

***CITY OF AMITY, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014***

CITY OF AMITY, OREGON
CITY OFFICIALS
JUNE 30, 2014

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

CITY COUNCIL MEMBERS

Walter Homen, President		December 31, 2014
Carmel Ball		December 31, 2014
Sharon Haggith		December 31, 2016
Mina Hansen		December 31, 2014
Caralyn Miller		December 31, 2016
Rudy van Soolen		December 31, 2016

CITY ADMINISTRATOR

Larry Layton

CITY RECORDER

Jennifer Elkins

P.O. Box 159
Amity, Oregon 97101

CITY OF AMITY, OREGON
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

- City Officials
- Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position (Modified Cash Basis)	9
Statement of Activities (Modified Cash Basis)	10
Fund Financial Statements	
Balance Sheet (Modified Cash Basis) - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Governmental Funds	12
Statement of Fund Net Position (Modified Cash Basis) – Proprietary (Enterprise) Funds	13
Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Proprietary (Enterprise) Funds	14
Notes to Basic Financial Statements	15-29
Supplemental Information	
Governmental Funds - Statements and Schedules	
Combining Balance Sheet (Modified Cash Basis) - Nonmajor Governmental Funds	30-31
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Nonmajor Governmental Funds	32-33
Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Budget and Actual	
General Fund	34
Street Fund	35
Police Equipment Reserve Fund	36
Building Fund	37
911 Fund	38
Street SDC Reimbursement Fund	39
Street SDC Improvement Fund	40
Storm Drain SDC Reimbursement Fund	41
Storm Drain SDC Improvement Fund	42
Parks SDC Improvement Fund	43
Parks SDC Reimbursement Fund	44
Street Reserve Fund	45
General Bond Debt Fund	46
Proprietary (Enterprise) Funds - Statements and Schedules	
Combining Statement of Fund Net Position (Modified Cash Basis) – Nonmajor Proprietary (Enterprise) Funds	47
Combining Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Nonmajor Proprietary (Enterprise) Funds	48
Schedule of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Budget and Actual – Enterprise Funds	
Water Fund	49
Sewer Fund	50
Water Capital Projects Fund	51

CITY OF AMITY, OREGON
TABLE OF CONTENTS (Continued)

	<i>Page</i>
<i>FINANCIAL SECTION (Continued)</i>	
Supplemental Information (Continued)	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Budget and Actual – Enterprise Funds (Continued)	
Sewer SDC Improvement Fund	52
Waterline Replacement Fund	53
Water Bond Debt Fund	54
Water SDC Improvement Fund	55
Water SDC Reimbursement Fund	56
Sewer Bond Fund	57
Sewer SDC Reimbursement Fund	58
Other Schedules	
Schedule of Property Tax Transactions	59
 <i>COMPLIANCE SECTION</i>	
Independent Auditor’s Report Required by Oregon State Regulations	60-61
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	62-63

FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amity, Oregon, as of and for the year ended June 30, 2014, 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 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 financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amity, Oregon as of June 30, 2014, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

Basis of Accounting

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

Other Matters

Report on Supplemental and Other Information

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

The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

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

Other Reporting Required by Government Auditing Standards and Other Legal and Regulatory Requirements

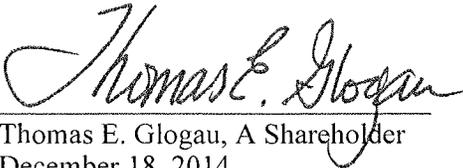
Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2014, 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: 
Thomas E. Glogau, A Shareholder
December 18, 2014

CITY OF AMITY, OREGON

Management's Discussion and Analysis June 30, 2014

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, 2014.

Financial Highlights

	June 30,		change
	2014	2013	
Net position	\$ 238,094	\$ 142,878	\$ 95,216
Change in net position	95,216	(234,769)	329,985
Governmental net position	236,517	232,982	3,535
Proprietary net position	1,577	(90,104)	91,681
Change in governmental net position	3,535	(8,256)	11,791
Change in proprietary net position	91,681	(226,513)	318,194

Overview of the Financial Statements

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

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

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

The Statement of Activities (Modified Cash Basis). The *statement of activities* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position utilizing the modified cash basis of accounting.

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

Fund financial statements. The *fund financial statements* provide more detailed information about the City’s funds, focusing on its most significant or “major” funds – not the City of Amity as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Amity, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

Government-wide Financial Analysis

Statement of Net Position. The Statement of Net Position (modified cash basis) is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Amity, assets exceeded liabilities by \$238,094 as of June 30, 2014.

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,**

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 181,325	\$ 63,809	\$ 245,134	\$ 117,234	\$ 25,888	\$ 143,122
Internal balances	62,232	(62,232)	-	115,992	(115,992)	-
Total Assets	243,557	1,577	245,134	233,226	(90,104)	143,122
Other liabilities	7,040	-	7,040	244	-	244
Net Position:						
Restricted	80,082	110,646	190,728	34,292	68,332	102,624
Unrestricted	156,435	(109,069)	47,366	198,690	(158,436)	40,254
Total Net Position	\$ 236,517	\$ 1,577	\$ 238,094	\$ 232,982	\$ (90,104)	\$ 142,878

