,203                     | -                               | 35,203              | 37,100                     | -                               | 37,100            |
| Public safety                                | 269,823                    | -                               | 269,823             | 252,397                    | -                               | 252,397           |
| Interest on long-term debt                   | 2,643                      | -                               | 2,643               | 5,388                      | -                               | 5,388             |
| Water                                        | -                          | 1,206,666                       | 1,206,666           | -                          | 531,283                         | 531,283           |
| Sewer                                        | -                          | 406,893                         | 406,893             | -                          | 404,795                         | 404,795           |
| <i>Total expenses</i>                        | <u>838,961</u>             | <u>1,613,559</u>                | <u>2,452,520</u>    | <u>829,664</u>             | <u>936,078</u>                  | <u>1,765,742</u>  |
| Transfers                                    | 50,607                     | (50,607)                        | -                   | 47,728                     | (47,728)                        | -                 |
| Change in net position                       | 144,191                    | 329,172                         | 473,363             | 221,762                    | 255,668                         | 477,430           |
| Net position, beginning of year, as restated | <u>526,816</u>             | <u>397,705</u>                  | <u>924,521</u>      | <u>305,054</u>             | <u>142,037</u>                  | <u>447,091</u>    |
| Net position, end of year, as restated       | <u>\$ 671,007</u>          | <u>\$ 726,877</u>               | <u>\$ 1,397,884</u> | <u>\$ 526,816</u>          | <u>\$ 397,705</u>               | <u>\$ 924,521</u> |

**Financial Analysis of the City’s Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City’s net position increased by \$473,363 during the fiscal year 2019-2020.

*Governmental activities:* The City’s net position increased by \$144,191 from governmental activities. The primary revenue increase was from property taxes, charges for services, and operating grants. Expenses increased slightly.

*Business-type activities:* The City’s net position increased by \$329,172 from business-type activities. Capital grants had a significant increase compared to the prior year, and expenses increased significantly as well. Both increases are related to the City’s water system improvement project.

**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. At the end of the fiscal year, a fund balance of \$213,284 was reported by the General Fund. The fund balance increased by \$33,048 from the previous year primarily due to increases in intergovernmental revenues.

*Street Fund.* The majority of Street Fund revenues are State gas tax revenue. The fund balance at the end of the year was \$87,128 which was an increase of \$9,498 from the prior year. The fund balance represents 40% of total Street Fund expenditures.

*SDC Fund.* This fund accounts for system development charges designated for streets, parks, storm, water, and sewer. The fund balance at the end of the year was \$867,197 which was an increase of \$256,703 from the prior year as a result of SDC fees collected. There was \$8,940 in expenditures, and no transfers during the year.

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

*Water Fund.* This fund accounts for the operations of the City’s water system. The balance in this fund increased by \$118,386 during the year. Operating income was \$219,725 and \$26,664 was transferred out to the General fund.

*Sewer Fund.* This fund accounts for the operations of the City’s sewer system. The balance in this fund increased by \$55,728 during the year. Operating income was \$256,430 and \$23,943 was transferred out to the General fund.

**General Fund Budget**

There was one supplemental budget approved by City Council that affected balances in the General Fund during the year, which resulted in an increase to transfers out and reduction to contingency by \$49,000.

**Debt Administration**

Long-term debt. The City had total debt outstanding of \$2,191,215 at the end of the current fiscal year. During the current fiscal year, the City’s total debt decreased by \$179,208.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The City had no outstanding general obligation debt as of June 30, 2020.

**City of Amity  
Outstanding Debt**

|                 | Governmental Activities |                   | Business-type Activities |                     | Totals              |                     |
|-----------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                 | 2020                    | 2019              | 2020                     | 2019                | 2020                | 2019                |
| Loans           | \$ 100,000              | \$ 110,000        | \$ 1,156,215             | \$ 1,220,423        | \$ 1,256,215        | \$ 1,330,423        |
| Refunding bonds | -                       | -                 | 935,000                  | 1,040,000           | 935,000             | 1,040,000           |
| <b>Total</b>    | <b>\$ 100,000</b>       | <b>\$ 110,000</b> | <b>\$ 2,091,215</b>      | <b>\$ 2,260,423</b> | <b>\$ 2,191,215</b> | <b>\$ 2,370,423</b> |

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 2020-21 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, 2020**

|                           | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Totals</b>       |
|---------------------------|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>             |                                    |                                     |                     |
| Cash and cash equivalents | \$ 671,007                         | \$ 795,777                          | \$ 1,466,784        |
| <b>LIABILITIES</b>        |                                    |                                     |                     |
| Deposits                  | -                                  | 68,900                              | 68,900              |
| <b>NET POSITION</b>       |                                    |                                     |                     |
| Restricted for:           |                                    |                                     |                     |
| Construction              | 370,595                            | 496,602                             | 867,197             |
| Streets                   | 87,128                             | -                                   | 87,128              |
| Unrestricted              | 213,284                            | 230,275                             | 443,559             |
| <i>Total Net Position</i> | <u>\$ 671,007</u>                  | <u>\$ 726,877</u>                   | <u>\$ 1,397,884</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, 2020

