

***CITY OF AMITY, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2021***

**CITY OF AMITY, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2021**

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<u><i>Name</i></u>	<u><i>Position</i></u>	<u><i>Term Expires</i></u>
Rachel King	Mayor	December 31, 2024
Robert Andrade	Council Member	December 21, 2022
Cody Goings	Council Member	December 31, 2022
April Dyche	Council Member	December 31, 2024
Sandy McArthur	Council Member	December 31, 2024
Napua Rich	Council Member	December 31, 2022

The above individuals may be contacted at the address below.

**CITY ADMINISTRATOR**

Michael Thomas

**CITY RECORDER**

Natasha Johnson

**MAILING ADDRESS**

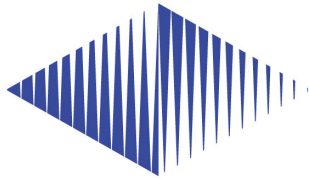
P.O. Box 159  
Amity, Oregon 97101

**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, and each major fund of the City of Amity, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

## ***Opinions***

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amity, as of June 30, 2021, 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.

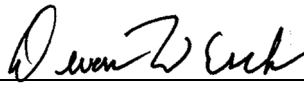
The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures 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.

### ***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 15, 2022 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 15, 2022

# CITY OF AMITY, OREGON

## Management's Discussion and Analysis June 30, 2021

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, 2021.

### Financial Highlights

	June 30,		change
	2021	2020	
Net position	\$ 1,580,572	\$ 1,397,884	\$ 182,688
Change in net position	182,688	473,363	(290,675)
Governmental net position	920,949	671,007	249,942
Proprietary net position	659,623	726,877	(67,254)
Change in governmental net position	249,942	144,191	105,751
Change in proprietary net position	(67,254)	329,172	(396,426)

### 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 \$1,580,572 as of June 30, 2021.

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,**

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 920,949	\$ 723,833	\$ 1,644,782	\$ 671,007	\$ 795,777	\$ 1,466,784
Liabilities	-	64,210	64,210	-	68,900	68,900
Net Position:						
Restricted	625,842	370,157	995,999	457,723	496,602	954,325
Unrestricted	295,107	289,466	584,573	213,284	230,275	443,559
Total Net Position	\$ 920,949	\$ 659,623	\$ 1,580,572	\$ 671,007	\$ 726,877	\$ 1,397,884

**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,**

	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for service	\$ 151,805	\$ 1,076,165	\$ 1,227,970	\$ 153,019	\$ 1,033,007	\$ 1,186,026
Operating grants	193,492	-	193,492	152,171	-	152,171
Capital grants	131,663	639,031	770,694	144,765	958,921	1,103,686
General revenues						
Taxes and assessments	314,199	-	314,199	302,454	-	302,454
Franchise taxes	92,109	-	92,109	89,560	-	89,560
Intergovernmental	63,762	-	63,762	58,492	-	58,492
Miscellaneous	23,079	17,450	40,529	32,084	1,410	33,494
<i>Total revenues</i>	<u>970,109</u>	<u>1,732,646</u>	<u>2,702,755</u>	<u>932,545</u>	<u>1,993,338</u>	<u>2,925,883</u>
<b>Expenses</b>						
General government	238,365	-	238,365	217,688	-	217,688
Community development	52,978	-	52,978	64,799	-	64,799
Street	100,496	-	100,496	221,235	-	221,235
Parks	40,618	-	40,618	27,570	-	27,570
Library	26,852	-	26,852	35,203	-	35,203
Public safety	304,545	-	304,545	269,823	-	269,823
Interest on long-term debt	4,643	-	4,643	2,643	-	2,643
Water	-	1,228,032	1,228,032	-	1,206,666	1,206,666
Sewer	-	523,538	523,538	-	406,893	406,893
<i>Total expenses</i>	<u>768,497</u>	<u>1,751,570</u>	<u>2,520,067</u>	<u>838,961</u>	<u>1,613,559</u>	<u>2,452,520</u>
Transfers	48,330	(48,330)	-	50,607	(50,607)	-
Change in net position	249,942	(67,254)	182,688	144,191	329,172	473,363
Net position, beginning of year, as restated	671,007	726,877	1,397,884	526,816	397,705	924,521
Net position, end of year, as restated	<u>\$ 920,949</u>	<u>\$ 659,623</u>	<u>\$ 1,580,572</u>	<u>\$ 671,007</u>	<u>\$ 726,877</u>	<u>\$ 1,397,884</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 \$182,688 during the fiscal year 2020-2021.