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,

	2014			2013		
	Government Activities	Business- type Activities	Total	Government Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 67,514	\$ 739,001	\$ 806,515	\$ 58,871	\$ 725,724	\$ 784,595
Operating grants	101,202	2,500	103,702	98,500	-	98,500
Capital grants	19,272	495,604	514,876	22,423	2,164,527	2,186,950
General revenues						
Taxes and assessments	243,544	-	243,544	230,240	-	230,240
Franchise taxes	63,609	-	63,609	63,215	-	63,215
Intergovernmental	41,460	-	41,460	40,609	-	40,609
Issuance of debt	-	302,847	302,847	-	1,708,388	1,708,388
Refunding of debt	-	-	-	-	(1,516,708)	(1,516,708)
Miscellaneous	14,401	4,825	19,226	11,096	9,604	20,700
<i>Total revenues</i>	<u>551,002</u>	<u>1,544,777</u>	<u>2,095,779</u>	<u>524,954</u>	<u>3,091,535</u>	<u>3,616,489</u>
Expenses						
General government	188,407	-	188,407	164,752	-	164,752
Community development	33,023	-	33,023	27,209	-	27,209
Street	78,508	-	78,508	83,630	-	83,630
Parks	48,105	-	48,105	30,925	-	30,925
Library	18,556	-	18,556	19,925	-	19,925
Public safety	201,057	-	201,057	194,220	-	194,220
Interest on long-term debt	6,311	-	6,311	6,449	-	6,449
Water	-	1,071,652	1,071,652	-	2,865,067	2,865,067
Sewer	-	354,944	354,944	-	459,081	459,081
<i>Total expenses</i>	<u>573,967</u>	<u>1,426,596</u>	<u>2,000,563</u>	<u>527,110</u>	<u>3,324,148</u>	<u>3,851,258</u>
Transfers	26,500	(26,500)	-	(6,100)	6,100	-
Change in net position	3,535	91,681	95,216	(8,256)	(226,513)	(234,769)
Net position, beginning of year	232,982	(90,104)	142,878	241,238	136,409	377,647
Net position, end of year	<u>\$ 236,517</u>	<u>\$ 1,577</u>	<u>\$ 238,094</u>	<u>\$ 232,982</u>	<u>\$ (90,104)</u>	<u>\$ 142,878</u>

Financial Analysis of the City's Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's net position increased by \$95,216 during the fiscal year 2013-2014. This increase is explained in the government and business-type activities as follows:

Governmental activities: The City's net position increased by \$3,535 from governmental activities.

Business-type activities: The City's net position increased by \$91,681 from business-type activities.

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

General Fund. The General Fund is the primary operating fund of the City of Amity. Fund balance was \$111,461 as of June 30, 2014. The fund balance decreased by \$48,785 during the current fiscal year. A decrease in fund balance was budgeted at \$150,000. Actual revenues exceeded budget revenues, and actual expenditures were less than budget. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 24% of total General Fund expenditures.

Street Fund. The majority of Street Fund revenues are State gas tax revenue. The fund balance at the end of the year was \$32,687 which was an increase of \$8,984 from the prior year. The fund balance represents 42% of total Street Fund expenditures.

Police Equipment Reserve. The Police Equipment Reserve Fund is funded by transfers from the General Fund. There were no expenditures from this fund in the current year, so the balance increased by \$3,000 due to a transfer from the General Fund. This balance is committed to capital outlay.

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 \$6,900 during the year.

Sewer Fund. This fund accounts for the operations of the City's sewer system. The balance in this fund decreased by \$4,120 during the year.

Water Capital Projects Fund. This fund accounts for activities associated with capital projects. The balance in this fund increased by \$63,756 during the year.

Sewer SDC Improvement Fund. This fund accounts for the collection and use of Sewer SDC charges. There were no expenditures from this fund in the current year. The fund balance increased by \$24,019 during the year. This balance is restricted to construction.

General Fund Budget

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

Debt Administration

Long-term debt. The City had total debt outstanding of \$3,082,844 at the end of the current fiscal year. During the current fiscal year, the City's total debt increased by \$163,290, net.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The assessed valuation of the City of Amity is \$69,056,129, therefore, the current debt limitation for the City of Amity is \$2,071,684. The City had no outstanding general obligation debt as of June 30, 2014.

**City of Amity
Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Loans	\$ 135,000	\$ 140,000	\$ 1,418,941	\$ 1,159,532	\$ 1,553,941	\$ 1,299,532
Revenue bonds	-	-	8,903	20,022	8,903	20,022
Refunding bonds	-	-	1,520,000	1,600,000	1,520,000	1,600,000
Total	\$ 135,000	\$ 140,000	\$ 2,947,844	\$ 2,779,554	\$ 3,082,844	\$ 2,919,554

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 2014-15 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, 2014

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<i>ASSETS</i>			
Cash and cash equivalents	\$ 181,325	\$ 63,809	\$ 245,134
<i>LIABILITIES</i>			
Payroll withholdings	7,040	-	7,040
Internal balances	(62,232)	62,232	-
<i>Total Liabilities</i>	(55,192)	62,232	7,040
<i>NET POSITION</i>			
Restricted for:			
Customer deposits	-	51,227	51,227
Construction	14,406	59,419	73,825
Streets	65,248	-	65,248
Public safety	428	-	428
Unrestricted	156,435	(109,069)	47,366
<i>Total Net Position</i>	\$ 236,517	\$ 1,577	\$ 238,094

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, 2014

	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
FUNCTIONS/PROGRAMS				
<i>Governmental activities:</i>				
General government	\$ 188,407	\$ 1,460	\$ 8,710	\$ -
Community development	33,023	18,679	-	-
Street	78,508	17,534	92,492	14,404
Parks	48,105	1,200	-	4,868
Library	18,556	-	-	-
Public safety	201,057	28,641	-	-
Interest on long-term debt	6,311	-	-	-
<i>Total Governmental activities</i>	<u>573,967</u>	<u>67,514</u>	<u>101,202</u>	<u>19,272</u>
<i>Business-type activities:</i>				
Water	1,071,652	356,357	2,500	467,179
Sewer	354,944	382,644	-	28,425
<i>Total Business-type activities</i>	<u>1,426,596</u>	<u>739,001</u>	<u>2,500</u>	<u>495,604</u>
<i>Total Activities</i>	<u>\$ 2,000,563</u>	<u>\$ 806,515</u>	<u>\$ 103,702</u>	<u>\$ 514,876</u>
<i>General Revenues:</i>				
Property taxes				
Franchise taxes				
Intergovernmental				
Issuance of debt				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Transfers</i>				
<i>Change in net position</i>				
<i>Net position - beginning of year</i>				
<i>Net position - end of year</i>				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (178,237)	\$ -	\$ (178,237)
(14,344)	-	(14,344)
45,922	-	45,922
(42,037)	-	(42,037)
(18,556)	-	(18,556)
(172,416)	-	(172,416)
(6,311)	-	(6,311)
(385,979)	-	(385,979)
-	(245,616)	(245,616)
-	56,125	56,125
-	(189,491)	(189,491)
(385,979)	(189,491)	(575,470)
243,544	-	243,544
63,609	-	63,609
41,460	-	41,460
-	302,847	302,847
14,401	4,825	19,226
363,014	307,672	670,686
26,500	(26,500)	-
3,535	91,681	95,216
232,982	(90,104)	142,878
\$ 236,517	\$ 1,577	\$ 238,094