|                                                      | Expenses     | Program Revenues                           |                                          |                                        | Net (Expenses) Revenues<br>and Changes in Net Position |                             |              |
|------------------------------------------------------|--------------|--------------------------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------------|-----------------------------|--------------|
|                                                      |              | Fees, Fines<br>and Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                             | Business-type<br>Activities | Total        |
| <b>FUNCTIONS/PROGRAMS</b>                            |              |                                            |                                          |                                        |                                                        |                             |              |
| <b>Governmental activities:</b>                      |              |                                            |                                          |                                        |                                                        |                             |              |
| General government                                   | \$ 217,688   | \$ 2,950                                   | \$ -                                     | \$ -                                   | \$ (214,738)                                           | \$ -                        | \$ (214,738) |
| Community development                                | 64,799       | 23,751                                     | 25,587                                   | -                                      | (15,461)                                               | -                           | (15,461)     |
| Street                                               | 221,235      | 19,711                                     | 117,722                                  | 61,443                                 | (22,359)                                               | -                           | (22,359)     |
| Parks                                                | 27,570       | 3,190                                      | 6,817                                    | 83,322                                 | 65,759                                                 | -                           | 65,759       |
| Library                                              | 35,203       | -                                          | 2,045                                    | -                                      | (33,158)                                               | -                           | (33,158)     |
| Public safety                                        | 269,823      | 103,417                                    | -                                        | -                                      | (166,406)                                              | -                           | (166,406)    |
| Interest on long-term debt                           | 2,643        | -                                          | -                                        | -                                      | (2,643)                                                | -                           | (2,643)      |
| <i>Total Governmental activities</i>                 | 838,961      | 153,019                                    | 152,171                                  | 144,765                                | (389,006)                                              | -                           | (389,006)    |
| <b>Business-type activities:</b>                     |              |                                            |                                          |                                        |                                                        |                             |              |
| Water                                                | 1,206,666    | 546,443                                    | -                                        | 854,917                                | -                                                      | 194,694                     | 194,694      |
| Sewer                                                | 406,893      | 486,564                                    | -                                        | 104,004                                | -                                                      | 183,675                     | 183,675      |
| <i>Total Business-type activities</i>                | 1,613,559    | 1,033,007                                  | -                                        | 958,921                                | -                                                      | 378,369                     | 378,369      |
| <i>Total Activities</i>                              | \$ 2,452,520 | \$ 1,186,026                               | \$ 152,171                               | \$ 1,103,686                           | (389,006)                                              | 378,369                     | (10,637)     |
| <b>General Revenues:</b>                             |              |                                            |                                          |                                        |                                                        |                             |              |
| Property taxes                                       |              |                                            |                                          |                                        | 302,454                                                | -                           | 302,454      |
| Franchise taxes                                      |              |                                            |                                          |                                        | 89,560                                                 | -                           | 89,560       |
| Intergovernmental                                    |              |                                            |                                          |                                        | 58,492                                                 | -                           | 58,492       |
| Miscellaneous                                        |              |                                            |                                          |                                        | 32,084                                                 | 1,410                       | 33,494       |
| <i>Total General Revenues</i>                        |              |                                            |                                          |                                        | 482,590                                                | 1,410                       | 484,000      |
| <b>Transfers</b>                                     |              |                                            |                                          |                                        | 50,607                                                 | (50,607)                    | -            |
| <b>Change in net position</b>                        |              |                                            |                                          |                                        | 144,191                                                | 329,172                     | 473,363      |
| <b>Net position - beginning of year, as restated</b> |              |                                            |                                          |                                        | 526,816                                                | 397,705                     | 924,521      |
| <b>Net position - end of year</b>                    |              |                                            |                                          |                                        | \$ 671,007                                             | \$ 726,877                  | \$ 1,397,884 |

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

**CITY OF AMITY, OREGON**

**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

**JUNE 30, 2020**

|                                           | <u>General</u>    | <u>Special Revenue<br/>Street</u> | <u>Capital Projects<br/>SDC</u> | <u>Total</u>        |
|-------------------------------------------|-------------------|-----------------------------------|---------------------------------|---------------------|
| <b>ASSETS</b>                             |                   |                                   |                                 |                     |
| Cash and cash equivalents                 | \$ 213,284        | \$ 87,128                         | \$ 867,197                      | \$ 1,167,609        |
| <b>LIABILITIES AND FUND BALANCE</b>       |                   |                                   |                                 |                     |
| <b>Fund Balance:</b>                      |                   |                                   |                                 |                     |
| Restricted for:                           |                   |                                   |                                 |                     |
| Construction                              | \$ -              | \$ -                              | \$ 867,197                      | \$ 867,197          |
| Streets                                   | -                 | 87,128                            | -                               | 87,128              |
| Unassigned                                | 213,284           | -                                 | -                               | 213,284             |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 213,284</b> | <b>\$ 87,128</b>                  | <b>\$ 867,197</b>               | <b>\$ 1,167,609</b> |

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

|                                                            |                   |
|------------------------------------------------------------|-------------------|
| Fund balances                                              | \$ 1,167,609      |
| Water and Sewer unspent SDC funds included in the SDC Fund | (496,602)         |
| <b>Net Position</b>                                        | <b>\$ 671,007</b> |

