

CITY OF AMITY, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010

CITY OF AMITY, OREGON
CITY OFFICIALS
JUNE 30, 2010

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Amity, Oregon 97101

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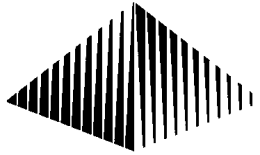
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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
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INDEPENDENT AUDITOR'S REPORT

The Honorable Michael Cape, Mayor,
and Members of the City Council
City of Amity, Oregon

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 June 30, 2010, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described below, we conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in the summary of significant accounting policies of the notes to the financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Oregon, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City does not maintain historical cost and depreciation records for capital assets including infrastructure, and therefore, no information for capital assets is presented in the financial statements.

In our opinion, except for the matters discussed above, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate fund information of the City of Amity, Oregon, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.


In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Amity, Oregon's financial statements as a whole. The combining and individual fund financial statements and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The other financial schedules have 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 them.

GROVE, MUELLER & SWANK, PC
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
December 8, 2010

CITY OF AMITY, OREGON

Management's Discussion and Analysis June 30, 2010

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, 2010.

Financial Highlights

	June 30,		change
	2010	2009	
Net assets	\$ 769,035	\$ 637,498	\$ 131,537
Change in net assets	131,537	22,615	108,922
Governmental net assets	187,494	297,951	(110,457)
Change in governmental net assets	(110,457)	86,027	(196,484)
Proprietary net assets	581,541	339,547	241,994
Change in proprietary net assets	241,994	(63,412)	305,406

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 Assets (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 assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets 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 assets of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net assets 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 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 *required supplementary information* and *other supplemental information*.

Government-wide Financial Analysis

Statement of Net Assets. The Statement of Net Assets (modified cash basis) is provided on a comparative basis. As noted earlier, net assets 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 \$769,035 as of June 30, 2010.

Restricted net assets represent sources that are subject to external restrictions on their use, such as debt service payments or capital projects. Unrestricted net assets are available for general operations of the City.

	Statements of Net Assets at June 30,					
	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 193,239	\$ 581,541	\$ 774,780	\$ 302,038	\$ 339,547	\$ 641,585
Receivables	20,881	-	20,881	18,633	-	18,633
Total assets	214,120	581,541	795,661	320,671	339,547	660,218
Other liabilities	26,626	-	26,626	22,719	-	22,719
Net assets:						
Restricted	25,216	36,550	61,766	100,948	111,364	212,312
Unrestricted	162,278	544,991	707,269	197,003	228,183	425,186
Total Net Assets	\$ 187,494	\$ 581,541	\$ 769,035	\$ 297,951	\$ 339,547	\$ 637,498

Statement of Activities (Modified Cash Basis). The changes in the City's net assets are as follows:

Statements of Activities For the years ended June 30,						
2010			2009			
Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	
Receipts						
Program receipts						
Fees, fines and charges for services	\$ 53,098	\$ 651,720	\$ 704,818	\$ 55,982	\$ 677,511	\$ 733,493
Operating grants and contributions	12,889	-	12,889	69,859	-	69,859
Capital grants and contributions	20,138	48,460	68,598	3,595	7,529	11,124
General receipts						
Property taxes	214,358	-	214,358	239,923	-	239,923
Franchise fees	64,325	-	64,325	61,399	-	61,399
Intergovernmental	97,014	-	97,014	33,377	-	33,377
Loan proceeds	-	186,416	186,416	-	-	-
Miscellaneous	24,032	125,750	149,782	10,952	8,578	19,530
<i>Total Receipts</i>	485,854	1,012,346	1,498,200	475,087	693,618	1,168,705
Disbursements						
General government	370,303	-	370,303	153,247	-	153,247
Community development	27,716	-	27,716	23,610	-	23,610
Street	79,763	-	79,763	11,697	-	11,697
Parks	28,083	-	28,083	19,916	-	19,916
Library	4,723	-	4,723	13,612	-	13,612
Public Safety	41,422	-	41,422	196,978	-	196,978
Sewer	-	329,967	329,967	-	405,048	405,048
Water	-	484,686	484,686	-	321,982	321,982
<i>Total Disbursements</i>	552,010	814,653	1,366,663	419,060	727,030	1,146,090
Transfers	(44,301)	44,301	-	30,000	(30,000)	-
Change in net assets	(110,457)	241,994	131,537	86,027	(63,412)	22,615
Net assets – July 1	297,951	339,547	637,498	311,924	402,959	714,883
Net assets June 30	\$ 187,494	\$ 581,541	\$ 769,035	\$ 397,951	\$ 339,547	\$ 737,498

Financial Analysis of the City of Amity's Government Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, *unreserved 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 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 \$3,041,881 at the end of the current fiscal year.

During the current fiscal year, the City's total debt increased by \$67,602 due to additional debt that was issued.

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 \$63,387,266, therefore, the current debt limitation for the City of Amity is \$1,901,618. The City had no outstanding general obligation debt.

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 2010-11 fiscal year:

- a. Prior history of revenue and expenditures,
- b. Capital projects in the water and sewer 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 ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2010

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 193,239	\$ 581,541	\$ 774,780
Property taxes receivable	20,881	-	20,881
<i>Total Assets</i>	214,120	581,541	795,661
LIABILITIES			
Payroll withholdings payable	5,745	-	5,745
Deferred revenue	20,881	-	20,881
<i>Total Liabilities</i>	26,626	-	26,626
NET ASSETS			
Restricted for:			
Construction	24,788	36,550	61,338
Special purposes	428	-	428
Unrestricted	162,278	544,991	707,269
<i>Total Net Assets</i>	\$ 187,494	\$ 581,541	\$ 769,035

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, 2010

		Program Receipts		
	Disbursements	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 370,303	\$ 3,427	\$ 5,025	\$ -
Community development	27,716	14,740	-	-
Street	79,763	-	-	17,442
Parks	28,083	700	-	2,696
Library	4,723	-	-	-
Public safety	41,422	34,231	7,864	-
<i>Total governmental activities</i>	<u>552,010</u>	<u>53,098</u>	<u>12,889</u>	<u>20,138</u>
Business-type activities:				
Sewer	329,967	325,066	-	7,308
Water	484,686	326,654	-	41,152
<i>Total business-type activities</i>	<u>814,653</u>	<u>651,720</u>	<u>-</u>	<u>48,460</u>
<i>Total activities</i>	<u>\$ 1,366,663</u>	<u>\$ 704,818</u>	<u>\$ 12,889</u>	<u>\$ 68,598</u>
General receipts:				
Property taxes				
Franchise fees				
Intergovernmental				
Loan proceeds				
Miscellaneous				
<i>Total general receipts</i>				
Transfers				
Change in net assets				
Net assets, July 1, 2009				
Net assets, June 30, 2010				