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

CITY OF AMITY, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General</u>	<u>Special Revenue Street</u>	<u>Capital Projects Police Equipment Reserve</u>
ASSETS			
Cash and cash equivalents	\$ 55,668	\$ 32,687	\$ 35,693
Due from other funds	62,833	-	-
<i>Total Assets</i>	<u>\$ 118,501</u>	<u>\$ 32,687</u>	<u>\$ 35,693</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 7,040	\$ -	\$ -
Due to other funds	-	-	-
<i>Total Liabilities</i>	<u>7,040</u>	<u>-</u>	<u>-</u>
 Fund Balance:			
Restricted for:			
Construction	-	-	-
Streets	-	32,687	-
Public safety	-	-	-
Committed to:			
Capital outlay	-	-	35,693
Community development	-	-	-
Unassigned	111,461	-	-
<i>Total Fund Balance</i>	<u>111,461</u>	<u>32,687</u>	<u>35,693</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 118,501</u>	<u>\$ 32,687</u>	<u>\$ 35,693</u>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 57,277	\$ 181,325
-	62,833
\$ 57,277	\$ 244,158
-	7,040
601	601
601	7,641
14,406	14,406
32,561	65,248
428	428
-	35,693
9,882	9,882
(601)	110,860
56,676	236,517
\$ 57,277	\$ 244,158

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, 2014**

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Police Equipment Reserve</u>
REVENUES			
Taxes and assessments	\$ 243,544	\$ -	\$ -
Fines and forfeitures	25,817	-	-
Licenses and permits	66,269	-	-
Charges for services	-	-	-
Intergovernmental	52,994	92,492	-
Miscellaneous	10,376	-	-
<i>Total Revenues</i>	399,000	92,492	-
EXPENDITURES			
General government	183,407	-	-
Community development	18,660	-	-
Street	-	78,508	-
Parks	48,105	-	-
Library	18,556	-	-
Public safety	201,057	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
<i>Total Expenditures</i>	469,785	78,508	-
REVENUES OVER (UNDER) EXPENDITURES	(70,785)	13,984	-
OTHER FINANCING SOURCES (USES)			
Transfers in	31,500	-	3,000
Transfers out	(9,500)	(5,000)	-
<i>Total Other Financing Sources (Uses)</i>	22,000	(5,000)	3,000
NET CHANGE IN FUND BALANCE	(48,785)	8,984	3,000
FUND BALANCE, beginning of year	160,246	23,703	32,693
FUND BALANCE, end of year	\$ 111,461	\$ 32,687	\$ 35,693

<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 243,544
-	25,817
37,951	104,220
17,534	17,534
-	145,486
4,025	14,401
59,510	551,002
-	183,407
14,363	33,023
-	78,508
-	48,105
-	18,556
-	201,057
5,000	5,000
6,311	6,311
25,674	573,967
33,836	(22,965)
6,500	41,000
-	(14,500)
6,500	26,500
40,336	3,535
16,340	232,982
\$ 56,676	\$ 236,517

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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Water Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
LIABILITIES			
Due to other funds	27,371	3,096	31,765
NET POSITION:			
Restricted for:			
Customer deposits	28,175	23,052	-
Construction	-	-	-
Unrestricted	(55,546)	(26,148)	(31,765)
<i>Total Net Position</i>	<u>\$ (27,371)</u>	<u>\$ (3,096)</u>	<u>\$ (31,765)</u>

<u>Sewer SDC Improvement</u>	<u>Other Business- type Funds</u>	<u>Total</u>
\$ 38,485	\$ 25,324	\$ 63,809
-	-	62,232
-	-	51,227
38,485	20,934	59,419
-	4,390	(109,069)
<u>\$ 38,485</u>	<u>\$ 25,324</u>	<u>\$ 1,577</u>

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

CITY OF AMITY, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) – PROPRIETARY (ENTERPRISE) FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>
OPERATING REVENUES		
Charges for services	\$ 346,469	\$ 382,644
Miscellaneous	2,601	4,399
<i>Total Operating Revenues</i>	349,070	387,043
OPERATING EXPENSES		
Personal services	156,606	102,113
Materials and services	113,998	118,184
<i>Total Operating Expenses</i>	270,604	220,297
OPERATING INCOME	78,466	166,746
NONOPERATING REVENUES (EXPENSES)		
Noncapital Financing Revenues (Expenses)		
Transfers in	-	-
Transfers out	(81,500)	(167,000)
<i>Total Noncapital Financing Revenues (Expenses)</i>	(81,500)	(167,000)
Capital Financing Revenues (Expenses)		
Capital contributions	-	-
Capital outlay	(3,866)	(3,866)
Issuance of debt	-	-
Debt service		
Principal	-	-
Interest	-	-
<i>Total Capital Financing Revenues (Expenses)</i>	(3,866)	(3,866)
<i>Total Nonoperating Revenues (Expenses)</i>	(85,366)	(170,866)
CHANGE IN NET POSITION	(6,900)	(4,120)
NET POSITION (Deficit), beginning of year	(20,471)	1,024
NET POSITION (Deficit), end of year	\$ (27,371)	\$ (3,096)

<i>Water Capital Projects</i>	<i>Sewer SDC Improvement</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ - 325	\$ - -	\$ 9,888 -	\$ 739,001 7,325
325	-	9,888	746,326
151,706	-	-	410,425
133,438	-	-	365,620
285,144	-	-	776,045
(284,819)	-	9,888	(29,719)
39,079	-	192,000	231,079
-	-	(9,079)	(257,579)
39,079	-	182,921	(26,500)
454,099	24,019	17,486	495,604
(447,450)	-	-	(455,182)
302,847	-	-	302,847
-	-	(134,557)	(134,557)
-	-	(60,812)	(60,812)
309,496	24,019	(177,883)	147,900
348,575	24,019	5,038	121,400
63,756	24,019	14,926	91,681
(95,521)	14,466	10,398	(90,104)
\$ (31,765)	\$ 38,485	\$ 25,324	\$ 1,577

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basic Financial Statements

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

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

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

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

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

The City reports the following major governmental funds:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenues are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for police protection, insurance and general administration.