*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, 2020**

|                                             | <u>General</u> | <u>Special Revenue<br/>Street</u> | <u>Capital Projects<br/>SDC</u> | <u>Total</u> |
|---------------------------------------------|----------------|-----------------------------------|---------------------------------|--------------|
| <b>REVENUES</b>                             |                |                                   |                                 |              |
| Taxes and assessments                       | \$ 302,454     | \$ -                              | \$ -                            | \$ 302,454   |
| Fines and forfeitures                       | 15,598         | -                                 | -                               | 15,598       |
| Licenses and permits                        | 195,715        | -                                 | 265,643                         | 461,358      |
| Charges for services                        | -              | 19,609                            | -                               | 19,609       |
| Intergovernmental                           | 82,679         | 160,843                           | -                               | 243,522      |
| Miscellaneous                               | 53,901         | 101                               | -                               | 54,002       |
| <i>Total Revenues</i>                       | 650,347        | 180,553                           | 265,643                         | 1,096,543    |
| <b>EXPENDITURES</b>                         |                |                                   |                                 |              |
| General programs                            | 618,906        | -                                 | -                               | 618,906      |
| Street programs                             | -              | 220,055                           | -                               | 220,055      |
| SDC expense                                 | -              | -                                 | 8,940                           | 8,940        |
| <i>Total Expenditures</i>                   | 618,906        | 220,055                           | 8,940                           | 847,901      |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | 31,441         | (39,502)                          | 256,703                         | 248,642      |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                |                                   |                                 |              |
| Transfers in                                | 50,607         | 49,000                            | -                               | 99,607       |
| Transfers out                               | (49,000)       | -                                 | -                               | (49,000)     |
| <i>Total Other Financing Sources (Uses)</i> | 1,607          | 49,000                            | -                               | 50,607       |
| <b>NET CHANGE IN FUND BALANCE</b>           | 33,048         | 9,498                             | 256,703                         | 299,249      |
| <b>FUND BALANCE, beginning of year</b>      | 180,236        | 77,630                            | 610,494                         | 868,360      |
| <b>FUND BALANCE, end of year</b>            | \$ 213,284     | \$ 87,128                         | \$ 867,197                      | \$ 1,167,609 |

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

|                                                       |            |
|-------------------------------------------------------|------------|
| <i>Net change in fund balance</i>                     | \$ 299,249 |
| Water and Sewer SDC revenues included in SDC Fund     | (163,998)  |
| Water and Sewer SDC expenditures included in SDC Fund | 8,940      |
| <i>Change in net position</i>                         | \$ 144,191 |

*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, 2020**

|                            | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|----------------------------|--------------|--------------|--------------|
| <b>ASSETS</b>              |              |              |              |
| Cash and cash equivalents  | \$ 245,955   | \$ 53,220    | \$ 299,175   |
| Due from other funds       | 48,460       | -            | 48,460       |
|                            | <hr/>        | <hr/>        | <hr/>        |
| <i>Total Assets</i>        | 294,415      | 53,220       | 347,635      |
| <b>LIABILITIES</b>         |              |              |              |
| <b>Current liabilities</b> |              |              |              |
| Customer deposits          | 37,366       | 31,534       | 68,900       |
| Due to other funds         | -            | 48,460       | 48,460       |
|                            | <hr/>        | <hr/>        | <hr/>        |
| <i>Total Liabilities</i>   | 37,366       | 79,994       | 117,360      |
| <b>NET POSITION</b>        |              |              |              |
| Unrestricted               | \$ 257,049   | \$ (26,774)  | \$ 230,275   |
|                            | <hr/> <hr/>  | <hr/> <hr/>  | <hr/> <hr/>  |

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

|                                                            |             |
|------------------------------------------------------------|-------------|
| <i>Fund Net position</i>                                   | \$ 230,275  |
| Water and Sewer unspent SDC funds included in the SDC Fund | 496,602     |
|                                                            | <hr/>       |
| Net Position                                               | \$ 726,877  |
|                                                            | <hr/> <hr/> |

*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****YEARS ENDED JUNE 30, 2020**

|                                                                    | <u>Water</u>      | <u>Sewer</u>       | <u>Total</u>      |
|--------------------------------------------------------------------|-------------------|--------------------|-------------------|
| <b>OPERATING REVENUES</b>                                          |                   |                    |                   |
| Charges for services                                               | \$ 546,443        | \$ 486,564         | \$ 1,033,007      |
| Miscellaneous                                                      | 1,410             | -                  | 1,410             |
| <i>Total Operating Revenues</i>                                    | 547,853           | 486,564            | 1,034,417         |
| <b>OPERATING EXPENSES</b>                                          |                   |                    |                   |
| Personnel, materials, and services                                 | 330,118           | 230,134            | 560,252           |
| <b>OPERATING INCOME</b>                                            |                   |                    |                   |
|                                                                    | 217,735           | 256,430            | 474,165           |
| <b>NONOPERATING REVENUE (EXPENSE)</b>                              |                   |                    |                   |
| Intergovernmental                                                  | 794,923           | -                  | 794,923           |
| Capital acquisitions                                               | (814,606)         | -                  | (814,606)         |
| Proceeds from issuance of debt                                     | -                 | -                  | -                 |
| Debt payments                                                      |                   |                    |                   |
| Principal                                                          | (46,110)          | (126,641)          | (172,751)         |
| Interest                                                           | (6,892)           | (50,118)           | (57,010)          |
| <i>Total Nonoperating Revenue (Expense)</i>                        | (72,685)          | (176,759)          | (249,444)         |
| <b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>               |                   |                    |                   |
|                                                                    | 145,050           | 79,671             | 224,721           |
| Transfers out                                                      | (26,664)          | (23,943)           | (50,607)          |
| <b>CHANGE IN FUND NET POSITION</b>                                 |                   |                    |                   |
|                                                                    | 118,386           | 55,728             | 174,114           |
| <b>FUND NET POSITION (Deficit), beginning of year, as restated</b> |                   |                    |                   |
|                                                                    | 138,663           | (82,502)           | 56,161            |
| <b>FUND NET POSITION (Deficit), end of year</b>                    |                   |                    |                   |
|                                                                    | <u>\$ 257,049</u> | <u>\$ (26,774)</u> | <u>\$ 230,275</u> |