***Net (Disbursements) Receipts and
Changes in Net Assets***

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (361,851)	\$ -	\$ (361,851)
(12,976)	-	(12,976)
(62,321)	-	(62,321)
(24,687)	-	(24,687)
(4,723)	-	(4,723)
673	-	673
(465,885)	-	(465,885)
-	2,407	2,407
-	(116,880)	(116,880)
-	(114,473)	(114,473)
(465,885)	(114,473)	(580,358)
214,358	-	214,358
64,325	-	64,325
97,014	-	97,014
-	186,416	186,416
24,032	125,750	149,782
399,729	312,166	711,895
(44,301)	44,301	-
(110,457)	241,994	131,537
297,951	339,547	637,498
<u>\$ 187,494</u>	<u>\$ 581,541</u>	<u>\$ 769,035</u>

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

CITY OF AMITY, OREGON**STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS****JUNE 30, 2010**

	<i>General</i>	<i>Street</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
ASSETS				
Cash and investments	\$ 136,048	\$ 7,777	\$ 49,414	\$ 193,239
Property taxes receivable	20,881	-	-	20,881
<i>Total Assets</i>	<u>\$ 156,929</u>	<u>\$ 7,777</u>	<u>\$ 49,414</u>	<u>\$ 214,120</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payroll withholdings payable	\$ 5,745	\$ -	\$ -	\$ 5,745
Deferred revenue	20,881	-	-	20,881
<i>Total Liabilities</i>	26,626	-	-	26,626
Fund Balances				
Unreserved, reported in:				
General fund	130,303	-	-	130,303
Special revenue funds	-	7,777	49,414	57,191
<i>Total Fund Balances</i>	<u>130,303</u>	<u>7,777</u>	<u>49,414</u>	<u>187,494</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 156,929</u>	<u>\$ 7,777</u>	<u>\$ 49,414</u>	<u>\$ 214,120</u>

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

CITY OF AMITY, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	<i>General</i>	<i>Street</i>	<i>Other Governmental Funds</i>
RECEIPTS			
Taxes and assessments	\$ 214,358	\$ -	\$ -
Licenses and permits	68,452	-	34,949
Intergovernmental	46,424	65,826	-
Fines and forfeitures	27,858	-	-
Miscellaneous	25,325	2,196	465
<i>Total Receipts</i>	382,417	68,022	35,414
DISBURSEMENTS			
Personal services	273,298	49,624	997
Materials and services	173,777	25,991	9,634
Capital outlay	-	-	18,688
<i>Total Disbursements</i>	447,075	75,615	29,319
RECEIPTS OVER (UNDER) DISBURSEMENTS	(64,658)	(7,593)	6,095
OTHER FINANCING SOURCES (USES)			
Transfers in	31,074	-	3,000
Transfers out	(8,375)	(4,000)	(66,000)
<i>Total Other Financing Sources (Uses)</i>	22,699	(4,000)	(63,000)
NET CHANGE IN FUND BALANCES	(41,959)	(11,593)	(56,905)
FUND BALANCES, Beginning of year	172,262	19,370	106,319
FUND BALANCES, End of year	\$ 130,303	\$ 7,777	\$ 49,414

<i>Totals</i>	
<hr/>	
\$	214,358
	103,401
	112,250
	27,858
	27,986
<hr/>	
	485,853
	323,919
	209,402
	18,688
<hr/>	
	552,009
<hr/>	
	(66,156)
	34,074
	(78,375)
<hr/>	
	(44,301)
<hr/>	
	(110,457)
	297,951
<hr/>	
\$	187,494
<hr/>	

CITY OF AMITY, OREGON**STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - ENTERPRISE FUNDS****JUNE 30, 2010**

	<i><u>Sewer</u></i>	<i><u>Water</u></i>	<i><u>Waterline Replacement</u></i>	<i><u>Water Capital Project</u></i>
ASSETS				
Cash and investments	\$ 16,176	\$ 8,759	\$ 124,606	\$ 343,420
LIABILITIES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Restricted for:				
Construction	-	-	-	-
Unrestricted	<u>16,176</u>	<u>8,759</u>	<u>124,606</u>	<u>343,420</u>
<i>Total Fund Net Assets</i>	<u>16,176</u>	<u>8,759</u>	<u>124,606</u>	<u>343,420</u>
<i>Total Net Assets</i>	<u><u>\$ 16,176</u></u>	<u><u>\$ 8,759</u></u>	<u><u>\$ 124,606</u></u>	<u><u>\$ 343,420</u></u>

*Other
Enterprise
Funds*

\$ 88,580

-

36,550

52,030

88,580

\$ 88,580

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

CITY OF AMITY, OREGON**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS****(MODIFIED CASH BASIS) - ENTERPRISE FUNDS****YEAR ENDED JUNE 30, 2010**

	<i><u>Sewer</u></i>	<i><u>Water</u></i>	<i><u>Waterline Replacement</u></i>
OPERATING RECEIPTS			
Charges for services	\$ 325,066	\$ 326,504	\$ 23,817
Miscellaneous	100	645	528
	<u>325,166</u>	<u>327,149</u>	<u>24,345</u>
<i>Total Operating Receipts</i>	325,166	327,149	24,345
OPERATING DISBURSEMENTS			
Personal services	108,104	156,513	-
Materials and services	75,940	96,662	-
Capital outlay	-	1,776	4,111
	<u>184,044</u>	<u>254,951</u>	<u>4,111</u>
<i>Total Operating Disbursements</i>	184,044	254,951	4,111
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	141,122	72,198	20,234
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Intergovernmental receipts	-	-	-
Debt service disbursements			
Principal	-	-	-
Interest	-	-	-
Proceeds from issuance of loans	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Nonoperating Receipts (Disbursements)</i>	-	-	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	141,122	72,198	20,234
Capital contributions	-	-	-
Transfers in	22,596	-	-
Transfers out	(119,623)	(161,177)	-
	<u>44,095</u>	<u>(88,979)</u>	<u>20,234</u>
CHANGE IN NET ASSETS	44,095	(88,979)	20,234
NET ASSETS, Beginning of year	(27,919)	97,738	104,372
	<u>(27,919)</u>	<u>97,738</u>	<u>104,372</u>
NET ASSETS, End of year	<u>\$ 16,176</u>	<u>\$ 8,759</u>	<u>\$ 124,606</u>

<i>Water Capital Project</i>	<i>Sewer Bond Debt</i>	<i>Other Enterprise Funds</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ 675,387
123,790	-	838	125,901
123,790	-	838	801,288
15,760	-	-	280,377
64,086	-	-	236,688
75,564	-	4,144	85,595
155,410	-	4,144	602,660
(31,620)	-	(3,306)	198,628
13,249	-	-	13,249
-	(65,856)	(53,163)	(119,019)
-	(78,767)	(14,209)	(92,976)
186,416	-	-	186,416
199,665	(144,623)	(67,372)	(12,330)
168,045	(144,623)	(70,678)	198,628
-	-	11,395	11,395
175,375	144,623	78,103	420,697
-	-	(95,596)	(376,396)
343,420	-	(76,776)	254,324
-	-	165,356	339,547
<u>\$ 343,420</u>	<u>\$ -</u>	<u>\$ 88,580</u>	<u>\$ 581,541</u>

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.