Street Fund

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

Police Equipment Reserve Fund

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

The City reports the following nonmajor governmental funds:

Building Fund

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

911 Tax Fund

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

Street SDC Reimbursement Fund

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

Street SDC Improvement Fund

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

Storm Drain SDC Reimbursement Fund

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Storm Drain SDC Improvement Fund

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

Parks SDC Improvement Fund

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

Parks SDC Reimbursement Fund

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

Street Reserve Fund

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

General Bond Debt Fund

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

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

Water Fund

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

Sewer Fund

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

Water Capital Project Fund

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

Sewer SDC Improvement Fund

This fund accounts for the collection and use of Sewer SDC charges. Principal revenues are from SDC charges collected and primary expenses are for system development.

The City reports the following proprietary funds as nonmajor:

Water Line Replacement Fund

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

Water Bond Fund

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Water SDC Improvement Fund

This fund accounts for the collection and use of Water SDC revenues. Principal revenues are from SDC charges collected and primary expenses are for system development.

Water SDC Reimbursement Fund

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

Sewer Bond Fund

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

Sewer SDC Reimbursement Fund

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

Fund Balance

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

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

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

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

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

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds. When expenditures are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

Cash and Cash Equivalents

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Investments are stated at cost, which approximates fair value.

Property Taxes

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

Capital Assets

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

Long-Term Debt

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

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. The amount payable for accumulated unpaid vacation and earned but unpaid sick pay at June 30, 2014 was not available.

Budgets and Budgetary Accounting

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

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect reporting amounts of certain assets, liabilities, revenues and expenditures as of June 30, 2014. Actual results may differ from those estimates.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2014:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 400	\$ 400
Deposits with financial institutions	45,874	45,874
Investments		
Local Government Investment Pool	198,860	198,860
	<u>\$ 245,134</u>	<u>\$ 245,134</u>

Deposits

The book balance of the City's bank deposits (checking accounts) was \$45,874 and the bank balance was \$163,897 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, 2014, all of the City's bank balances were covered by FDIC insurance.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2014, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

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

Custodial Risk - Investments

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

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

LONG-TERM DEBT

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

	<i>Outstanding July 1, 2013</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2014</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Lee Property Loan (US Bank)					
Due in annual installments of \$5,000 or \$10,000 (depending on year). Interest rates are 2.75%, 4.10%, 4.65%, and 5.10% for the four underlying debt issues due in 5, 10, 15, and 20 years respectively.	\$ 140,000	\$ -	\$ (5,000)	\$ 135,000	\$ 5,000

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2014</u>	<u>Due Within One Year</u>
<i>Business-type Activities</i>					
Water system revenue bonds, series 1974 due in annual installments of \$2,964 including interest at 5.0% through 2014	\$ 4,044	\$ -	\$ (2,669)	\$ 1,375	\$ 1,375
Water system revenue bonds, series 1975 due in annual installments of \$4,742 including interest at 5.0% through 2015	8,636	-	(4,762)	3,874	3,873
Water system revenue bonds, series 1975 due in annual installments of \$4,150 including interest at 5.0% through 2015	7,342	-	(3,688)	3,654	3,654
2002 Safe Drinking Water State Revolving Fund, due in annual installments of \$53,011 including interest at 1.0% through 2032	956,452	-	(43,438)	913,014	43,872
2009 Safe Drinking Water State Revolving Fund 4.78% interest rate with a maturity date of approximately 25 years with the first payment on December 1 following the completion date	203,080	302,847	-	505,927	-
Full Faith and Credit Refunding Obligations 2.0% - 3.5% interest rate with a maturity date of June 1, 2028	1,600,000	-	(80,000)	1,520,000	95,000
	<u>\$ 2,779,554</u>	<u>\$ 302,847</u>	<u>\$ (134,557)</u>	<u>\$ 2,947,844</u>	<u>\$ 147,774</u>

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Governmental Activities

<u>Year</u>	<u>Total</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014-15	\$ 5,000	\$ 6,750	\$ 11,750
2015-16	5,000	6,525	11,525
2016-17	5,000	6,300	11,300
2017-18	5,000	6,075	11,075
2018-19	5,000	5,850	10,850
2020-2024	50,000	23,325	73,325
2025-2029	50,000	10,665	60,665
2030-2033	10,000	1,286	11,286
Totals	<u>\$ 135,000</u>	<u>\$ 66,776</u>	<u>\$ 201,776</u>

Business-type Activities

<u>Year</u>	<u>Total</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014-15	\$ 147,774	\$ 101,165	\$ 248,939
2015-16	155,817	65,914	221,731
2016-17	156,773	63,057	219,830
2017-18	157,750	60,180	217,930
2018-19	163,751	57,229	220,980
2020-2024	874,627	231,562	1,106,189
2025-2029	863,560	113,686	977,246
2030-2034	343,378	68,210	411,588
2035-2039	84,413	9,781	94,194
Totals	<u>\$ 2,947,843</u>	<u>\$ 770,784</u>	<u>\$ 3,718,627</u>

PENSION PLAN

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2014

PENSION PLAN

Plan Description (Continued)

into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon, 97281-3700 or by calling 503-598-7377.

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 11.67%, 8.39% and 11.12% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2012, 2013, and 2014 were \$64,055, \$60,337 and \$66,167 respectively, which equaled the required contribution for the year.

ENTERPRISE FUND DISCLOSURES

The following disclosures of certain information concerning individual funds is required by accounting principles generally accepted in the United States of America as part of the basic financial statements.