*Governmental activities:* The City’s net position increased by \$249,942 from governmental activities. The primary revenue increase was from property taxes and operating grants. Expenses decreased by approximately \$70,400 from the fiscal year 2019-2020.

*Business-type activities:* The City’s net position decreased by \$67,254 from business-type activities. Capital grants had a significant decrease compared to the prior year. Expenses increased by approximately \$138,000 from the fiscal year 2019-2020. The changes 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 \$295,107 was reported by the General Fund. The fund balance increased by \$81,823 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 \$178,010 which was an increase of \$90,882 from the prior year due to less street program 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 \$817,989 which was a decrease of \$49,208 from the prior year as a result of a decrease in revenues from the prior year and a \$155,000 transfer to the Sewer fund.

**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 decreased by \$47,677 during the year. Operating income was \$255,963 and \$25,245 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 \$106,868 during the year. Operating income was \$218,732 and \$23,085 was transferred out to the General fund.

**Debt Administration**

Long-term debt. The City had total debt outstanding of \$2,010,978 at the end of the current fiscal year. During the current fiscal year, the City’s total debt decreased by \$180,237.

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, 2021.

**City of Amity  
Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Loans	\$ 90,000	\$ 100,000	\$ 1,090,978	\$ 1,156,215	\$ 1,180,978	\$ 1,256,215
Refunding bonds	-	-	830,000	935,000	830,000	935,000
<b>Total</b>	<b>\$ 90,000</b>	<b>\$ 100,000</b>	<b>\$ 1,920,978</b>	<b>\$ 2,091,215</b>	<b>\$ 2,010,978</b>	<b>\$ 2,191,215</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 2021-22 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, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 920,949	\$ 723,833	\$ 1,644,782
<b>LIABILITIES</b>			
Deposits	-	64,210	64,210
<b>NET POSITION</b>			
Restricted for:			
Construction	447,832	370,157	817,989
Streets	178,010	-	178,010
Unrestricted	295,107	289,466	584,573
<i>Total Net Position</i>	<u>\$ 920,949</u>	<u>\$ 659,623</u>	<u>\$ 1,580,572</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, 2021**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental activities:</b>							
General government	\$ 238,365	\$ 5,983	\$ 52,685	\$ -	\$ (179,697)	\$ -	\$ (179,697)
Community development	52,978	26,333	5,384	-	(21,261)	-	(21,261)
Street	100,496	19,770	121,506	66,195	106,975	-	106,975
Parks	40,618	2,305	6,536	65,468	33,691	-	33,691
Library	26,852	-	7,381	-	(19,471)	-	(19,471)
Public safety	304,545	97,414	-	-	(207,131)	-	(207,131)
Interest on long-term debt	4,643	-	-	-	(4,643)	-	(4,643)
<i>Total Governmental activities</i>	768,497	151,805	193,492	131,663	(291,537)	-	(291,537)
<b>Business-type activities:</b>							
Water	1,228,032	589,709	-	618,808	-	(19,515)	(19,515)
Sewer	523,538	486,456	-	20,223	-	(16,859)	(16,859)
<i>Total Business-type activities</i>	1,751,570	1,076,165	-	639,031	-	(36,374)	(36,374)
<i>Total Activities</i>	<u>\$ 2,520,067</u>	<u>\$ 1,227,970</u>	<u>\$ 193,492</u>	<u>\$ 770,694</u>	(291,537)	(36,374)	(327,911)
<b>General Revenues:</b>							
Property taxes					314,199	-	314,199
Franchise taxes					92,109	-	92,109
Intergovernmental					63,762	-	63,762
Miscellaneous					23,079	17,450	40,529
<i>Total General Revenues</i>					493,149	17,450	510,599
<b>Transfers</b>					48,330	(48,330)	-
<b>Change in net position</b>					249,942	(67,254)	182,688
<b>Net position - beginning of year</b>					671,007	726,877	1,397,884
<b>Net position - end of year</b>					<u>\$ 920,949</u>	<u>\$ 659,623</u>	<u>\$ 1,580,572</u>