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

|                                                       |                   |
|-------------------------------------------------------|-------------------|
| <i>Change in fund net position</i>                    | \$ 174,114        |
| Water and sewer SDC revenues included in SDC fund     | 163,998           |
| Water and Sewer SDC expenditures included in SDC Fund | (8,940)           |
| <i>Change in net position</i>                         | <u>\$ 329,172</u> |

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

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

YEAR ENDED JUNE 30, 2020

|                                                                                        | <u>Water</u>      | <u>Sewer</u>      | <u>Total</u>      |
|----------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                            |                   |                   |                   |
| Cash received from customers                                                           | \$ 551,176        | \$ 484,056        | \$ 1,035,232      |
| Cash paid for operating expenses                                                       | (330,118)         | (230,134)         | (560,252)         |
| <i>Net Cash Provided by Operating Activities</i>                                       | 221,058           | 253,922           | 474,980           |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                                |                   |                   |                   |
| Intergovernmental receipts                                                             | 794,923           | -                 | 794,923           |
| Transfers out to other funds                                                           | (26,664)          | (23,943)          | (50,607)          |
| <i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>                | 768,259           | (23,943)          | 744,316           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        |                   |                   |                   |
| Purchase of capital assets                                                             | (814,606)         | -                 | (814,606)         |
| Interest paid on debt                                                                  | (6,892)           | (50,118)          | (57,010)          |
| Principal paid on debt                                                                 | (46,110)          | (126,641)         | (172,751)         |
| <i>Net Cash Used for Capital and Related Financing Activities</i>                      | (867,608)         | (176,759)         | (1,044,367)       |
| <i>Increase (Decrease) in Cash and Investments</i>                                     | 121,709           | 53,220            | 174,929           |
| <b>CASH AND CASH EQUIVALENTS, Beginning of year</b>                                    | 124,246           | -                 | 124,246           |
| <b>CASH AND CASH EQUIVALENTS, End of year</b>                                          | <u>\$ 245,955</u> | <u>\$ 53,220</u>  | <u>\$ 299,175</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                   |                   |                   |
| Operating income                                                                       | \$ 217,735        | \$ 256,430        | \$ 474,165        |
| Increase (decrease) in:                                                                |                   |                   |                   |
| Deposits                                                                               | 3,323             | (2,508)           | 815               |
| <i>Net Cash Provided by Operating Activities</i>                                       | <u>\$ 221,058</u> | <u>\$ 253,922</u> | <u>\$ 474,980</u> |

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

There are certain governmental agencies and various service entities which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

*Basic Financial Statements*

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents all the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components: restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental fund types (general, special revenue, debt service and capital projects) and proprietary (enterprise) type funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**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 services, community development, parks, library, and general administration.

*Street Fund*

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

*SDC Fund*

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

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

*Water Fund*

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

*Sewer Fund*

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

*Fund Balance*

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

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

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Balance (Continued)*

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When expenditures are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

*Definitions of Governmental Fund Types*

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

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

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

*Measurement Focus and Basis of Accounting*

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

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

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

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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

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

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

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

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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



**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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

*Cash and Cash Equivalents*

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

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

Investments are stated at cost, which approximates fair value.

*Property Taxes*

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

*Capital Assets*

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position, the Proprietary (Enterprise) Fund Statements of Fund Net Position, or the notes to the financial statements.

*Long-Term Debt*

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

*Accrued Compensated Absences*

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. The amount payable for accumulated unpaid vacation and earned but unpaid sick pay at June 30, 2020 was not available.

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Budgets and Budgetary Accounting*

The City adopts the budget on a program basis for all funds. Therefore, cash expenditures of a fund may not legally exceed that fund's appropriations by program. 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, 2020. Actual results may differ from those estimates.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following at June 30, 2020:

**Cash**

|                                      |    |         |
|--------------------------------------|----|---------|
| Cash on hand                         | \$ | 400     |
| Deposits with financial institutions |    | 226,775 |

**Investments**

|                                  |    |                  |
|----------------------------------|----|------------------|
| Local Government Investment Pool |    | 1,239,609        |
|                                  | \$ | <u>1,466,784</u> |

*Deposits*

The book balance of the City's bank deposits (checking accounts) was \$226,775 and the bank balance was \$247,227 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, 2020, all of the City's bank balances were covered by the FDIC.

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**CASH AND CASH EQUIVALENTS (Continued)**

*Local Government Investment Pool*

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2020, the fair value of the position in the Oregon State Treasurer's Short Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short Term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer.