The City maintains eleven Enterprise Funds which provide sewer and water services. Segment information for fiscal year 2014 was as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Revenues	\$ 415,468	\$ 826,462	\$ 1,241,930
Expenditures	354,944	1,071,652	1,426,596
Other financing sources and uses	-	302,847	302,847
Excess (deficiency) of revenues over expenditures	60,524	57,657	118,181
Total assets	44,207	19,602	63,809
Total liabilities	3,096	59,136	62,232
Total net position	41,111	(39,534)	1,577

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2014

TRANSFERS

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

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 31,500	\$ 9,500
Street	-	5,000
Police Equipment Reserve	3,000	-
General Bond Debt	6,500	-
Water	-	81,500
Water Bond	60,000	-
Water Capital Projects	39,079	-
Waterline Replacement	-	9,079
Sewer	-	167,000
Sewer Bond	132,000	-
	<u>\$ 272,079</u>	<u>\$ 272,079</u>

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

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

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. There were no open claims at the time of this report. No insurance claims exceeded policy limits in the past three years.

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

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

OVER-EXPENDITURE OF APPROPRIATIONS AND DEFICIT FUND BALANCES

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

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2014 occurred as follows:

<i>Fund / Appropriation category</i>	<i>Appropriation</i>	<i>Disbursement</i>	<i>Variance</i>
Water			
Materials and services	\$ 107,100	\$ 113,998	\$ (6,898)
Sewer			
Materials and services	101,500	118,184	(16,684)
Water Capital Projects			
Personal services	150,230	151,706	(1,476)
Materials and services	106,061	133,438	(27,377)
Capital outlay	325,952	447,450	(121,498)

The following funds reported deficit fund balances as of June 30, 2014:

	<i>Deficit Fund Balance</i>
General Bond Debt	\$ (601)
Water	(27,371)
Water Capital Projects	(31,765)
Sewer	(3,096)
	<u>\$ (62,833)</u>

NEW PRONOUNCEMENTS

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement was implemented in the current year.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

NEW PRONOUNCEMENTS (Continued)

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

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF AMITY, OREGON

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

JUNE 30, 2014

	<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>Building</u>	<u>911 Tax</u>	<u>Street SDC Reimbursement</u>
ASSETS			
Cash and cash equivalents	\$ 9,882	\$ 428	\$ 3,634
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital outlay	-	-	-
Streets	-	-	3,634
Public safety	-	428	-
Committed to:			
Community development	9,882	-	-
Unassigned	-	-	-
<i>Total Fund Balance</i>	<u>9,882</u>	<u>428</u>	<u>3,634</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 9,882</u>	<u>\$ 428</u>	<u>\$ 3,634</u>

Capital Projects

<u><i>Street SDC Improvement</i></u>	<u><i>Storm Drain SDC Reimbursement</i></u>	<u><i>Storm Drain SDC Improvement</i></u>	<u><i>Parks SDC Improvement</i></u>	<u><i>Parks SDC Reimbursement</i></u>
\$ 10,610	\$ 218	\$ 5,773	\$ 8,128	\$ 287
\$ -	\$ -	\$ -	\$ -	\$ -
-	218	5,773	8,128	287
10,610	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,610	218	5,773	8,128	287
\$ 10,610	\$ 218	\$ 5,773	\$ 8,128	\$ 287

CITY OF AMITY, OREGON

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

(Continued)

JUNE 30, 2014

	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Street Reserve</u>	<u>General Bond Debt</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 18,317	\$ -	\$ 57,277
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds	\$ -	\$ 601	601
Fund Balance:			
Restricted for:			
Capital outlay	-	-	14,406
Streets	18,317	-	32,561
Public safety	-	-	428
Committed to:			
Community development	-	-	9,882
Unassigned	-	(601)	(601)
<i>Total Fund Balance</i>	18,317	(601)	56,676
<i>Total Liabilities and Fund Balance</i>	\$ 18,317	\$ -	\$ 57,277

CITY OF AMITY, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>Building</u>	<u>911 Tax</u>	<u>Street SDC Reimbursement</u>
REVENUES			
Licenses and permits	\$ 18,679	\$ -	\$ 28
Charges for services	-	-	-
Miscellaneous	-	-	-
<i>Total Revenues</i>	18,679	-	28
EXPENDITURES			
Community development	14,363	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
<i>Total Expenditures</i>	14,363	-	-
REVENUES OVER (UNDER) EXPENDITURES	4,316	-	28
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCE	4,316	-	28
FUND BALANCE, beginning of year	5,566	428	3,606
FUND BALANCE (Deficit), end of year	\$ 9,882	\$ 428	\$ 3,634

<i>Capital Projects</i>				
<i>Street SDC Improvement</i>	<i>Storm Drain SDC Reimbursement</i>	<i>Storm Drain SDC Improvement</i>	<i>Parks SDC Improvement</i>	<i>Parks SDC Reimbursement</i>
\$ 10,590	\$ 122	\$ 3,664	\$ 4,581	\$ 287
-	-	-	-	-
-	-	-	-	-
10,590	122	3,664	4,581	287
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,590	122	3,664	4,581	287
-	-	-	-	-
10,590	122	3,664	4,581	287
20	96	2,109	3,547	-
\$ 10,610	\$ 218	\$ 5,773	\$ 8,128	\$ 287

CITY OF AMITY, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS (Continued)
YEAR ENDED JUNE 30, 2014**

	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Street Reserve</u>	<u>General Bond Debt</u>	<u>Total</u>
REVENUES			
Licenses and permits	\$ -	\$ -	\$ 37,951
Charges for services	17,534	-	17,534
Miscellaneous	-	4,025	4,025
<i>Total Revenues</i>	17,534	4,025	59,510
EXPENDITURES			
Community development	-	-	14,363
Debt Service			
Principal	-	5,000	5,000
Interest	-	6,311	6,311
<i>Total Expenditures</i>	-	11,311	25,674
REVENUES OVER (UNDER) EXPENDITURES	17,534	(7,286)	33,836
OTHER FINANCING SOURCES (USES)			
Transfers in	-	6,500	6,500
NET CHANGE IN FUND BALANCE	17,534	(786)	40,336
FUND BALANCE, beginning of year	783	185	16,340
FUND BALANCE, end of year	\$ 18,317	\$ (601)	\$ 56,676