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 Assets (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Assets (Modified Cash Basis) presents all the assets and liabilities of the City, including capital assets and related debt. Net assets, representing assets less liabilities, is shown in three components. Investment in capital assets, less related outstanding debt used to acquire them, 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 disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* 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 receipts*.

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 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.

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, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government accounting standards set forth minimum criteria (percentage of the assets, liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. 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 revenue 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 receipts are from motor vehicle fuel taxes and disbursements are for street maintenance and improvements.

The City reports the following nonmajor governmental funds:

Building Permits Fund

This fund accounts for building permits revenue. Principal receipts are from building permits revenue received and primary disbursements are for building inspection services.

Street SDC Improvement Fund

This fund accounts for system development changes designated for streets.

Street Reserve Fund

There was no activity in this fund during the fiscal year.

Street SDC Reimbursement Fund

There was no activity in this fund during the fiscal year.

911 Fund

This fund accounts for 911 revenue. Principal receipts are from 911 revenue received and transfers in. Primary disbursements are for dispatch services.

Police Equipment Fund

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

Sidewalk Reserve Fund

This fund accounts for money set aside for sidewalk repairs. Principal receipts are from transfers in and primary disbursements are for sidewalk repairs and improvements.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Storm Drain SDC Improvement Fund

This fund accounts for system development changes designated for storm drainage.

Storm Drain SDC Reimbursement Fund

There was no activity in this fund during the fiscal year.

Parks SDC Improvement Fund

This fund accounts for system development changes designated for parks.

Parks SDC Reimbursement Fund

There was no activity in this fund during the fiscal year.

The City reports the following major proprietary 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.

Sewer Fund

This fund accounts for the operation of the City's sewer system.

Water Fund

This fund accounts for the operation of the City's water system.

Waterline Replacement Fund

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

Water Capital Project Fund

This fund accounts for all the activity associated with water related capital projects.

Sewer Bond Fund

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

The City reports the following proprietary funds as nonmajor:

Sewer SDC Fund

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

Sewer SDC Reimbursement Fund

There was no activity in this fund during the fiscal year.

Water Bond Fund

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

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Water SDC Fund

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

Water SDC Reimbursement Fund

There was no activity in this fund during the fiscal year

Sewer Reserve Fund

This fund accounts for money set aside for future uses. Principal receipts are from transfers in and primary disbursements are for capital outlay.

Water Reserve Fund

This fund accounts for money set aside for future purposes. Principal receipts are from transfers in and primary disbursements are for capital outlay.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide and proprietary fund financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

The City's policy is to prepare its financial statements on the basis of modified cash receipts and disbursements. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Also, assets that are measurable, but not yet collected are recorded on the City's statement of assets and liabilities as an asset and deferred revenue. 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 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The City maintains cash and investments 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 assets as cash and investments.

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.

Investments are stated at cost, which approximates fair value.

Receivables and Deferred Revenues

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. Uncollected property taxes levied for the current year are recorded as receivable at year-end. 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.

Property tax receivables are offset by deferred revenue and, accordingly, have not been recorded as revenues.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements.

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, 2010 was not available.

Budgets and Budgetary Accounting

The City adopts the budget on an object basis. Therefore, cash disbursements of a fund may not legally exceed that fund's appropriations for specific objects. The City Council may amend the budget to expend unforeseen receipts 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 Restricted Assets

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

CITY OF AMITY, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2010**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*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, 2010. Actual results may differ from those estimates.

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2010:

	<i>Carrying Value</i>	<i>Fair Value</i>
<i>Cash</i>		
Cash on hand	\$ 400	\$ 400
Deposits with financial institutions	296,619	296,619
<i>Investments</i>		
Local Government Investment Pool	477,328	477,328
	<u>\$ 774,347</u>	<u>\$ 774,347</u>

Deposits

The book balance of the City's bank deposits (checking accounts) was \$296,619 and the bank balance was \$418,948 at year end.

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 up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. 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, 2010, \$168,948 of the City's bank balances were exposed to custodial credit risk as the balances were not under FDIC insurance limits.

CITY OF AMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

CASH AND INVESTMENTS (Continued)

Investments

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. At June 30, 2010, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

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

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

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

CITY OF AMITY, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2010****LONG-TERM DEBT**

Business-type activity long-term debt transactions for the year ended June 30, 2010 were as follows:

	<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Due Within One Year</i>
Water system revenue bonds, series 1970 due in annual installments of \$4,407 including interest at 5.0% through 2010	\$ 3,034	\$ -	\$ (3,034)	\$ -	\$ -
Water system revenue bonds, series 1974 due in annual installments of \$2,964 including interest at 5.0% through 2014	13,662	-	(2,304)	11,358	2,419
Water system revenue bonds, series 1975 due in annual installments of \$4,742 including interest at 5.0% through 2015	23,572	-	(3,571)	20,001	993
Water system revenue bonds, series 1975 due in annual installments of \$4,150 including interest at 5.0% through 2015	20,657	-	(3,133)	17,524	3,289
State Revolving Fund, due in annual installments of \$53,011 including interest at 1.0%	1,125,944	-	(40,916)	1,085,028	42,160
State Revolving Fund, wastewater improvement project due in annual installments of \$150,000 to \$145,000 including interest from 3.0% to 5.0%.	1,787,410	-	(65,856)	1,721,554	66,214
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.	-	160,000	-	160,000	10,000
Wastewater System Improvement Loan 4.78% interest rate with a maturity date of approximately 25 years loan with the first payment falling on December 1 following the completion date (no later than 10/30/2012)	-	26,416	-	26,416	-
	<u>\$ 2,974,279</u>	<u>\$ 186,416</u>	<u>\$ (118,814)</u>	<u>\$ 3,041,881</u>	<u>\$ 125,075</u>

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<u>Year</u>	<u>Total</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2010-11	\$ 127,831	\$ 94,407	\$ 222,238
2011-12	124,120	94,065	218,185
2012-13	130,459	90,460	220,919
2013-14	132,794	86,489	219,283
2014-15	134,022	82,487	216,509
2015-2020	689,400	350,464	1,039,864
2020-2025	829,293	221,154	1,050,447
2025-2030	690,841	61,092	751,933
2030-2033	183,121	2,335	185,456
Totals	<u>\$ 3,041,881</u>	<u>\$ 1,082,953</u>	<u>\$ 4,124,834</u>

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

PENSION PLAN (Continued)

Funding Status (Continued)

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. On July 1, 2009 the City rates were 9.13% for Tier 1/Tier 2, 2.44% for OPSRP General Service, and 5.15% for OPSRP Police and Fire percent based on the 2007 valuation.