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

**CITY OF AMITY, OREGON**

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

**JUNE 30, 2021**

	<u>General</u>	<u>Special Revenue Street</u>	<u>Capital Projects SDC</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 295,107	\$ 178,010	\$ 817,989	\$ 1,291,106
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Fund Balance:</b>				
Restricted for:				
Construction	\$ -	\$ -	\$ 817,989	\$ 817,989
Streets	-	178,010	-	178,010
Unassigned	295,107	-	-	295,107
<b>Total Liabilities and Fund Balance</b>	<u>\$ 295,107</u>	<u>\$ 178,010</u>	<u>\$ 817,989</u>	<u>\$ 1,291,106</u>

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

<i>Fund balances</i>	\$ 1,291,106
Water and Sewer unspent SDC funds included in the SDC Fund	(370,157)
<i>Net Position</i>	<u>\$ 920,949</u>

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



**CITY OF AMITY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)  
YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Special Revenue Street</u>	<u>Capital Projects SDC</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 314,199	\$ -	\$ -	\$ 314,199
Fines and forfeitures	17,456	-	-	17,456
Licenses and permits	206,264	-	105,792	312,056
Charges for services	-	19,770	-	19,770
Intergovernmental	122,764	175,932	-	298,696
Miscellaneous	36,487	-	-	36,487
<i>Total Revenues</i>	697,170	195,702	105,792	998,664
<b>EXPENDITURES</b>				
General programs	663,677	-	-	663,677
Street programs	-	104,820	-	104,820
<i>Total Expenditures</i>	663,677	104,820	-	768,497
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	33,493	90,882	105,792	230,167
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	48,330	-	-	48,330
Transfers out	-	-	(155,000)	(155,000)
<i>Total Other Financing Sources (Uses)</i>	48,330	-	(155,000)	(106,670)
<b>NET CHANGE IN FUND BALANCE</b>	81,823	90,882	(49,208)	123,497
<b>FUND BALANCE, beginning of year</b>	213,284	87,128	867,197	1,167,609
<b>FUND BALANCE, end of year</b>	\$ 295,107	\$ 178,010	\$ 817,989	\$ 1,291,106

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balances (Modified Cash Basis) to the Statement of Activities (Modified Cash Basis)**

<i>Net change in fund balance</i>	\$ 123,497
Water and Sewer SDC revenues included in SDC Fund	(28,555)
Water and Sewer SDC transfers included in SDC Fund	155,000
<i>Change in net position</i>	\$ 249,942