CITY OF AMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) -BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 225,000	\$ 225,000	\$ 243,544	\$ 18,544
Fines and forfeitures	22,700	22,700	25,817	3,117
Licenses and permits	65,300	65,300	66,269	969
Intergovernmental	51,800	51,800	52,994	1,194
Miscellaneous	4,000	4,000	10,376	6,376
<i>Total Revenues</i>	<u>368,800</u>	<u>368,800</u>	<u>399,000</u>	<u>30,200</u>
EXPENDITURES				
Personal services	348,955	348,955	325,254	23,701
Materials and services	175,050	175,050	144,531	30,519
Contingency	25,295	25,295	-	25,295
<i>Total Expenditures</i>	<u>549,300</u>	<u>549,300</u>	<u>469,785</u>	<u>79,515</u>
REVENUES OVER (UNDER) EXPENDITURES	(180,500)	(180,500)	(70,785)	109,715
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	31,500	(8,500)
Transfers out	(9,500)	(9,500)	(9,500)	-
<i>Total Other Financing Sources and Uses</i>	<u>30,500</u>	<u>30,500</u>	<u>22,000</u>	<u>(8,500)</u>
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	(48,785)	101,215
FUND BALANCE, beginning of year	<u>150,000</u>	<u>150,000</u>	<u>160,246</u>	<u>10,246</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,461</u>	<u>\$ 111,461</u>

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 92,492	\$ 7,492
EXPENDITURES				
Personal services	51,835	51,835	50,579	1,256
Materials and services	44,000	44,000	27,929	16,071
Capital outlay	3,000	3,000	-	3,000
<i>Total Expenditures</i>	<u>98,835</u>	<u>98,835</u>	<u>78,508</u>	<u>20,327</u>
REVENUES OVER (UNDER) EXPENDITURES	(13,835)	(13,835)	13,984	27,819
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(18,835)	(18,835)	8,984	27,819
FUND BALANCE, beginning of year	<u>19,000</u>	<u>19,000</u>	<u>23,703</u>	<u>4,703</u>
FUND BALANCE, end of year	<u>\$ 165</u>	<u>\$ 165</u>	<u>\$ 32,687</u>	<u>\$ 32,522</u>

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	3,000	3,000	-
NET CHANGE IN FUND BALANCE	3,000	3,000	3,000	-
FUND BALANCE, beginning of year	32,693	32,693	32,693	-
FUND BALANCE, end of year	\$ 35,693	\$ 35,693	\$ 35,693	\$ -

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 18,679	\$ 3,679
EXPENDITURES				
Personal services	1,699	1,699	1,533	166
Materials and services	14,300	14,300	12,830	1,470
Contingency	5,000	5,000	-	5,000
<i>Total Expenditures</i>	20,999	20,999	14,363	6,636
NET CHANGE IN FUND BALANCE	(5,999)	(5,999)	4,316	10,315
FUND BALANCE, beginning of year	6,200	6,200	5,566	(634)
FUND BALANCE, end of year	\$ 201	\$ 201	\$ 9,882	\$ 9,681

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

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

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 500	\$ 500	\$ 28	\$ (472)
EXPENDITURES				
Capital outlay	4,106	4,106	-	4,106
NET CHANGE IN FUND BALANCE	(3,606)	(3,606)	28	3,634
FUND BALANCE, beginning of year	3,606	3,606	3,606	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,634	\$ 3,634

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 42,500	\$ 42,500	\$ 10,590	\$ (31,910)
EXPENDITURES				
Capital outlay	42,542	42,542	-	42,542
NET CHANGE IN FUND BALANCE	(42)	(42)	10,590	10,632
FUND BALANCE, beginning of year	42	42	20	(22)
FUND BALANCE, end of year	\$ -	\$ -	\$ 10,610	\$ 10,610

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STORM DRAIN SDC REIMBURSEMENT FUND
YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 104	\$ 104	\$ 122	\$ 18
EXPENDITURES				
Capital outlay	200	200	-	200
NET CHANGE IN FUND BALANCE	(96)	(96)	122	218
FUND BALANCE, beginning of year	96	96	96	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 218	\$ 218

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 800	\$ 800	\$ 3,664	\$ 2,864
EXPENDITURES				
Capital outlay	2,021	2,021	-	2,021
NET CHANGE IN FUND BALANCE	(1,221)	(1,221)	3,664	4,885
FUND BALANCE, beginning of year	1,221	1,221	2,109	888
FUND BALANCE, end of year	\$ -	\$ -	\$ 5,773	\$ 5,773

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 12,300	\$ 12,300	\$ 4,581	\$ (7,719)
EXPENDITURES				
Capital outlay	14,500	14,500	-	14,500
NET CHANGE IN FUND BALANCE	(2,200)	(2,200)	4,581	6,781
FUND BALANCE, beginning of year	2,208	2,208	3,547	1,339
FUND BALANCE, end of year	\$ 8	\$ 8	\$ 8,128	\$ 8,120

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 700	\$ 700	\$ 287	\$ (413)
EXPENDITURES				
Capital outlay	867	867	-	867
NET CHANGE IN FUND BALANCE	(167)	(167)	287	454
FUND BALANCE, beginning of year	167	167	-	(167)
FUND BALANCE, end of year	\$ -	\$ -	\$ 287	\$ 287

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 16,000	\$ 16,000	\$ 17,534	\$ 1,534
EXPENDITURES				
Capital outlay	16,590	16,590	-	16,590
NET CHANGE IN FUND BALANCE	(590)	(590)	17,534	18,124
FUND BALANCE, beginning of year	590	590	783	193
FUND BALANCE, end of year	\$ -	\$ -	\$ 18,317	\$ 18,317