Annual Pension Cost

The City's contributions to PERS for the fiscal years ending June 30, 2008, 2009, and 2010 were \$35,031, \$47,306, and \$42,262, 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 ten Enterprise Funds which provide sewer and water services. Segment information for fiscal year 2010 was as follows:

	<u><i>Sewer</i></u>	<u><i>Water</i></u>	<u><i>Total</i></u>
Receipts	\$ 332,933	\$ 679,415	\$ 1,012,348
Disbursements	329,968	484,687	814,655
Excess (deficiency) of receipts over disbursements	2,965	194,728	197,693
Total net assets	40,400	541,141	581,541

CITY OF AMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

TRANSFERS

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

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 31,074	\$ 8,375
Street	-	4,000
Police Equipment Reserve	3,000	-
Street SDC Improvement	-	41,000
Storm Drain SDC Improvement	-	25,000
Water	-	161,177
Water Bond	68,103	-
Water Reserve	10,000	-
Water SDC Improvement	-	23,000
OECD Grant	175,375	-
Sewer	22,596	119,623
Sewer Bond	144,623	-
Sewer Reserve	-	22,596
Sewer SDC Improvement	-	50,000
	<u>\$ 454,771</u>	<u>\$ 454,771</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 receipts restricted to debt service from the funds collecting the receipts 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.

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, 2010**

OVER-EXPENDITURE OF APPROPRIATIONS AND DEFICIT FUND BALANCES

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

Disbursements in excess of appropriations in individual funds for the year ended June 30, 2010 occurred as follows

<i>Fund / Appropriation category</i>	<i>Appropriation</i>	<i>Disbursement</i>	<i>Variance</i>
<i>Street</i>			
Personal services	46,062	49,624	(3,562)

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

SUBSEQUENT EVENTS

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 8, 2010, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			
	Original	Final	Actual	Variance
RECEIPTS				
Taxes and assessments	\$ 256,511	\$ 256,511	\$ 214,358	\$ (42,153)
Licenses and permits	63,800	63,800	68,452	4,652
Intergovernmental	102,300	102,300	46,424	(55,876)
Fines and forfeitures	34,800	34,800	27,858	(6,942)
Miscellaneous	14,000	19,375	25,325	5,950
<i>Total Receipts</i>	471,411	476,786	382,417	(94,369)
DISBURSEMENTS				
Personal services	344,745	344,745	273,298	71,447
Materials and services	181,603	181,603	173,777	7,826
Contingency	30,000	30,000	-	30,000
<i>Total Disbursements</i>	556,348	556,348	447,075	109,273
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(84,937)	(79,562)	(64,658)	14,904
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	31,074	1,074
Transfers out	(3,000)	(8,375)	(8,375)	-
<i>Total Other Financing Sources (Uses)</i>	27,000	21,625	22,699	1,074
NET CHANGE IN FUND BALANCE	(57,937)	(57,937)	(41,959)	15,978
FUND BALANCE, Beginning of year	101,000	101,000	172,262	71,262
FUND BALANCE, End of year	\$ 43,063	\$ 43,063	\$ 130,303	\$ 87,240

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
RECEIPTS				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 65,826	\$ 5,826
Miscellaneous	128,552	128,552	2,196	(126,356)
<i>Total Receipts</i>	188,552	188,552	68,022	(120,530)
DISBURSEMENTS				
Personal services	46,062	46,062	49,624	(3,562)
Materials and services	31,980	27,980	25,991	1,989
Capital outlay	125,000	125,000	-	125,000
Contingency	2,500	2,500	-	2,500
<i>Total Disbursements</i>	205,542	201,542	75,615	125,927
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(16,990)	(12,990)	(7,593)	5,397
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(4,000)	(4,000)	-
NET CHANGE IN FUND BALANCE	(16,990)	(16,990)	(11,593)	5,397
FUND BALANCE, Beginning of year	18,000	18,000	19,370	1,370
FUND BALANCE, End of year	\$ 1,010	\$ 1,010	\$ 7,777	\$ 6,767

OTHER SUPPLEMENTARY INFORMATION

CITY OF AMITY, OREGON**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -****NONMAJOR GOVERNMENTAL FUNDS****JUNE 30, 2010**

	<i>Building Permits</i>	<i>Street SDC Improvement</i>	<i>Storm Drain SDC Improvement</i>
<i>ASSETS</i>			
Cash and investments	\$ 5,486	\$ 9,845	\$ 4,783
<i>LIABILITIES AND FUND BALANCES</i>			
<i>Liabilities</i>	\$ -	\$ -	\$ -
<i>Fund Balances</i>			
Unreserved, reported in:			
Special revenue funds	5,486	9,845	4,783
<i>Total Liabilities and Fund Balances</i>	\$ 5,486	\$ 9,845	\$ 4,783

<i>Parks SDC Improvement</i>	<i>Parks SDC Reimbursement</i>	<i>911</i>	<i>Police Equipment Reserve</i>	<i>Sidewalk Reserve</i>	<i>Totals</i>
<u>\$ 2,311</u>	<u>\$ 72</u>	<u>\$ 428</u>	<u>\$ 23,693</u>	<u>\$ 2,796</u>	<u>\$ 49,414</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>2,311</u>	<u>72</u>	<u>428</u>	<u>23,693</u>	<u>2,796</u>	<u>49,414</u>
<u>\$ 2,311</u>	<u>\$ 72</u>	<u>\$ 428</u>	<u>\$ 23,693</u>	<u>\$ 2,796</u>	<u>\$ 49,414</u>

CITY OF AMITY, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2010**

	<i>Building Permits</i>	<i>Street SDC Improvement</i>	<i>Storm Drain SDC Improvement</i>
RECEIPTS			
Licenses and permits	\$ 14,740	\$ 15,721	\$ 1,720
Miscellaneous	7	197	143
<i>Total Receipts</i>	14,747	15,918	1,863
DISBURSEMENTS			
Personal services	997	-	-
Materials and services	9,634	-	-
Capital outlay	-	3,946	202
<i>Total Disbursements</i>	10,631	3,946	202
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,116	11,972	1,661
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(41,000)	(25,000)
<i>Total Other Financing Sources (Uses)</i>	-	(41,000)	(25,000)
NET CHANGE IN FUND BALANCES	4,116	(29,028)	(23,339)
FUND BALANCES, Beginning of year	1,370	38,873	28,122
FUND BALANCES, End of year	\$ 5,486	\$ 9,845	\$ 4,783

<i>Parks SDC Improvement</i>	<i>Parks SDC Reimbursement</i>	<i>911</i>	<i>Police Equipment Reserve</i>	<i>Sidewalk Reserve</i>	<i>Totals</i>
\$ 2,696	\$ 72	\$ -	\$ -	\$ -	\$ 34,949
-	-	-	104	14	465
2,696	72	-	104	14	35,414
-	-	-	-	-	997
-	-	-	-	-	9,634
14,540	-	-	-	-	18,688
14,540	-	-	-	-	29,319
(11,844)	72	-	104	14	6,095
-	-	-	3,000	-	3,000
-	-	-	-	-	(66,000)
-	-	-	3,000	-	(63,000)
(11,844)	72	-	3,104	14	(56,905)
14,155	-	428	20,589	2,782	106,319
<u>\$ 2,311</u>	<u>\$ 72</u>	<u>\$ 428</u>	<u>\$ 23,693</u>	<u>\$ 2,796</u>	<u>\$ 49,414</u>