*Interest Rate Risk*

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

*Custodial Risk - Investments*

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

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

**CITY OF AMITY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2020**

**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<br/>July 1,<br/>2019</u> | <u>Issued</u> | <u>Matured/<br/>Redeemed<br/>During Year</u> | <u>Outstanding<br/>June 30,<br/>2020</u> | <u>Due Within<br/>One Year</u> |
|-----------------------------------------------|-----------------------------------------|---------------|----------------------------------------------|------------------------------------------|--------------------------------|
| <i>Governmental Activities</i>                |                                         |               |                                              |                                          |                                |
| Direct Borrowing                              |                                         |               |                                              |                                          |                                |
| Lee Property Loan (US Bank)                   | \$ 110,000                              | \$ -          | \$ (10,000)                                  | \$ 100,000                               | \$ 10,000                      |
|                                               | <u>Outstanding<br/>July 1,<br/>2019</u> | <u>Issued</u> | <u>Matured/<br/>Redeemed<br/>During Year</u> | <u>Outstanding<br/>June 30,<br/>2020</u> | <u>Due Within<br/>One Year</u> |
| <i>Business-type Activities</i>               |                                         |               |                                              |                                          |                                |
| Direct Borrowing                              |                                         |               |                                              |                                          |                                |
| 2002 Safe Drinking Water State Revolving Fund | \$ 689,224                              | \$ -          | \$ (46,110)                                  | \$ 643,114                               | \$ 46,571                      |
| 2009 Safe Drinking Water State Revolving Fund | 531,199                                 | -             | (18,098)                                     | 513,101                                  | 18,666                         |
| Full Faith and Credit Refunding Obligations   | 1,040,000                               | -             | (105,000)                                    | 935,000                                  | 105,000                        |
|                                               | <u>\$ 2,260,423</u>                     | <u>\$ -</u>   | <u>\$ (169,208)</u>                          | <u>\$ 2,091,215</u>                      | <u>\$ 170,237</u>              |

*Notes from Direct Borrowings – Governmental Activities*

Lee Property Loan (US Bank): The City entered into this agreement on June 1, 2010. The total loan amount is \$160,000 due in installments of \$5,000 or \$10,000, depending on the 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. In the event of default, the loan becomes immediately due and payable.

*Notes from Direct Borrowings – Business-Type Activities*

2002 Safe Drinking State Revolving Fund Loan: The City entered into this agreement on December 4, 2002. The principal amount of the loan is \$2,161,500. Annual debt service payments range from \$139,000 to \$150,000. The purpose of this loan was to cover costs directly related to “water projects”. In the event of default, the loan becomes immediately due and payable.

2009 Safe Drinking State Revolving Fund Loan: The City entered into this agreement on October 30, 2009. The principal amount of the loan is \$203,080. Due in annual installments of \$53,002 including interest at 1% through 2032. The loan was received for the purpose of improving the City’s wastewater treatment facility. In the event of default, the loan becomes immediately due and payable.

Full Faith and Credit Refunding Loan: The City entered into this agreement on April 11, 2013. The amount of the loan was \$1,600,000. Annual debt service payments range from \$129,000 to \$135,000. The loan was received for uses related to the improvement of the City’s wastewater system financed by the City’s Oregon Bond loan dated December 4, 2002. In the event of default, the loan becomes immediately due and payable.

**CITY OF AMITY, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2020

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**LONG-TERM DEBT** (Continued)

Future debt service requirements are as follows:

*Governmental Activities*

**Fiscal Year**

| <b>Ending<br/>June 30,</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|----------------------------|-------------------|------------------|-------------------|
| 2021                       | 10,000            | 5,175            | 15,175            |
| 2022                       | 10,000            | 4,675            | 14,675            |
| 2023                       | 10,000            | 4,175            | 14,175            |
| 2024                       | 10,000            | 3,675            | 13,675            |
| 2025                       | 10,000            | 3,175            | 13,175            |
| 2026-2030                  | 50,000            | 9,746            | 59,746            |
| Totals                     | <u>\$ 100,000</u> | <u>\$ 30,621</u> | <u>\$ 130,621</u> |

*Business-type Activities*

**Fiscal Year**

| <b>Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2021                       | 170,237             | 51,069            | 221,306             |
| 2022                       | 171,291             | 47,258            | 218,549             |
| 2023                       | 177,369             | 43,085            | 220,454             |
| 2024                       | 183,475             | 38,606            | 222,081             |
| 2025                       | 189,607             | 33,799            | 223,406             |
| 2026-2030                  | 746,032             | 97,375            | 843,407             |
| 2031-2035                  | 292,445             | 43,096            | 335,541             |
| 2036-2040                  | 160,759             | 16,566            | 177,325             |
| Totals                     | <u>\$ 2,091,215</u> | <u>\$ 370,854</u> | <u>\$ 2,462,069</u> |

**PENSION PLAN**

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

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

**CITY OF AMITY, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2020*

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***PENSION PLAN (Continued)***

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

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

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

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

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

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

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

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

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

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

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2020 were 14.97% for Tier One/Tier Two employees, 7.48% for OPSRP general service employees, and 12.11% for OPSRP police/fire employees. The City's total contributions to PERS were \$18,964 for fiscal year ended June 30, 2020.

**CITY OF AMITY, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

YEAR ENDED JUNE 30, 2020

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**PENSION PLAN (Continued)**

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2020 were based on the December 31, 2018 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

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

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2020, the City reported a net pension liability of \$348,609 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on a December 31, 2017 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00201536% as of the June 30, 2019 measurement date, compared to 0.00238095% as of June 30, 2018.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.20%, and mortality rates based on the RP-2014 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2017.

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

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

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

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

|                                                  | <u>1% Decrease<br/>(6.20%)</u> | <u>Discount Rate<br/>(7.20%)</u> | <u>1% Increase<br/>(8.20%)</u> |
|--------------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Proportionate share of the net pension liability | \$ 558,266                     | \$ 348,609                       | \$ 173,155                     |

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**PENSION PLAN (Continued)**

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

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP. Total paid on behalf of employees for the fiscal year was \$12,895.