CITY OF AMITY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – GENERAL BOND DEBT FUND
YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 4,025	\$ (975)
EXPENDITURES				
Debt service				
Principal	5,000	5,000	5,000	-
Interest	6,312	6,312	6,311	1
<i>Total Expenditures</i>	11,312	11,312	11,311	1
REVENUES OVER (UNDER) EXPENDITURES	(6,312)	(6,312)	(7,286)	(974)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,500	6,500	6,500	-
NET CHANGE IN FUND BALANCE	188	188	(786)	(974)
FUND BALANCE, beginning of year	-	-	185	185
FUND BALANCE (Deficit), end of year	\$ 188	\$ 188	\$ (601)	\$ (789)

CITY OF AMITY, OREGON

COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) --

NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS

JUNE 30, 2014

	<u>Water Line Replacement</u>	<u>Water Bond</u>	<u>Water SDC Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 930	\$ 3,074	\$ 12,226
LIABILITIES	-	-	-
NET POSITION:			
Restricted for:			
Construction	930	-	12,226
Unrestricted	-	3,074	-
<i>Total Net Position</i>	<u>\$ 930</u>	<u>\$ 3,074</u>	<u>\$ 12,226</u>

<u>Water SDC</u> <u>Reimbursement</u>	<u>Sewer Bond</u>	<u>Sewer SDC</u> <u>Reimbursement</u>	<u>Total</u>
\$ 3,372	\$ 1,316	\$ 4,406	\$ 25,324
-	-	-	-
3,372	-	4,406	20,934
-	1,316	-	4,390
<u>\$ 3,372</u>	<u>\$ 1,316</u>	<u>\$ 4,406</u>	<u>\$ 25,324</u>

CITY OF AMITY, OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) - NONMAJOR PROPRIETARY (ENTERPRISE) FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Water Line Replacement</u>	<u>Water Bond</u>
OPERATING REVENUES		
Charges for services	\$ 9,888	\$ -
OPERATING EXPENSES	-	-
OPERATING INCOME	9,888	-
NONOPERATING REVENUES (EXPENSES)		
Noncapital Financing Revenues (Expenses)		
Transfers in	-	60,000
Transfers out	(9,079)	-
<i>Total Noncapital Financing Revenues (Expenses)</i>	(9,079)	60,000
Capital Financing Revenues (Expenses)		
Capital contributions	-	-
Debt service		
Principal	-	(54,557)
Interest	-	(10,031)
<i>Total Capital Financing Revenues (Expenses)</i>	-	(64,588)
<i>Total Nonoperating Revenues (Expenses)</i>	(9,079)	(4,588)
CHANGE IN NET POSITION	809	(4,588)
NET POSITION, beginning of year	121	7,662
NET POSITION, end of year	<u>\$ 930</u>	<u>\$ 3,074</u>

<i>Water SDC Improvement</i>	<i>Water SDC Reimbursement</i>	<i>Sewer Bond</i>	<i>Sewer SDC Reimbursement</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ -	\$ 9,888
-	-	-	-	-
-	-	-	-	9,888
-	-	132,000	-	192,000
-	-	-	-	(9,079)
-	-	132,000	-	182,921
9,708	3,372	-	4,406	17,486
-	-	(80,000)	-	(134,557)
-	-	(50,781)	-	(60,812)
9,708	3,372	(130,781)	4,406	(177,883)
9,708	3,372	1,219	4,406	5,038
9,708	3,372	1,219	4,406	14,926
2,518	-	97	-	10,398
<u>\$ 12,226</u>	<u>\$ 3,372</u>	<u>\$ 1,316</u>	<u>\$ 4,406</u>	<u>\$ 25,324</u>

CITY OF AMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 360,000	\$ 360,000	\$ 346,469	\$ (13,531)
Miscellaneous	500	500	2,601	2,101
<i>Total Revenues</i>	360,500	360,500	349,070	(11,430)
EXPENDITURES				
Personal services	167,830	167,830	156,606	11,224
Materials and services	107,100	107,100	113,998	(6,898)
Capital outlay	5,000	5,000	3,866	1,134
<i>Total Expenditures</i>	279,930	279,930	274,470	5,460
REVENUES OVER (UNDER) EXPENDITURES	80,570	80,570	74,600	(5,970)
OTHER FINANCING SOURCES (USES)				
Transfers out	(81,500)	(81,500)	(81,500)	-
CHANGE IN FUND BALANCE	(930)	(930)	(6,900)	(5,970)
FUND BALANCE (Deficit), beginning of year	2,000	2,000	(20,471)	(22,471)
FUND BALANCE (Deficit), end of year	\$ 1,070	\$ 1,070	\$ (27,371)	\$ (28,441)

CITY OF AMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 395,000	\$ 395,000	\$ 382,644	\$ (12,356)
Miscellaneous	-	-	4,399	4,399
<i>Total Revenues</i>	395,000	395,000	387,043	(7,957)
EXPENDITURES				
Personal services	107,400	107,400	102,113	5,287
Materials and services	101,500	101,500	118,184	(16,684)
Capital outlay	5,000	5,000	3,866	1,134
Contingency	14,100	14,100	-	14,100
<i>Total Expenditures</i>	228,000	228,000	224,163	3,837
REVENUES OVER (UNDER) EXPENDITURES	167,000	167,000	162,880	(4,120)
OTHER FINANCING SOURCES (USES)				
Transfers out	(167,000)	(167,000)	(167,000)	-
CHANGE IN FUND BALANCE	-	-	(4,120)	(4,120)
FUND BALANCE, beginning of year	-	-	1,024	1,024
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (3,096)	\$ (3,096)

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 416,361	\$ 416,361	\$ 454,099	\$ 37,738
Miscellaneous	40,000	40,000	325	(39,675)
<i>Total Revenues</i>	456,361	456,361	454,424	(1,937)
EXPENDITURES				
Personal services	120,230	150,230	151,706	(1,476)
Materials and services	106,061	106,061	133,438	(27,377)
Capital outlay	325,952	325,952	447,450	(121,498)
Contingency	30,000	-	-	-
<i>Total Expenditures</i>	582,243	582,243	732,594	(150,351)
REVENUES OVER (UNDER) EXPENDITURES	(125,882)	(125,882)	(278,170)	(152,288)
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	39,079	9,079
Transfers out	(10,000)	(10,000)	-	10,000
Issuance of debt	200,000	200,000	302,847	102,847
<i>Total Other Financing Sources and Uses</i>	220,000	220,000	341,926	121,926
CHANGE IN FUND BALANCE	94,118	94,118	63,756	(30,362)
FUND BALANCE (Deficit), beginning of year	(94,118)	(94,118)	(95,521)	(1,403)
FUND BALANCE (Deficit), end of year	\$ -	\$ -	\$ (31,765)	\$ (31,765)