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – BUILDING PERMITS FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Licenses and permits	\$ 42,030	\$ 42,030	\$ 14,740	\$ (27,290)
Miscellaneous	100	100	7	(93)
<i>Total Receipts</i>	42,130	42,130	14,747	(27,383)
<i>DISBURSEMENTS</i>				
Personal services	1,372	1,372	997	375
Materials and services	36,640	36,640	9,634	27,006
<i>Total Disbursements</i>	38,012	38,012	10,631	27,381
<i>RECEIPTS OVER (UNDER)</i>				
<i>DISBURSEMENTS</i>	4,118	4,118	4,116	(2)
<i>FUND BALANCE, Beginning of year</i>	1,200	1,200	1,370	170
<i>FUND BALANCE, End of year</i>	\$ 5,318	\$ 5,318	\$ 5,486	\$ 168

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET SDC IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>RECEIPTS</i>				
Licenses and permits	\$ 6,000	\$ 6,000	\$ 15,721	\$ 9,721
Miscellaneous	1,500	1,500	197	(1,303)
<i>Total Receipts</i>	7,500	7,500	15,918	8,418
<i>DISBURSEMENTS</i>				
Capital outlay	52,500	11,500	3,946	7,554
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(45,000)	(4,000)	11,972	15,972
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	-	(41,000)	(41,000)	-
<i>NET CHANGE IN FUND BALANCE</i>	(45,000)	(45,000)	(29,028)	15,972
<i>FUND BALANCE, Beginning of year</i>	45,000	45,000	38,873	(6,127)
<i>FUND BALANCE, End of year</i>	\$ -	\$ -	\$ 9,845	\$ 9,845

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – STORM DRAIN SDC IMPROVEMENT FUND****YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 1,720	\$ (18,280)
Miscellaneous	600	600	143	(457)
<i>Total Receipts</i>	20,600	20,600	1,863	(18,737)
DISBURSEMENTS				
Capital outlay	49,155	24,155	202	23,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	(28,555)	(3,555)	1,661	5,216
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCE	(28,555)	(28,555)	(23,339)	5,216
FUND BALANCE, Beginning of year	28,555	28,555	28,122	(433)
FUND BALANCE, End of year	\$ -	\$ -	\$ 4,783	\$ 4,783

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – PARKS SDC IMPROVEMENT FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Licenses and permits	\$ 7,000	\$ 7,000	\$ 2,696	\$ (4,304)
<i>DISBURSEMENTS</i>				
Capital outlay	23,643	23,643	14,540	9,103
<i>RECEIPTS OVER (UNDER)</i>				
<i>DISBURSEMENTS</i>	(16,643)	(16,643)	(11,844)	4,799
<i>FUND BALANCE, Beginning of year</i>	16,643	16,643	14,155	(2,488)
<i>FUND BALANCE, End of year</i>	\$ -	\$ -	\$ 2,311	\$ 2,311

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – PARKS SDC REIMBURSEMENT FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 2,000	\$ 2,000	\$ 72	\$ (1,928)
DISBURSEMENTS				
Capital outlay	700	700	-	700
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,300	1,300	72	(1,228)
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ 1,300	\$ 1,300	\$ 72	\$ (1,228)

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL - 911 FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
FUND BALANCE, Beginning of year	-	-	428	428
FUND BALANCE, End of year	\$ -	\$ -	\$ 428	\$ 428

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – POLICE EQUIPMENT RESERVE FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Miscellaneous	\$ 500	\$ 500	\$ 104	\$ (396)
<i>DISBURSEMENTS</i>	-	-	-	-
<i>RECEIPTS OVER (UNDER)</i>				
<i>DISBURSEMENTS</i>	500	500	104	(396)
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	3,000	3,000	3,000	-
<i>NET CHANGE IN FUND BALANCE</i>	3,500	3,500	3,104	(396)
<i>FUND BALANCE, Beginning of year</i>	20,058	20,058	20,589	531
<i>FUND BALANCE, End of year</i>	\$ 23,558	\$ 23,558	\$ 23,693	\$ 135

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – SIDEWALK RESERVE FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Miscellaneous	\$ 450	\$ 450	\$ 14	\$ (436)
<i>DISBURSEMENTS</i>				
Capital outlay	16,250	16,250	-	16,250
<i>RECEIPTS OVER (UNDER)</i>				
<i>DISBURSEMENTS</i>	(15,800)	(15,800)	14	15,814
<i>FUND BALANCE, Beginning of year</i>	15,800	15,800	2,782	(13,018)
<i>FUND BALANCE, End of year</i>	\$ -	\$ -	\$ 2,796	\$ 2,796

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – STREET RESERVE FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,452)	(1,452)	-	1,452
NET CHANGE IN FUND BALANCE	(1,452)	(1,452)	-	1,452
FUND BALANCE, Beginning of year	1,452	1,452	-	(1,452)
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – STREET SDC REIMBURSEMENT FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 200	\$ 200	\$ -	\$ (200)
DISBURSEMENTS				
Capital outlay	200	200	-	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE****(CASH BASIS) - BUDGET AND ACTUAL – STORM DRAIN SDC REIMBURSEMENT FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Licenses and permits	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
<i>DISBURSEMENTS</i>				
Capital outlay	1,800	1,800	-	1,800
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(800)	(800)	-	800
<i>FUND BALANCE, Beginning of year</i>	800	800	-	(800)
<i>FUND BALANCE, End of year</i>	\$ -	\$ -	\$ -	\$ -

CITY OF AMITY, OREGON**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - NONMAJOR
ENTERPRISE FUNDS
JUNE 30, 2010**

	<i>Water Bond Debt</i>	<i>Water Reserve</i>	<i>Water SDC Improvement</i>
<i>ASSETS</i>			
Cash and investments	\$ 10,360	\$ 41,555	\$ 12,441
<i>LIABILITIES</i>	-	-	-
<i>NET ASSETS</i>			
Restricted for:			
Construction	-	-	12,441
Unrestricted	10,360	41,555	-
<i>Total Fund Assets</i>	10,360	41,555	12,441
<i>Total Net Assets</i>	\$ 10,360	\$ 41,555	\$ 12,441

<i><u>Sewer Reserve</u></i>	<i><u>Sewer SDC Improvement</u></i>	<i><u>Totals</u></i>
\$ 115	\$ 24,109	\$ 88,580
-	-	-
-	24,109	36,550
115	-	52,030
115	24,109	88,580
\$ 115	\$ 24,109	\$ 88,580

CITY OF AMITY, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS****(MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS****YEAR ENDED JUNE 30, 2010**