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

**CITY OF AMITY, OREGON**

**STATEMENT OF FUND NET POSITION -**

**PROPRIETARY (ENTERPRISE) FUNDS (MODIFIED CASH BASIS)**

**JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 196,178	\$ 157,498	\$ 353,676
Due from other funds	48,460	-	48,460
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	244,638	157,498	402,136
 <b>LIABILITIES</b>			
<b>Current liabilities</b>			
Customer deposits	35,266	28,944	64,210
Due to other funds	-	48,460	48,460
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	35,266	77,404	112,670
 <b>NET POSITION</b>			
Unrestricted	\$ 209,372	\$ 80,094	\$ 289,466
	<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>	\$ 289,466
Water and Sewer unspent SDC funds included in the SDC Fund	370,157
	<hr/>
Net Position	\$ 659,623
	<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 -  
 PROPRIETARY (ENTERPRISE) FUNDS (MODIFIED CASH BASIS)  
 YEARS ENDED JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 589,709	\$ 486,456	\$ 1,076,165
Miscellaneous	5,415	12,035	17,450
<i>Total Operating Revenues</i>	595,124	498,491	1,093,615
<b>OPERATING EXPENSES</b>			
Personnel, materials, and services	339,161	279,759	618,920
<b>OPERATING INCOME</b>	255,963	218,732	474,695
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Intergovernmental	610,476	-	610,476
Capital acquisitions	(834,982)	(74,590)	(909,572)
Debt payments			
Principal	(47,458)	(124,553)	(172,011)
Interest	(6,431)	(44,636)	(51,067)
<i>Total Nonoperating Revenue (Expense)</i>	(278,395)	(243,779)	(522,174)
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(22,432)	(25,047)	(47,479)
Transfers in	-	155,000	155,000
Transfers out	(25,245)	(23,085)	(48,330)
<b>CHANGE IN FUND NET POSITION</b>	(47,677)	106,868	59,191
<b>FUND NET POSITION (Deficit), beginning of year</b>	257,049	(26,774)	230,275
<b>FUND NET POSITION, end of year</b>	\$ 209,372	\$ 80,094	\$ 289,466

**Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund  
 Net Position (Modified Cash Basis) to the Statement of Activities (Modified Cash Basis)**

<i>Change in fund net position</i>	\$ 59,191
Water and sewer SDC revenues included in SDC fund	28,555
Water and Sewer SDC transfers included in SDC Fund	(155,000)
<i>Change in net position</i>	\$ (67,254)

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

**CITY OF AMITY, OREGON****STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (MODIFIED CASH BASIS)****YEAR ENDED JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 593,024	\$ 495,901	\$ 1,088,925
Cash paid for operating expenses	(339,161)	(279,759)	(618,920)
<i>Net Cash Provided by Operating Activities</i>	253,863	216,142	470,005
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental receipts	610,476	-	610,476
Transfers in from other funds	-	155,000	155,000
Transfers out to other funds	(25,245)	(23,085)	(48,330)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	585,231	131,915	717,146
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(834,982)	(74,590)	(909,572)
Interest paid on debt	(6,431)	(44,636)	(51,067)
Principal paid on debt	(47,458)	(124,553)	(172,011)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(888,871)	(243,779)	(1,132,650)
<i>Increase (Decrease) in Cash and Investments</i>	(49,777)	104,278	54,501
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	245,955	53,220	299,175
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 196,178</u>	<u>\$ 157,498</u>	<u>\$ 353,676</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 255,963	\$ 218,732	\$ 474,695
Increase (decrease) in:			
Deposits	(2,100)	(2,590)	(4,690)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 253,863</u>	<u>\$ 216,142</u>	<u>\$ 470,005</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, 2021

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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, 2021

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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, 2021

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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, 2021

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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, 2021

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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, 2021. Actual results may differ from those estimates.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following at June 30, 2021:

<b>Cash</b>	
Cash on hand	\$ 400
Deposits with financial institutions	289,451
<b>Investments</b>	
Local Government Investment Pool	1,354,931
	<hr/>
	\$ 1,644,782
	<hr/> <hr/>

*Deposits*

The book balance of the City's bank deposits (checking accounts) was \$289,451 and the bank balance was \$163,418 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, 2021, 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, 2021

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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, 2021, 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, 2021

**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:

	<i>Outstanding July 1, 2020</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2021</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Direct Borrowing					
Lee Property Loan (US Bank)	\$ 100,000	\$ -	\$ (10,000)	\$ 90,000	\$ 10,000
	<i>Outstanding July 1, 2020</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2021</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>					
Direct Borrowing					
2002 Safe Drinking Water State Revolving Fund	\$ 643,114	\$ -	\$ (46,571)	\$ 596,543	\$ 47,037
2009 Safe Drinking Water State Revolving Fund	513,101	-	(18,666)	494,435	19,254
Full Faith and Credit Refunding Obligations	935,000	-	(105,000)	830,000	105,000
	<u>\$ 2,091,215</u>	<u>\$ -</u>	<u>\$ (170,237)</u>	<u>\$ 1,920,978</u>	<u>\$ 171,291</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, 2021