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 48,700	\$ 48,700	\$ 24,019	\$ (24,681)
EXPENDITURES				
Capital outlay	57,700	57,700	-	57,700
CHANGE IN FUND BALANCE	(9,000)	(9,000)	24,019	33,019
FUND BALANCE, beginning of year	9,000	9,000	14,466	5,466
FUND BALANCE, end of year	\$ -	\$ -	\$ 38,485	\$ 38,485

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

**(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER LINE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 9,000	\$ 9,000	\$ 9,888	\$ 888
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	9,000	9,000	9,888	888
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,079)	(9,079)	(9,079)	-
CHANGE IN FUND BALANCE	(79)	(79)	809	888
FUND BALANCE, beginning of year	79	79	121	42
FUND BALANCE, end of year	\$ -	\$ -	\$ 930	\$ 930

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL - WATER BOND DEBT FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	55,534	55,534	54,557	977
Interest	10,369	10,369	10,031	338
<i>Total Expenditures</i>	<u>65,903</u>	<u>65,903</u>	<u>64,588</u>	<u>1,315</u>
REVENUES OVER (UNDER) EXPENDITURES	(65,903)	(65,903)	(64,588)	1,315
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	-
CHANGE IN FUND BALANCE	(5,903)	(5,903)	(4,588)	1,315
FUND BALANCE, beginning of year	<u>7,300</u>	<u>7,300</u>	<u>7,662</u>	<u>362</u>
FUND BALANCE, end of year	<u>\$ 1,397</u>	<u>\$ 1,397</u>	<u>\$ 3,074</u>	<u>\$ 1,677</u>

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 19,000	\$ 19,000	\$ 9,708	\$ (9,292)
EXPENDITURES				
Capital outlay	19,000	19,000	-	19,000
CHANGE IN FUND BALANCE	-	-	9,708	9,708
FUND BALANCE, beginning of year	-	-	2,518	2,518
FUND BALANCE, end of year	\$ -	\$ -	\$ 12,226	\$ 12,226

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,100	\$ 9,100	\$ 3,372	(5,728)
EXPENDITURES				
Capital outlay	9,100	9,100	-	9,100
CHANGE IN FUND BALANCE	-	-	3,372	3,372
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,372	\$ 3,372

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER BOND FUND

YEAR ENDED JUNE 30, 2014

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	80,000	80,000	80,000	-
Interest	51,879	51,879	50,781	1,098
<i>Total Expenditures</i>	<u>131,879</u>	<u>131,879</u>	<u>130,781</u>	<u>1,098</u>
REVENUES OVER (UNDER) EXPENDITURES	(131,879)	(131,879)	(130,781)	1,098
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>132,000</u>	<u>132,000</u>	<u>132,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	121	121	1,219	1,098
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>97</u>	<u>97</u>
FUND BALANCE, end of year	<u>\$ 121</u>	<u>\$ 121</u>	<u>\$ 1,316</u>	<u>\$ 1,195</u>

CITY OF AMITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

**(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER SDC REIMBURSEMENT FUND
YEAR ENDED JUNE 30, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 11,700	\$ 11,700	\$ 4,406	(7,294)
EXPENDITURES				
Capital outlay	11,700	11,700	-	11,700
CHANGE IN FUND BALANCE	-	-	4,406	4,406
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,406	\$ 4,406

OTHER SCHEDULES

CITY OF AMITY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2013</i>	<i>2013-14 Levy</i>	<i>Adjustment & Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2014</i>
2013-2014	\$ -	\$ 248,267	\$ 1,059	\$ (7,074)	\$ (231,831)	\$ 10,421
2012-2013	10,985	-	-	(493)	(4,730)	5,762
2011-2012	5,089	-	-	(35)	(1,811)	3,243
2010-2011	3,213	-	-	(97)	(1,349)	1,767
2009-2010	1,665	-	-	(73)	(517)	1,075
2008-2009	438	-	-	(64)	(64)	310
2007-2008	264	-	-	(20)	(61)	183
Prior Years	883	-	-	(183)	(114)	586
Total	<u>\$ 22,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (965)</u>	<u>\$ (8,646)</u>	<u>\$ 23,347</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

***INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Amity, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated December 18, 2014.

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 excess of actual revenues over actual expenditures in the second preceding year were not equal to the beginning balance in the first preceding year for the General fund, the Building fund, the Police Equipment Reserve fund, the Street fund, the Water fund, the Sewer fund and the Water Capital Projects fund.
2. The City had overexpenditures as noted in the notes to the financial statements.
3. The City had deficit fund balances as noted in the notes to the financial statements.
4. The City did not comply with the competitive bidding requirements of ORS279 for the payment of \$10,900 to Firwood Design Group, LLC.
5. The City does not maintain historical cost or depreciation records for capital assets.

Internal Control Over Financial Reporting

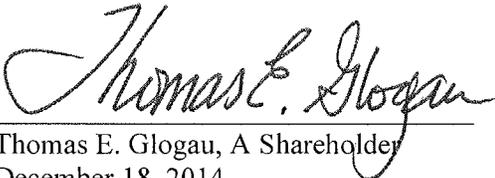
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose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

Restriction on Use

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

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

By:


Thomas E. Glogau, A Shareholder
December 18, 2014



GROVE, MUELLER & SWANK, P.C.

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

***INDEPENDENT AUDITOR'S REPORT 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***

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 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 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, 2014, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2014.

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) to determine the 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 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 entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 determination of financial

statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 18, 2014