	<u>Water Bond Debt</u>	<u>Water Reserve</u>	<u>Water SDC Improvement</u>
OPERATING RECEIPTS			
Miscellaneous	\$ 49	159	\$ 172
OPERATING DISBURSEMENTS			
Capital outlay	-	-	2,843
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	49	159	(2,671)
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Debt service:			
Principal	(53,163)	-	-
Interest	(14,209)	-	-
Total Nonoperating Receipts (Disbursements)	(67,372)	-	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(67,323)	159	(2,671)
Capital contributions	-	-	4,086
Transfers in	68,103	10,000	-
Transfers out	-	-	(23,000)
CHANGE IN NET ASSETS	780	10,159	(21,585)
NET ASSETS, Beginning of year	9,580	31,396	34,026
NET ASSETS, End of year	<u>\$ 10,360</u>	<u>\$ 41,555</u>	<u>\$ 12,441</u>

<i><u>Sewer Reserve</u></i>	<i><u>Sewer SDC Improvement</u></i>	<i><u>Totals</u></i>
\$ 115	343	\$ 838
-	1,301	4,144
115	(958)	(3,306)
-	-	(53,163)
-	-	(14,209)
-	-	(67,372)
115	(958)	(70,678)
-	7,309	11,395
-	-	78,103
(22,596)	(50,000)	(95,596)
(22,481)	(43,649)	(76,776)
22,596	67,758	165,356
<u>\$ 115</u>	<u>\$ 24,109</u>	<u>\$ 88,580</u>

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>RECEIPTS</i>				
Charges for services	\$ 320,000	\$ 320,000	\$ 325,066	\$ 5,066
Miscellaneous	100	100	100	-
<i>Total Receipts</i>	320,100	320,100	325,166	5,066
<i>DISBURSEMENTS</i>				
Personal services	115,836	115,836	108,104	7,732
Materials and services	99,900	89,900	75,940	13,960
Capital outlay	2,000	2,000	-	2,000
Contingency	10,000	10,000	-	10,000
<i>Total Disbursements</i>	227,736	217,736	184,044	33,692
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	92,364	102,364	141,122	38,758
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	23,512	23,512	22,596	(916)
Transfers out	(109,623)	(119,623)	(119,623)	-
<i>Total Other Financing Sources (Uses)</i>	(86,111)	(96,111)	(97,027)	(916)
<i>NET CHANGE IN NET ASSETS</i>	6,253	6,253	44,095	37,842
<i>NET ASSETS, Beginning of year</i>	-	-	(27,919)	(27,919)
<i>NET ASSETS, End of year</i>	\$ 6,253	\$ 6,253	\$ 16,176	\$ 9,923

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>RECEIPTS</i>				
Charges for services	\$ 335,000	\$ 386,000	\$ 326,504	\$ (59,496)
Miscellaneous	3,200	3,200	645	(2,555)
<i>Total Receipts</i>	338,200	389,200	327,149	(62,051)
<i>DISBURSEMENTS</i>				
Personal services	157,237	157,237	156,513	724
Materials and services	124,500	114,500	96,662	17,838
Capital outlay	3,000	3,000	1,776	1,224
Contingency	30,000	30,000	-	30,000
<i>Total Disbursements</i>	314,737	304,737	254,951	49,786
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	23,463	84,463	72,198	(12,265)
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	(94,603)	(164,603)	(161,177)	3,426
<i>NET CHANGE IN NET ASSETS</i>	(71,140)	(80,140)	(88,979)	(8,839)
<i>NET ASSETS, Beginning of year</i>	88,000	97,000	97,738	738
<i>NET ASSETS, End of year</i>	\$ 16,860	\$ 16,860	\$ 8,759	\$ (8,101)

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - WATERLINE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Charges for services	\$ 20,000	\$ 20,000	\$ 23,817	\$ 3,817
Miscellaneous	1,800	1,800	528	(1,272)
<i>Total Receipts</i>	21,800	21,800	24,345	2,545
<i>DISBURSEMENTS</i>				
Capital outlay	118,900	118,900	4,111	114,789
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(97,100)	(97,100)	20,234	117,334
<i>NET ASSETS, Beginning of year</i>	97,100	97,100	104,372	7,272
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ 124,606	\$ 124,606

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL – WATER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>RECEIPTS</i>				
Intergovernmental	\$ -	\$ -	\$ 13,249	\$ 13,249
Miscellaneous	-	20,000	123,790	103,790
<i>Total Receipts</i>	-	20,000	137,039	117,039
<i>DISBURSEMENTS</i>				
Personal services	-	50,275	15,760	34,515
Materials and services	-	186,100	64,086	122,014
Capital outlay	-	100,000	75,564	24,436
Contingency	-	9,000	-	9,000
<i>Total Disbursements</i>	-	345,375	155,410	189,965
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	-	(325,375)	(18,371)	307,004
<i>OTHER FINANCING SOURCES (USES)</i>				
Loan proceeds	-	150,000	186,416	36,416
Transfers in	-	175,375	175,375	-
<i>Total Other Financing Sources (Uses)</i>	-	325,375	361,791	36,416
<i>NET CHANGE IN NET ASSETS</i>	-	-	343,420	343,420
<i>NET ASSETS, Beginning of year</i>	-	-	-	-
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ 343,420	\$ 343,420

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - WATER BOND DEBT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		
RECEIPTS				
Miscellaneous	\$ -	\$ -	\$ 49	\$ 49
DISBURSEMENTS				
Debt service				
Principal	53,771	53,771	53,163	608
Interest	14,332	14,332	14,209	123
Total Disbursements	68,103	68,103	67,372	731
RECEIPTS OVER (UNDER) DISBURSEMENTS	(68,103)	(68,103)	(67,323)	780
OTHER FINANCING SOURCES (USES)				
Transfers in	68,103	68,103	68,103	-
NET CHANGE IN NET ASSETS	-	-	780	780
NET ASSETS, Beginning of year	-	-	9,580	9,580
NET ASSETS, End of year	\$ -	\$ -	\$ 10,360	\$ 10,360

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - WATER RESERVE FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Miscellaneous	\$ 200	\$ 200	\$ 159	\$ (41)
<i>DISBURSEMENTS</i>				
Materials and services	40,000	40,000	-	40,000
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(39,800)	(39,800)	159	39,959
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	10,000	10,000	10,000	-
<i>NET CHANGE IN NET ASSETS</i>	(29,800)	(29,800)	10,159	39,959
<i>NET ASSETS, Beginning of year</i>	31,000	31,000	31,396	396
<i>NET ASSETS, End of year</i>	\$ 1,200	\$ 1,200	\$ 41,555	\$ 40,355

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - WATER SDC IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>RECEIPTS</i>				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 4,086	\$ (5,914)
Miscellaneous	900	900	172	(728)
<i>Total Receipts</i>	10,900	10,900	4,258	(6,642)
<i>DISBURSEMENTS</i>				
Capital outlay	48,240	25,240	2,843	22,397
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(37,340)	(14,340)	1,415	15,755
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	-	(23,000)	(23,000)	-
<i>NET CHANGE IN NET ASSETS</i>	(37,340)	(37,340)	(21,585)	15,755
<i>NET ASSETS, Beginning of year</i>	37,340	37,340	34,026	(3,314)
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ 12,441	\$ 12,441