**LONG-TERM DEBT** (Continued)

Future debt service requirements are as follows:

*Governmental Activities*

<b>Fiscal Year</b> <b>Ending</b> <b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	10,000	2,675	12,675
2027-2030	40,000	7,071	59,746
Totals	<u>\$ 90,000</u>	<u>\$ 25,446</u>	<u>\$ 128,121</u>

*Business-type Activities*

<b>Fiscal Year</b> <b>Ending</b> <b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	195,767	28,657	224,424
2027-2031	627,288	80,162	843,407
2032-2036	245,497	37,043	335,541
2037-2040	130,684	11,175	177,325
Totals	<u>\$ 1,920,978</u>	<u>\$ 319,785</u>	<u>\$ 2,465,187</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, 2021*

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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 2021 were 14.91% 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 \$27,648 for fiscal year ended June 30, 2021.

**CITY OF AMITY, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

YEAR ENDED JUNE 30, 2021

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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 2021 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, 2021, the City reported a net pension liability of \$354,718 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on a December 31, 2018 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 0.00162540% as of the June 30, 2020 measurement date, compared to 0.00201536% as of June 30, 2019.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2018 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 Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs. These assumptions were based on the results of the December 31, 2018 actuarial experience study.

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

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

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

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

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 526,727	\$ 354,718	\$ 210,481

**CITY OF AMITY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

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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 \$15,585.

**TRANSFERS**

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 48,330	\$ -
SDC	-	155,000
Water	-	25,245
Sewer	155,000	23,085
	<u>\$ 203,330</u>	<u>\$ 203,330</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.

**RISKS OF UNCERTAINTIES**

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 BALANCE**

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

**YEAR ENDED JUNE 30, 2021**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 293,100	\$ 293,100	\$ 314,199	\$ 21,099
Fines and forfeitures	22,000	22,000	17,456	(4,544)
Licenses and permits	224,700	224,700	206,264	(18,436)
Intergovernmental	61,800	61,800	122,764	60,964
Miscellaneous	76,200	76,200	36,487	(39,713)
<i>Total Revenues</i>	677,800	677,800	697,170	19,370
<b>EXPENDITURES</b>				
General programs	720,554	720,554	649,034	71,520
Debt service				
Principal	10,000	10,000	10,000	-
Interest	5,285	5,285	4,643	642
Contingency	240,508	240,508	-	240,508
<i>Total Expenditures</i>	976,347	976,347	663,677	312,670
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(298,547)	(298,547)	33,493	332,040
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	52,300	52,300	48,330	(3,970)
<b>NET CHANGE IN FUND BALANCE</b>	(246,247)	(246,247)	81,823	328,070
<b>FUND BALANCE, beginning of year</b>	246,247	246,247	213,284	(32,963)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 295,107	\$ 295,107

**CITY OF AMITY, OREGON**

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

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

**YEAR ENDED JUNE 30, 2021**

	<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	\$ 19,770	\$ 770
Intergovernmental	224,000	224,000	175,932	(48,068)
<i>Total Revenues</i>	243,000	243,000	195,702	(47,298)
<b>EXPENDITURES</b>				
Street programs	118,949	118,949	88,940	30,009
Capital outlay	100,000	100,000	15,880	84,120
Contingency	82,736	82,736	-	82,736
<i>Total Expenditures</i>	301,685	301,685	104,820	196,865
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(58,685)	(58,685)	90,882	149,567
<b>FUND BALANCE, beginning of year</b>	58,685	58,685	87,128	28,443
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 178,010	\$ 178,010

