

***CITY OF SUBLIMITY, OREGON***  
***ANNUAL FINANCIAL REPORT***  
***Year Ended June 30, 2019***

***CITY OF SUBLIMITY***  
***CITY OFFICIALS***  
***JUNE 30, 2019***

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**MAYOR**

Term Expires

Jim Kingsbury, Mayor

December 31, 2020

**CITY COUNCIL MEMBERS**

Michael Taylor

December 31, 2020

Jim Crowther

December 31, 2020

Brian Schumacher

December 31, 2022

Greg Atkin

December 31, 2022

The above individuals may be contacted at the address below.

**CITY ADMINISTRATION**

Myrna Harding, Finance/Office Manager

**MAILING ADDRESS**

City Hall  
245 NW Johnson Street  
P.O. Box 146  
Sublimity, Oregon 97385

***CITY OF SUBLIMITY***  
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## 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 Jim Kingsbury, Mayor  
and Members of the City Council  
245 NW Johnson Street  
P.O. Box 146  
Sublimity, Oregon 97385

#### ***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 Sublimity, Oregon as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sublimity, Oregon as of June 30, 2019, and the

respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in the notes to the financial statements.

***Emphasis of Matter - Basis of Accounting***

We draw attention to the notes to the financial statements that 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 Supplementary Information and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary 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.

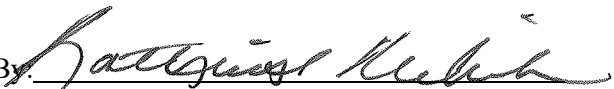
The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 supplementary information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

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

***Report on Other Legal and Regulatory Requirements - Reporting Required by Oregon Minimum Standards***

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, 2019, 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, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By:   
Katherine R. Wilson, Shareholder  
December 9, 2019

**CITY OF SUBLIMITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

As management of the City of Sublimity, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS**

	<i>June 30,</i>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Net position	\$ 9,560,155	\$ 7,936,274	\$ 1,623,881
Change in net position	1,623,881	1,042,920	580,961
Governmental activities net position	3,075,087	2,443,570	631,517
Business-type activities net position	6,485,068	5,492,704	992,364
Change in governmental net assets	631,517	308,059	323,458
Change in proprietary net assets	992,364	734,861	257,503

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City'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 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.* The *statement of net position (modified cash basis)* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid off 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.* The *statement of activities (modified cash basis)* 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.

*Fund financial statements.* The fund financial statements provide more detailed information about the City of Sublimity's funds, focusing on its most significant or "major" funds – not the City 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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. The governmental fund financial statements primary focus is on individual major funds. Such information may be useful in evaluating each funds' financing requirements.

*Proprietary funds.* The City charges customers for the services it provides. These services are generally reported in enterprise 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.

*Supplementary information.* In addition to the basic financial statements and accompanying notes, this report also presents supplementary information including the combining fund financial statements and individual fund budgetary comparisons.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** The following table reflects a statement of net position of governmental and proprietary funds compared to the prior year. Detail of this summary is presented on page 11.

	2019			2018		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Cash and investments	\$ 2,104,603	\$ 3,706,264	\$ 5,810,867	\$ 2,116,256	\$ 3,112,116	\$ 5,228,372
Other assets	-	-	-	7,500	7,500	15,000
Capital assets	1,061,837	2,811,108	3,872,945	377,442	2,441,916	2,819,358
<i>Total Assets</i>	<u>3,166,440</u>	<u>6,517,372</u>	<u>9,683,812</u>	<u>2,501,198</u>	<u>5,561,532</u>	<u>8,062,730</u>
Other liabilities	83,876	9,750	93,626	52,943	8,100	61,043
Long-term liabilities	7,477	22,554	30,031	4,685	60,728	65,413
<i>Total Liabilities</i>	<u>91,353</u>	<u>32,304</u>	<u>123,657</u>	<u>57,628</u>	<u>68,828</u>	<u>126,456</u>
Net position:						
Net investment in capital assets	1,061,837	2,811,108	3,872,945	377,442	2,396,916	2,774,358
Restricted	1,125,465	1,584,234	2,709,699	1,416,937	1,534,106	2,951,043
Unrestricted	887,785	2,089,726	2,977,511	649,191	1,561,682	2,210,873
<i>Total Net Position</i>	<u>\$ 3,075,087</u>	<u>\$ 6,485,068</u>	<u>\$ 9,560,155</u>	<u>\$ 2,443,570</u>	<u>\$ 5,492,704</u>	<u>\$ 7,936,274</u>

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, assets exceeded liabilities by \$9,560,155 as of June 30, 2019.