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - SEWER BOND DEBT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>	\$ -	\$ -	\$ -	\$ -
<i>DISBURSEMENTS</i>				
Debt service				
Principal	65,856	65,856	65,856	-
Interest	78,767	78,767	78,767	-
<i>Total Disbursements</i>	144,623	144,623	144,623	-
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(144,623)	(144,623)	(144,623)	-
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	144,623	144,623	144,623	-
<i>NET CHANGE IN NET ASSETS</i>	-	-	-	-
<i>NET ASSETS, Beginning of year</i>	-	-	-	-
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ -	\$ -

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - SEWER RESERVE FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 115	\$ (885)
<i>DISBURSEMENTS</i>	-	-	-	-
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	1,000	1,000	115	(885)
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	(23,512)	(23,512)	(22,596)	916
<i>NET CHANGE IN NET ASSETS</i>	(22,512)	(22,512)	(22,481)	31
<i>NET ASSETS, Beginning of year</i>	22,512	22,512	22,596	84
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ 115	\$ 115

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - SEWER SDC IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>RECEIPTS</i>				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 7,309	\$ (12,691)
Miscellaneous	3,000	3,000	343	(2,657)
<i>Total Receipts</i>	23,000	23,000	7,652	(15,348)
<i>DISBURSEMENTS</i>				
Capital outlay	52,373	52,373	1,301	51,072
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(29,373)	(29,373)	6,351	35,724
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	(50,000)	(50,000)	(50,000)	-
<i>NET CHANGE IN NET ASSETS</i>	(79,373)	(79,373)	(43,649)	35,724
<i>NET ASSETS, Beginning of year</i>	79,373	79,373	67,758	(11,615)
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ 24,109	\$ 24,109

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL - WATER SDC REIMBURSEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Licenses and permits	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
<i>DISBURSEMENTS</i>				
Capital outlay	6,778	6,778	-	6,778
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(2,778)	(2,778)	-	2,778
<i>NET ASSETS, Beginning of year</i>	2,778	2,778	-	(2,778)
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ -	\$ -

CITY OF AMITY, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS (CASH BASIS) –
BUDGET AND ACTUAL – SEWER SDC REIMBURSEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>RECEIPTS</i>				
Licenses and permits	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
<i>DISBURSEMENTS</i>				
Capital outlay	7,500	7,500	-	7,500
<i>RECEIPTS OVER (UNDER) DISBURSEMENTS</i>	(2,500)	(2,500)	-	2,500
<i>NET ASSETS, Beginning of year</i>	2,500	2,500	-	(2,500)
<i>NET ASSETS, End of year</i>	\$ -	\$ -	\$ -	\$ -

CITY OF AMITY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2010

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2009</i>	<i>2009-10 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2010</i>
2009-2010	\$ -	\$ 222,691	\$ 7	\$ (6,124)	\$ (205,108)	\$ 11,466
2008-2009	12,286	-	-	(403)	(6,401)	5,482
2007-2008	3,439	-	-	(56)	(1,196)	2,187
2006-2007	1,440	-	-	(34)	(706)	700
2005-2006	524	-	-	(25)	(282)	217
2004-2005	198	-	-	(19)	(21)	158
2003-2004	127	-	-	(11)	(18)	98
Prior Years	621	-	-	(13)	(35)	573
Total	<u>\$ 18,635</u>	<u>\$ 222,691</u>	<u>\$ 7</u>	<u>\$ (6,685)</u>	<u>\$ (213,767)</u>	<u>\$ 20,881</u>

CITY OF AMITY, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2010

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
BOND PRINCIPAL TRANSACTIONS			
Revenue Bonds			
1970 Water Revenue Bonds	5.0%	1970	2009-10
1974 Water Revenue Bonds	5.0%	1974	2013-14
1975 Water Revenue Bonds	5.0%	1975	2014-15
1975 Water Revenue Bonds	5.0%	1975	2014-15
LOAN PRINCIPAL TRANSACTIONS			
OECD Safe Drinking Water			
State Revolving Fund	1.0%	2000	2031-32
State Revolving Fund	3.0%-5.0%	2003	2027-28
2009 Lee Property Loan (US Bank)	2.75%-5.1%	2009	2029-30
2009 Wastewater System Improvement Loan	4.78%	2010	
			<i>Unmatured Interest Outstanding July 1, 2009</i>
BOND INTEREST TRANSACTIONS			
Revenue Bonds			
1970 Water Revenue Bonds	5.0%	1970	\$ 131
1974 Water Revenue Bonds	5.0%	1974	1,883
1975 Water Revenue Bonds	5.0%	1975	3,975
1975 Water Revenue Bonds	5.0%	1975	3,530
LOAN INTEREST TRANSACTIONS			
OECD Safe Drinking Water			
State Revolving Fund	1.0%	2000	146,140
State Revolving Fund	3.0%-5.0%	2003	928,711
2009 Lee Property Loan (US Bank)	2.75%-5.1%	2009	-
2009 Wastewater System Improvement Loan	4.78%	2010	-
			<hr/>
			\$ 1,084,370

<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2010</i>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
3,034	-	(3,034)	-
13,662	-	(2,304)	11,358
23,572	-	(3,571)	20,001
20,657	-	(3,133)	17,524
1,125,944	-	(40,916)	1,085,028
1,787,410	-	(65,856)	1,721,554
-	160,000	-	160,000
-	26,416	-	26,416
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2,974,279	186,416	(118,814)	3,041,881

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2010</i>
<u>\$</u>	<u>\$</u>	<u>\$</u>
-	(131)	-
-	(552)	1,331
-	(1,122)	2,853
-	(955)	2,575
-	(12,087)	134,053
-	(78,767)	849,944
92,197	-	92,197
-	-	-
<u> </u>	<u> </u>	<u> </u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
92,197	(93,614)	1,082,953

CITY OF AMITY, OREGON
SCHEDULE OF FUTURE BONDED DEBT REQUIREMENTS
JUNE 30, 2010

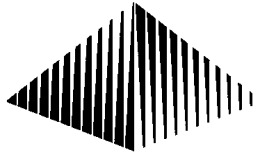
<i>Year</i>	<i>1974 Water Revenue</i>			<i>1975 Water Revenue</i>		
	<i>Bonds</i>			<i>Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010-11	\$ 2,419	\$ 545	\$ 2,964	\$ 3,749	\$ 993	\$ 4,742
2011-12	2,540	443	2,983	3,937	805	4,742
2012-13	2,667	241	2,908	4,134	615	4,749
2013-14	3,732	102	3,834	4,340	325	4,665
2014-15	-	-	-	3,841	115	3,956
2015-16	-	-	-	-	-	-
2016-17	-	-	-	-	-	-
2017-18	-	-	-	-	-	-
2018-19	-	-	-	-	-	-
2019-20	-	-	-	-	-	-
2020-21	-	-	-	-	-	-
2021-22	-	-	-	-	-	-
2022-23	-	-	-	-	-	-
2023-24	-	-	-	-	-	-
2024-25	-	-	-	-	-	-
2025-26	-	-	-	-	-	-
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
2028-29	-	-	-	-	-	-
2029-30	-	-	-	-	-	-
2030-31	-	-	-	-	-	-
2031-32	-	-	-	-	-	-
2032-33	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
Totals	<u>\$ 11,358</u>	<u>\$ 1,331</u>	<u>\$ 12,689</u>	<u>\$ 20,001</u>	<u>\$ 2,853</u>	<u>\$ 22,854</u>