**TRANSFERS**

|         | <u>Transfers in</u> | <u>Transfers out</u> |
|---------|---------------------|----------------------|
| General | \$ 50,607           | \$ 49,000            |
| Street  | 49,000              | -                    |
| Water   | -                   | 26,664               |
| Sewer   | -                   | 23,943               |
|         | <u>\$ 99,607</u>    | <u>\$ 99,607</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. No insurance claims settled in each of the prior three years have exceeded policy coverage.



**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

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**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Oregon law prohibits expenditures in excess of council approved appropriations. For the year ended June 30, 2020, expenditures exceeded appropriations as follows:

| <u><i>Fund / Appropriation category</i></u> | <u><i>Appropriation</i></u> | <u><i>Expenditures</i></u> | <u><i>Variance</i></u> |
|---------------------------------------------|-----------------------------|----------------------------|------------------------|
| <b>Water</b>                                |                             |                            |                        |
| Transfers out                               | \$ 25,245                   | \$ 26,664                  | \$ (1,419)             |
| <b>Sewer</b>                                |                             |                            |                        |
| Interest                                    | 47,699                      | 50,118                     | (2,419)                |

**DEFICIT FUND BALANCES**

The Sewer fund reported a deficit fund balance of \$26,774 at June 30, 2020.

**RESTATEMENT OF BEGINNING FUND BALANCES**

Restatements to water and sewer fund beginning net position were recorded, resulting in decreases of \$34,043 and \$34,042, respectively, due to the reclassification of customer deposits to liabilities.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 17, 2021, the date on which the financial statements were available to be issued. As a result of the recent coronavirus pandemic (COVID-19), numerous sectors of the economy are suffering damage and the long-term economic and business consequences of this remain unknown. The extent to which this will impact the City is uncertain.

***SUPPLEMENTAL INFORMATION***

**CITY OF AMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(BUDGETARY BASIS) - BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2020**

|                                             | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---------------------------------------------|-----------------------|--------------|---------------|-----------------|
|                                             | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                             |                       |              |               |                 |
| Taxes and assessments                       | \$ 285,000            | \$ 285,000   | \$ 302,454    | \$ 17,454       |
| Fines and forfeitures                       | 22,000                | 22,000       | 15,598        | (6,402)         |
| Licenses and permits                        | 225,600               | 225,600      | 195,715       | (29,885)        |
| Intergovernmental                           | 86,400                | 86,400       | 82,679        | (3,721)         |
| Miscellaneous                               | 44,200                | 44,200       | 53,901        | 9,701           |
| <i>Total Revenues</i>                       | 663,200               | 663,200      | 650,347       | (12,853)        |
| <b>EXPENDITURES</b>                         |                       |              |               |                 |
| General programs                            | 618,656               | 618,656      | 606,263       | 12,393          |
| Debt service                                |                       |              |               |                 |
| Principal                                   | 10,000                | 10,000       | 10,000        | -               |
| Interest                                    | 5,285                 | 5,285        | 2,643         | 2,642           |
| Contingency                                 | 246,247               | 197,247      | -             | 197,247         |
| <i>Total Expenditures</i>                   | 880,188               | 831,188      | 618,906       | 212,282         |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | (216,988)             | (167,988)    | 31,441        | 199,429         |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                       |              |               |                 |
| Transfers in                                | 52,300                | 52,300       | 50,607        | (1,693)         |
| Transfers out                               | -                     | (49,000)     | (49,000)      | -               |
| <i>Total Other Financing Sources (Uses)</i> | 52,300                | 3,300        | 1,607         | (1,693)         |
| <b>NET CHANGE IN FUND BALANCE</b>           | (164,688)             | (164,688)    | 33,048        | 197,736         |
| <b>FUND BALANCE, beginning of year</b>      | 164,688               | 164,688      | 180,236       | 15,548          |
| <b>FUND BALANCE, end of year</b>            | \$ -                  | \$ -         | \$ 213,284    | \$ 213,284      |

**CITY OF AMITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - STREET FUND**

**YEAR ENDED JUNE 30, 2020**

|                                               | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|-----------------------------------------------|-----------------------|--------------|---------------|-----------------|
|                                               | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                               |                       |              |               |                 |
| Charges for services                          | \$ 19,000             | \$ 19,000    | \$ 19,609     | \$ 609          |
| Intergovernmental                             | 124,000               | 124,000      | 160,843       | 36,843          |
| Miscellaneous                                 | -                     | -            | 101           | 101             |
| <i>Total Revenues</i>                         | 143,000               | 143,000      | 180,553       | 37,553          |
| <b>EXPENDITURES</b>                           |                       |              |               |                 |
| Street programs                               | 132,784               | 231,784      | 220,055       | 11,729          |
| Contingency                                   | 58,685                | 8,685        | -             | 8,685           |
| <i>Total Expenditures</i>                     | 191,469               | 240,469      | 220,055       | 20,414          |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (48,469)              | (97,469)     | (39,502)      | 57,967          |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                       |              |               |                 |
| Transfers in                                  | -                     | 49,000       | 49,000        | -               |
| <b>NET CHANGE IN FUND BALANCE</b>             | (48,469)              | (48,469)     | 9,498         | 57,967          |
| <b>FUND BALANCE, beginning of year</b>        | 48,469                | 48,469       | 77,630        | 29,161          |
| <b>FUND BALANCE, end of year</b>              | \$ -                  | \$ -         | \$ 87,128     | \$ 87,128       |