Net investment in capital assets represents the City's net book value (cost less accumulated depreciation) of its capital assets, less remaining debt which was incurred to acquire those capital assets.

Net position - restricted represents resources that are subject to external restrictions on their use, such as construction of capital assets.

Net position - unrestricted are available for general operations of the City.

**Statement of Activities.** The following table reflects a change in activities for governmental and proprietary funds compared to the prior year. Detail of this summary is presented on page 12.

	2019			2018		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<b>Revenues</b>						
Program Revenues						
Charges for service	\$ 242,167	\$1,611,582	\$ 1,853,749	\$ 118,663	\$1,327,314	\$ 1,445,977
Operating grants and contributions	208,080	-	208,080	176,867	-	176,867
Capital grants and contributions	280,837	313,522	594,359	134,034	320,540	454,574
General Revenues						
Property taxes	173,725	-	173,725	148,413	-	148,413
Franchise taxes	110,549	-	110,549	108,508	-	108,508
Other taxes	23,967	-	23,967	28,069	-	28,069
Intergovernmental	73,667	-	73,667	76,126	-	76,126
Other	55,348	102,157	157,505	37,499	58,376	95,875
<i>Total Revenues</i>	1,168,340	2,027,261	3,195,601	828,179	1,706,230	2,534,409
<b>Expenses</b>						
Programs	549,139	1,022,581	1,571,720	520,120	971,369	1,491,489
<b>Transfers</b>	12,316	(12,316)	-	-	-	-
<b>Change in Net Position</b>	631,517	992,364	1,623,881	308,059	734,861	1,042,920
<b>Beginning Net Position</b>	2,443,570	5,492,704	7,936,274	2,135,511	4,757,843	6,893,354
<b>Ending Net Position</b>	\$ 3,075,087	\$6,485,068	\$ 9,560,155	\$ 2,443,570	\$5,492,704	\$ 7,936,274

The City's net position increased \$1,623,881 in the current fiscal year. The key elements of the change in the City's net position for the year ended June 30, 2019 compared to the prior year are:

- A \$436,798 increase in charges for services primarily due to an increase in monthly water and sewer fees for service and an increase in permits issued.
- A \$124,632 increase in capital grants and contributions was primarily due to grants received from Oregon Parks and Recreation Department during the year.
- There was a slight increase in property taxes and an increase in interest earned.
- Program expenses in water and sewer increased slightly due to increases in personal services and materials and services.

### Financial Analysis of the City's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information by each major fund's 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.

The City's governmental funds reported combined ending fund balances of \$2,020,727 at June 30, 2019, a 2.1% decrease.



*General Fund.* The General Fund is the primary operating fund of the City. The fund balance was \$895,262 as of June 30, 2019. The fund balance increased by \$241,386 during the current fiscal year, due to increases in property taxes and licenses and permits, while expenditures remained relatively unchanged. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 271% of total General Fund expenditures. The General Fund actual expenditures were \$278,101 less than budgeted expenditures during the current year.

*Street Fund.* The Street Fund is used to account for revenues and expenditures related to the City's streets. The fund's primary source of revenues is ODOT apportionment (State gas tax). The fund balance of \$364,173 at June 30, 2019 represents a \$13,137 decrease. ODOT revenues increased by approximately \$30,000, and operations expenditures and capital outlay increased, resulting in an overall decrease in fund balance.

*Street SDC Fund.* The Street SDC fund is used to account for system development revenues and capital projects related to streets. The fund balance of \$719,853 at June 30, 2019 represents a \$69,483 increase due to system development charges collected during the year. There were no major street projects during the year.