<i>1975 Water Revenue Bonds</i>			<i>Safe Drinking Water Revolving Loan</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 3,289	\$ 861	\$ 4,150	\$ 42,160	\$ 10,842	\$ 53,002
3,454	696	4,150	42,582	10,420	53,002
3,626	531	4,157	43,007	9,995	53,002
3,808	346	4,154	43,438	9,564	53,002
3,347	141	3,488	43,872	9,130	53,002
-	-	-	44,311	8,691	53,002
-	-	-	44,754	8,248	53,002
-	-	-	45,201	7,801	53,002
-	-	-	45,653	7,349	53,002
-	-	-	46,110	6,892	53,002
-	-	-	46,571	6,431	53,002
-	-	-	47,037	5,965	53,002
-	-	-	47,507	5,495	53,002
-	-	-	47,982	5,020	53,002
-	-	-	48,462	4,540	53,002
-	-	-	48,946	4,056	53,002
-	-	-	49,436	3,566	53,002
-	-	-	49,930	3,072	53,002
-	-	-	50,430	2,573	53,003
-	-	-	50,934	2,068	53,002
-	-	-	51,443	1,559	53,002
-	-	-	51,958	776	52,734
-	-	-	53,304	-	53,304
-	-	-	-	-	-
<u>\$ 17,524</u>	<u>\$ 2,575</u>	<u>\$ 20,099</u>	<u>\$ 1,085,028</u>	<u>\$ 134,053</u>	<u>\$ 1,219,081</u>

CITY OF AMITY, OREGON**SCHEDULE OF FUTURE BONDED DEBT REQUIREMENTS (Continued)****JUNE 30, 2010**

<i>Year</i>	<i>Safe Drinking Water Revolving Loan</i>			<i>2009 Lee Property Loan (US Bank)</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010-11	\$ 66,214	\$ 76,594	\$ 142,808	\$ 10,000	\$ 4,572	\$ 14,572
2011-12	66,607	74,276	140,883	5,000	7,425	12,425
2012-13	72,025	71,878	143,903	5,000	7,200	12,200
2013-14	72,476	69,177	141,653	5,000	6,975	11,975
2014-15	77,962	66,351	144,313	5,000	6,750	11,750
2015-16	78,481	63,232	141,713	5,000	6,525	11,525
2016-17	84,033	60,014	144,047	5,000	6,300	11,300
2017-18	84,630	56,443	141,073	5,000	6,075	11,075
2018-19	90,270	52,741	143,011	5,000	5,850	10,850
2019-20	95,957	48,678	144,635	10,000	5,625	15,625
2020-21	96,691	44,264	140,955	10,000	5,175	15,175
2021-22	102,476	39,720	142,196	10,000	4,675	14,675
2022-23	108,306	34,852	143,158	10,000	4,175	14,175
2023-24	114,175	29,708	143,883	10,000	3,675	13,675
2024-25	120,086	24,284	144,370	10,000	3,175	13,175
2025-26	126,040	18,580	144,620	10,000	2,675	12,675
2026-27	127,039	12,593	139,632	10,000	2,140	12,140
2027-28	138,086	6,559	144,645	10,000	1,605	11,605
2028-29	-	-	-	10,000	1,070	11,070
2029-30	-	-	-	10,000	535	10,535
2030-31	-	-	-	-	-	-
2031-32	-	-	-	-	-	-
2032-33	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
Totals	<u>\$ 1,721,554</u>	<u>\$ 849,944</u>	<u>\$ 2,571,498</u>	<u>\$ 160,000</u>	<u>\$ 92,197</u>	<u>\$ 252,197</u>

<i>2010 Wastewater System Improvement</i>						
<i>Loan</i>			<i>Year</i>	<i>Total</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ -	\$ -	\$ -	2010-11	\$ 127,831	\$ 94,407	\$ 222,238
-	-	-	2011-12	124,120	94,065	218,185
-	-	-	2012-13	130,459	90,460	220,919
-	-	-	2013-14	132,794	86,489	219,283
-	-	-	2014-15	134,022	82,487	216,509
-	-	-	2015-16	127,792	78,448	206,240
-	-	-	2016-17	133,787	74,562	208,349
-	-	-	2017-18	134,831	70,319	205,150
-	-	-	2018-19	140,923	65,940	206,863
-	-	-	2019-20	152,067	61,195	213,262
-	-	-	2020-21	153,262	55,870	209,132
-	-	-	2021-22	159,513	50,360	209,873
-	-	-	2022-23	165,813	44,522	210,335
-	-	-	2023-24	172,157	38,403	210,560
-	-	-	2024-25	178,548	31,999	210,547
-	-	-	2025-26	184,986	25,311	210,297
-	-	-	2026-27	186,475	18,299	204,774
-	-	-	2027-28	198,016	11,236	209,252
-	-	-	2028-29	60,430	3,643	64,073
-	-	-	2029-30	60,934	2,603	63,537
-	-	-	2030-31	51,443	1,559	53,002
-	-	-	2031-32	51,958	776	52,734
-	-	-	2032-33	53,304	-	53,304
26,416	-	26,416	Unspecified	26,416	-	26,416
<u>\$ 26,416</u>	<u>\$ -</u>	<u>\$ 26,416</u>	Totals	<u>\$ 3,041,881</u>	<u>\$ 1,082,953</u>	<u>\$ 4,124,834</u>



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

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

We have audited the basic financial statements of the City of Amity, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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


1. The City does not maintain historical cost or depreciation records for capital assets.
2. Excess of actual revenues over actual expenditures in the second preceding year were not equal to the beginning balance in the first preceding year, and the 2009-10 adopted budget data in the 2010-11 budget did not agree to the adopted 2009-10 budget.
3. Overexpenditure of appropriations as disclosed in the notes to the basic financial statements.

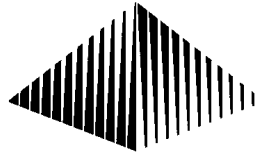
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

This report is intended solely for the information and use of the mayor and council members and management 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: 
Charles A. Swank, A Shareholder
December 8, 2010



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

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

We have audited 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 as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2010. Our report was qualified for no historical cost and depreciation records for capital assets. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.


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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of the City of Amity, the State of Oregon Division of Audits, Federal awarding agencies and passthrough entities and is not intended to be and should not be used by anyone other than those specified parties.


CERTIFIED PUBLIC ACCOUNTANTS
December 8, 2010