**CITY OF AMITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - SDC FUNDS**

**YEAR ENDED JUNE 30, 2020**

|                                        | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|----------------------------------------|-----------------------|--------------|---------------|-----------------|
|                                        | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                        |                       |              |               |                 |
| Licenses and permits                   | \$ 236,128            | \$ 236,128   | \$ 265,643    | \$ 29,515       |
| <b>EXPENDITURES</b>                    |                       |              |               |                 |
| SDC sewer expense                      | 70,000                | 70,000       | 8,940         | 61,060          |
| Contingency                            | 376,146               | 376,146      | -             | 376,146         |
| <i>Total Expenditures</i>              | 446,146               | 446,146      | 8,940         | 437,206         |
| <b>NET CHANGE IN FUND BALANCE</b>      | (210,018)             | (210,018)    | 256,703       | 466,721         |
| <b>FUND BALANCE, beginning of year</b> | 210,018               | 210,018      | 610,494       | 400,476         |
| <b>FUND BALANCE, end of year</b>       | \$ -                  | \$ -         | \$ 867,197    | \$ 867,197      |

**CITY OF AMITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**(BUDGETARY BASIS) - BUDGET AND ACTUAL - WATER FUND**

**YEAR ENDED JUNE 30, 2020**

|                                                     | <i>Budget Amounts</i> |                  | <i>Actual</i>     | <i>Variance</i>    |
|-----------------------------------------------------|-----------------------|------------------|-------------------|--------------------|
|                                                     | <i>Original</i>       | <i>Final</i>     |                   |                    |
| <b>REVENUES</b>                                     |                       |                  |                   |                    |
| Charges for services                                | \$ 518,400            | \$ 518,400       | \$ 546,443        | \$ 28,043          |
| Intergovernmental                                   | 1,850,500             | 1,850,500        | 794,923           | (1,055,577)        |
| Miscellaneous                                       | -                     | -                | 1,410             | 1,410              |
| <i>Total Revenues</i>                               | <u>2,368,900</u>      | <u>2,368,900</u> | <u>1,342,776</u>  | <u>(1,026,124)</u> |
| <b>EXPENDITURES</b>                                 |                       |                  |                   |                    |
| Water programs                                      | 356,949               | 356,949          | 330,118           | 26,831             |
| Capital outlay                                      | 1,777,500             | 1,777,500        | 814,606           | 962,894            |
| Debt service                                        |                       |                  |                   |                    |
| Principal                                           | 46,110                | 46,110           | 46,110            | -                  |
| Interest                                            | 6,892                 | 6,892            | 6,892             | -                  |
| Contingency                                         | 380,610               | 380,610          | -                 | 380,610            |
| <i>Total Expenditures</i>                           | <u>2,568,061</u>      | <u>2,568,061</u> | <u>1,197,726</u>  | <u>1,370,335</u>   |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>           | (199,161)             | (199,161)        | 145,050           | 344,211            |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                       |                  |                   |                    |
| Transfers out                                       | (25,245)              | (25,245)         | (26,664)          | (1,419)            |
| <b>CHANGE IN FUND BALANCE</b>                       | (224,406)             | (224,406)        | 118,386           | 342,792            |
| <b>FUND BALANCE, beginning of year, as restated</b> | <u>224,406</u>        | <u>224,406</u>   | <u>138,663</u>    | <u>(85,743)</u>    |
| <b>FUND BALANCE, end of year</b>                    | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ 257,049</u> | <u>\$ 257,049</u>  |

**CITY OF AMITY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

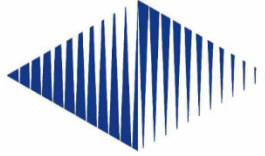
**(BUDGETARY BASIS) - BUDGET AND ACTUAL - SEWER FUND**

**YEAR ENDED JUNE 30, 2020**

|                                                               | <i>Budget Amounts</i> |              | <i>Actual</i> | <i>Variance</i> |
|---------------------------------------------------------------|-----------------------|--------------|---------------|-----------------|
|                                                               | <i>Original</i>       | <i>Final</i> |               |                 |
| <b>REVENUES</b>                                               |                       |              |               |                 |
| Charges for services                                          | \$ 464,900            | \$ 464,900   | \$ 486,564    | \$ 21,664       |
| Miscellaneous                                                 | 2,500                 | 2,500        | -             | (2,500)         |
| <i>Total Revenues</i>                                         | 467,400               | 467,400      | 486,564       | 19,164          |
| <b>EXPENDITURES</b>                                           |                       |              |               |                 |
| Sewer programs                                                | 260,203               | 260,203      | 230,134       | 30,069          |
| Debt service                                                  |                       |              |               |                 |
| Principal                                                     | 123,098               | 123,098      | 126,641       | (3,543)         |
| Interest                                                      | 47,699                | 47,699       | 50,118        | (2,419)         |
| Contingency                                                   | 170,074               | 170,074      | -             | 170,074         |
| <i>Total Expenditures</i>                                     | 601,074               | 601,074      | 406,893       | 194,181         |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>                     | (133,674)             | (133,674)    | 79,671        | 213,345         |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |              |               |                 |
| Transfers out                                                 | (23,085)              | (23,085)     | (23,943)      | (858)           |
| <b>CHANGE IN FUND BALANCE</b>                                 | (156,759)             | (156,759)    | 55,728        | 212,487         |
| <b>FUND BALANCE (Deficit), beginning of year, as restated</b> | 156,759               | 156,759      | (82,502)      | (239,261)       |
| <b>FUND BALANCE (Deficit), end of year</b>                    | \$ -                  | \$ -         | \$ (26,774)   | \$ (26,774)     |

***COMPLIANCE SECTION***





## GROVE, MUELLER & SWANK, P.C.

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### ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

Mayor and City Council  
City of Amity  
P. O. Box 159  
Amity, Oregon 97101

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (the City), as of and for the year ended June 30, 2020, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2021.