*Park SDC Fund.* The Park SDC fund is used to account for system development revenues and capital projects related to parks. The fund balance of \$10,756 represents a decrease of \$350,891, due to expenditures for construction.

**Proprietary funds.** The City's proprietary fund statements provide information related to the separate water and sewer operations.

The total proprietary fund net position increased \$992,364 in the current fiscal year. Significant items regarding proprietary funds are as follows:

- Water Operations funds reported an increase of \$423,765 in fund net position. This is due to a combination of increases in charges for services and system development charges received coupled with slight increases in water operating expenditures.
- Sewer Operations funds reported an increase of \$547,523 in fund net position. This is due to a combination of an increase in charges for services and system development charges along with relatively stable costs of operations, which resulted in a planned increase in order to develop a reserve for future infrastructure projects.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City's investment in capital assets includes land and water rights, buildings, infrastructure, equipment and construction in progress. As of June 30, 2019, the City had invested \$3,872,945 in capital assets, net of depreciation, as shown in the following table:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Land and water rights	\$ 440,425	\$ 12,315	\$ 951,247	\$ 528,812	\$ 1,391,672	\$ 541,127
Construction in progress	31,106	-	6,024	-	37,130	-
Buildings	609,123	381,886	-	-	609,123	381,886
Equipment	223,392	197,930	135,612	51,397	359,004	249,327
Infrastructure	80,346	80,346	-	-	80,346	80,346
Water system	-	-	2,585,684	2,611,043	2,585,684	2,611,043
Sewer system	-	-	2,005,291	2,029,517	2,005,291	2,029,517
Accumulated depreciation	(322,555)	(295,035)	(2,872,750)	(2,778,853)	(3,195,305)	(3,073,888)
Net capital assets	<u>\$ 1,061,837</u>	<u>\$ 377,442</u>	<u>\$ 2,811,108</u>	<u>\$ 2,441,916</u>	<u>\$ 3,872,945</u>	<u>\$ 2,819,358</u>

The City's investment in capital assets increased \$1,053,587 during the fiscal year due to acquisitions of land and water rights, and construction of the Settler Park restroom.

Additional information regarding the City's capital assets can be found in the notes to basic financial statements of this report.

**Long-term debt.** The City had no debt outstanding at the end of the current fiscal year.

During the current fiscal year, the City's total debt decreased by \$45,000 due to the repayment of outstanding loans.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements of this report.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council made one adjustment to the adopted budget of the General Fund during the year due to pension expenditures. The adjustment increased general operations by \$16,600 and decreased administration contingency by \$16,600.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2019-20 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay

## **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 of Sublimity  
Attn: Myrna Harding, Finance/Office Manager  
245 NW Johnson St.  
P.O. Box 146  
Sublimity, Oregon 97385  
(503)769-5475

## ***BASIC FINANCIAL STATEMENTS***

**CITY OF SUBLIMITY, OREGON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Totals</i></b>
<b><i>ASSETS</i></b>			
Cash and investments	\$ 2,104,603	\$ 3,706,264	\$ 5,810,867
Capital assets:			
Non-depreciable	471,531	957,271	1,428,802
Other capital assets, net	590,306	1,853,837	2,444,143
<i>Total Assets</i>	<u>3,166,440</u>	<u>6,517,372</u>	<u>9,683,812</u>
<b><i>LIABILITIES</i></b>			
Payroll liabilities	2,256	-	2,256
Due to other governmental agencies	81,620	-	81,620
Deposits refundable	-	9,750	9,750
Long-term obligations:			
Compensated absences, due within one year	7,477	22,554	30,031
<i>Total Liabilities</i>	<u>91,353</u>	<u>32,304</u>	<u>123,657</u>
<b><i>NET POSITION</i></b>			
Net investment in capital assets	1,061,837	2,811,108	3,872,945
Restricted for:			
Highway and streets	364,173	-	364,173
Culture and recreation	30,683	-	30,683
Capital projects	730,609	1,584,234	2,314,843
Unrestricted	887,785	2,089,726	2,977,511
<i>Total Net Position</i>	<u>\$ 3,075,087</u>	<u>\$ 6,485,068</u>	<u>\$ 9,560,155</u>