**CITY OF AMITY, OREGON**

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

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

**YEAR ENDED JUNE 30, 2021**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 247,684	\$ 247,684	\$ 105,792	\$ (141,892)
<b>EXPENDITURES</b>				
Contingency	561,808	561,808	-	561,808
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(314,124)	(314,124)	105,792	419,916
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(155,000)	(155,000)	(155,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(469,124)	(469,124)	(49,208)	419,916
<b>FUND BALANCE, beginning of year</b>	469,124	469,124	867,197	398,073
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 817,989	\$ 817,989

**CITY OF AMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(BUDGETARY BASIS) - BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2021**

	<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	\$ 589,709	\$ 71,309
Intergovernmental	3,729,242	3,729,242	610,476	(3,118,766)
Miscellaneous	-	-	5,415	5,415
<i>Total Revenues</i>	<u>4,247,642</u>	<u>4,247,642</u>	<u>1,205,600</u>	<u>(3,042,042)</u>
<b>EXPENDITURES</b>				
Water programs	378,581	378,581	339,161	39,420
Capital outlay	3,734,242	3,734,242	834,982	2,899,260
Debt service				
Principal	116,684	116,684	47,458	69,226
Interest	6,892	6,892	6,431	461
Contingency	366,609	366,609	-	366,609
<i>Total Expenditures</i>	<u>4,603,008</u>	<u>4,603,008</u>	<u>1,228,032</u>	<u>3,374,976</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(355,366)	(355,366)	(22,432)	332,934
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(25,245)	(25,245)	(25,245)	-
<b>CHANGE IN FUND BALANCE</b>	(380,611)	(380,611)	(47,677)	332,934
<b>FUND BALANCE, beginning of year, as restated</b>	<u>380,611</u>	<u>380,611</u>	<u>257,049</u>	<u>(123,562)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,372</u>	<u>\$ 209,372</u>

**CITY OF AMITY, OREGON**

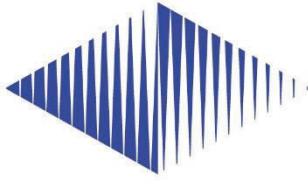
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

**YEAR ENDED JUNE 30, 2021**

	<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	\$ 486,456	\$ 21,556
Miscellaneous	2,500	2,500	12,035	9,535
<i>Total Revenues</i>	467,400	467,400	498,491	31,091
<b>EXPENDITURES</b>				
Sewer programs	321,176	321,176	279,759	41,417
Capital outlay	155,000	155,000	74,590	80,410
Debt service				
Principal	125,754	125,754	124,553	1,201
Interest	47,699	47,699	44,636	3,063
Contingency	119,760	119,760	-	119,760
<i>Total Expenditures</i>	769,389	769,389	523,538	245,851
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(301,989)	(301,989)	(25,047)	276,942
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	155,000	155,000	155,000	-
Transfers out	(23,085)	(23,085)	(23,085)	-
<i>Total Other Financing Sources and Uses</i>	131,915	131,915	131,915	-
<b>CHANGE IN FUND BALANCE</b>	(170,074)	(170,074)	106,868	276,942
<b>FUND BALANCE (Deficit), beginning of year</b>	170,074	170,074	(26,774)	(196,848)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 80,094	\$ 80,094

***COMPLIANCE SECTION***



# GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

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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 the basic financial statements of the City of Amity, Oregon (the City) as of and for the year ended June 30, 2021, and have issued our report thereon dated February 15, 2022.

### ***Compliance and Other Matters***

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

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

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

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



- 1) Actual resources and expenditures in the budget document for the second fiscal years preceding the current year did not agree to the audited financial statements (ORS 294.358).
- 2) Items in the requirements by object classification per the LB-1 did not agree with the adopted amounts on the governing bodies resolution (ORS 294.438).


***Internal Control Over Financial Reporting***

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

***Restriction on Use***

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

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

By:   
\_\_\_\_\_  
Devan W. Esch, A Shareholder  
February 15, 2022