#### ***Internal Control over Financial Reporting***

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

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

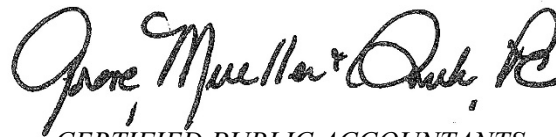
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

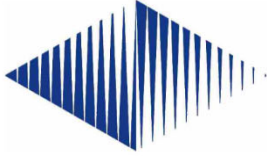
***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS  
February 17, 2021



## GROVE, MUELLER & SWANK, P.C.

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE***

Mayor and City Council  
City of Amity  
P. O. Box 159  
Amity, Oregon 97101

#### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Amity, Oregon's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### ***Report on Internal Control over Compliance***

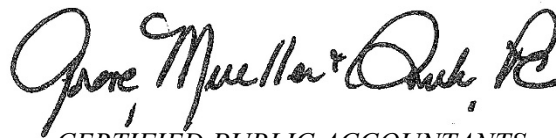
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Purpose of this Report***

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



CERTIFIED PUBLIC ACCOUNTANTS

February 17, 2021

**CITY OF AMITY, OREGON**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

| <i>Federal Grantor/Pass Through Grantor/<br/>Program or Cluster Title</i>                   | <i>Federal<br/>CFDA<br/>Number</i> | <i>Federal Dept. or<br/>Pass Through Entity<br/>Identifying Number</i> | <i>Federal<br/>Expenditures</i> | <i>Amount<br/>Paid to<br/>Subrecipients</i> |
|---------------------------------------------------------------------------------------------|------------------------------------|------------------------------------------------------------------------|---------------------------------|---------------------------------------------|
| <b>Department of Housing and Urban Development</b>                                          |                                    |                                                                        |                                 |                                             |
| Passed through Oregon Infrastructure Finance Authority<br>Community Development Block Grant | 14.228                             | B-15-DC-41-0001                                                        | \$ 1,005,344                    | \$ -                                        |

**CITY OF AMITY, OREGON**

*NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS*

*YEAR ENDED JUNE 30, 2020*

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**PURPOSE OF THE SCHEDULE**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Amity (the City) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**INDIRECT COST RATE**

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

**CITY OF AMITY, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

|                                                       |               |
|-------------------------------------------------------|---------------|
| Type of auditor's opinion issued:                     | Unmodified    |
| Internal control reporting:                           |               |
| • Material weakness(es) identified?                   | No            |
| • Significant deficiency(ies) identified?             | None Reported |
| Noncompliance material to financial statements noted? | No            |

**Federal Awards**

|                                                                                                            |               |
|------------------------------------------------------------------------------------------------------------|---------------|
| Internal control over major federal programs:                                                              |               |
| • Material weakness(es) identified?                                                                        | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses?                   | None Reported |
| Type of auditor's report issued on compliance for major federal programs:                                  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No            |

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|-------------------------------------------|
| 14.228              | Community Development Block Grant         |

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

**FINANCIAL STATEMENT FINDINGS**

**Expenditures in Excess of Appropriations**

**2020-001. Noncompliance and Significant Deficiency in Controls over Compliance with Oregon Budget Law**

*Condition:*

There was a lack of monitoring of expenditures in comparison to the adopted budget as amended for the 2019-20 year. This resulted in significant over-expenditures in various funds which is a violation of Oregon Local Budget Law. This is a repeat finding from the prior year.

*Criteria:*

As an Oregon municipality, the City is responsible to spend within their appropriations for the year in accordance with Oregon Local Budget Law.

*Cause of condition:*

City personnel responsible for reviewing expenditures compared to budget were not actively monitoring actual expenditures compared to appropriations by fund.

*Potential effect of condition:*

Expenditures in excess of appropriations could be made in violation of Oregon Budget Law.

**CITY OF AMITY, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**SUMMARY OF AUDITOR'S RESULTS (Continued)**

**FINANCIAL STATEMENT FINDINGS (Continued)**

*Context:*

The Water and Sewer funds had over-expenditures as disclosed in the footnotes totaling \$1,419 and \$2,419, respectively.

*Identification of repeat finding:*

This is a repeat finding from the immediate prior year of over-expenditure spending as identified in the prior year financial statement footnote disclosures.

*Recommendation:*

The expenditures, and projections of expenditures, in each fund should be monitored with each fund's budget appropriations to prevent future over-expenditures.

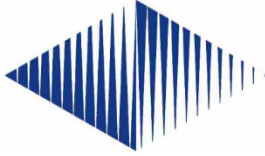
*Management response:*

The corrective action plan for the City will monitor budget-to-actual reporting in monthly board meetings, effective immediately. The City will adopt budget resolutions to make transfers, increase appropriations, or adopt any supplemental budgets necessary to ensure actual expenditures do not exceed budgeted amounts.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.





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## ***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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Amity, Oregon (the City) as of and for the year ended June 30, 2020, and have issued our report thereon dated February 17, 2021.

### ***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 over-expenditures and deficit fund balances as reported in the notes to the financial statements.

***Internal Control Over Financial Reporting***

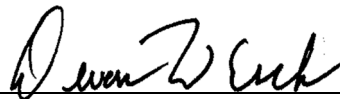
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose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

See the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for additional comments.

***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  
February 17, 2021