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

**CITY OF SUBLIMITY, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 90,335	\$ 1,734	\$ -	\$ 4,154
Public safety	177,104	390	2,737	-
Community development	40,663	233,403	-	-
Public works	183,499	-	205,343	69,681
Culture and recreation	57,538	6,640	-	207,002
<i>Total Governmental activities</i>	549,139	242,167	208,080	280,837
<b>Business-type activities:</b>				
Water	355,061	596,747	-	148,419
Sewer	667,520	1,014,835	-	144,107
Storm Water	-	-	-	20,996
<i>Total Business-type activities</i>	1,022,581	1,611,582	-	313,522
<i>Total Activities</i>	<u>\$ 1,571,720</u>	<u>\$ 1,853,749</u>	<u>\$ 208,080</u>	<u>\$ 594,359</u>
<b>General revenues:</b>				
Property taxes				
Franchise taxes				
Other taxes				
Intergovernmental				
Interest				
Miscellaneous				
<i>Total general revenues</i>				
<b>Transfers</b>				
<b>Change in net position</b>				
<b>Net Position - beginning of year</b>				
<b>Net Position - end of year</b>				

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<i>Net (Expenses) Revenues and Changes in Net Position</i>		
<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (84,447)	\$ -	\$ (84,447)
(173,977)	-	(173,977)
192,740	-	192,740
91,525	-	91,525
156,104	-	156,104
181,945	-	181,945
-	390,105	390,105
-	491,422	491,422
-	20,996	20,996
-	902,523	902,523
181,945	902,523	1,084,468
173,725	-	173,725
110,549	-	110,549
23,967	-	23,967
73,667	-	73,667
52,427	84,207	136,634
2,921	17,950	20,871
437,256	102,157	539,413
12,316	(12,316)	-
631,517	992,364	1,623,881
2,443,570	5,492,704	7,936,274
\$ 3,075,087	\$ 6,485,068	\$ 9,560,155

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

**CITY OF SUBLIMITY, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Street SDC</u>
<b>ASSETS</b>			
Cash and investments	\$ 979,138	\$ 364,173	\$ 719,853
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Payroll liabilities	\$ 2,256	\$ -	\$ -
Due to other governmental agencies	81,620	-	-
<i>Total Liabilities</i>	83,876	-	-
<b>Fund Balance:</b>			
Restricted for:			
Highways and streets	-	364,173	-
Culture and recreation	-	-	-
Capital projects	-	-	719,853
Unrestricted	895,262	-	-
<i>Total Fund Balance</i>	895,262	364,173	719,853
<i>Total Liabilities and Fund Balances</i>	\$ 979,138	\$ 364,173	\$ 719,853



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<i>Capital Projects</i>	<i>Non-major</i>	
<i>Park SDC</i>	<i>Transient Tax (Parks)</i>	<i>Total</i>
\$ 10,756	\$ 30,683	\$ 2,104,603
\$ -	\$ -	\$ 2,256
-	-	81,620
-	-	83,876
-	-	364,173
-	30,683	30,683
10,756	-	730,609
-	-	895,262
10,756	30,683	2,020,727
\$ 10,756	\$ 30,683	\$ 2,104,603

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

***CITY OF SUBLIMITY, OREGON***

***RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION***

***JUNE 30, 2019***

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<i>Fund Balances</i>	\$ 2,020,727
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value:	
Capital assets, cost	1,384,392
Accumulated depreciation	(322,555)
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.	
Compensated absences	(7,477)
<i>Net Position of Governmental Activities</i>	<u>\$ 3,075,087</u>

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

**CITY OF SUBLIMITY, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Street</u>	<u>Street SDC</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 173,725	\$ -	\$ -
Charges for services	4,154	3,968	-
Franchise fees	110,549	-	-
Licenses and permits	235,137	-	-
Fines and forfeitures	390	-	-
System development charges	-	-	65,713
Intergovernmental	73,667	205,343	-
Interest	20,255	9,019	16,086
Miscellaneous	3,819	839	-
<i>Total Revenues</i>	621,696	219,169	81,799
<b>EXPENDITURES</b>			
Current			
General government	93,768	-	-
Public safety	177,104	-	-
Community development	40,662	-	-
Public works	400	162,825	-
Culture and recreation	-	-	-
Capital outlay	18,176	69,481	12,316
<i>Total Expenditures</i>	330,110	232,306	12,316
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	291,586	(13,137)	69,483
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(50,200)	-	-
<i>Total Other Financing Sources (Uses)</i>	(50,200)	-	-
<b>NET CHANGE IN FUND BALANCE</b>	241,386	(13,137)	69,483
<b>FUND BALANCE, beginning of year</b>	653,876	377,310	650,370
<b>FUND BALANCE, end of year</b>	\$ 895,262	\$ 364,173	\$ 719,853

<i>Capital Projects</i>	<i>Non-major</i>	
<i>Park SDC</i>	<i>Transient Tax (Parks)</i>	<i>Total</i>
\$ -	\$ 23,967	\$ 197,692
-	-	8,122
-	-	110,549
-	6,640	241,777
-	-	390
85,449	-	151,162
113,353	-	392,363
6,460	607	52,427
8,200	1,000	13,858
213,462	32,214	1,168,340
-	-	93,768
-	-	177,104
-	-	40,662
-	-	163,225
-	46,641	46,641
589,553	-	689,526
589,553	46,641	1,210,926
(376,091)	(14,427)	(42,586)
25,200	25,000	50,200
-	-	(50,200)
25,200	25,000	-
(350,891)	10,573	(42,586)
361,647	20,110	2,063,313
\$ 10,756	\$ 30,683	\$ 2,020,727

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

**CITY OF SUBLIMITY, OREGON****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

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*Net Change in Fund Balance* \$ (42,586)

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over the estimated useful life as depreciation expense:

Capital outlay	711,915
Deposit on capital purchase	(7,500)
Depreciation	(27,520)

Some expenses reported in the Statement of Activities do not require the use of current fund resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences	(2,792)
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<i>Change in Net Position - Governmental Activities</i>	<u><u>\$ 631,517</u></u>
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**CITY OF SUBLIMITY, OREGON****STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS****JUNE 30, 2019**

	<i><u>Sewer Operations</u></i>	<i><u>Water Operations</u></i>	<i><u>Non-major Storm Water SDC</u></i>	<i><u>Total</u></i>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 2,404,179	\$ 769,336	\$ 532,749	\$ 3,706,264
Advances to other funds	83,325	-	-	83,325
<i>Total Current Assets</i>	<i>2,487,504</i>	<i>769,336</i>	<i>532,749</i>	<i>3,789,589</i>
<b>Capital Assets</b>				
Land and construction in progress	621,053	336,218	-	957,271
Other capital assets, net	821,205	1,032,632	-	1,853,837
<i>Total Capital Assets, net</i>	<i>1,442,258</i>	<i>1,368,850</i>	<i>-</i>	<i>2,811,108</i>
<i>Total Assets</i>	<i>3,929,762</i>	<i>2,138,186</i>	<i>532,749</i>	<i>6,600,697</i>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Deposits refundable	-	9,750	-	9,750
Compensated absences payable	11,277	11,277	-	22,554
Advances from other funds	-	83,325	-	83,325
<i>Total Current Liabilities</i>	<i>11,277</i>	<i>104,352</i>	<i>-</i>	<i>115,629</i>
<b>FUND NET POSITION</b>				
Net investment in capital assets	1,442,258	1,368,850	-	2,811,108
Restricted for:			-	-
Capital projects	537,788	513,697	532,749	1,584,234
Unrestricted	1,938,439	151,287	-	2,089,726
<i>Total Fund Net Position</i>	<i>\$ 3,918,485</i>	<i>\$ 2,033,834</i>	<i>\$ 532,749</i>	<i>\$ 6,485,068</i>

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

**CITY OF SUBLIMITY, OREGON****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019**

			<u>Non-major</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Storm Water SDC</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,021,165	\$ 603,778	\$ -	\$ 1,624,943
<b>OPERATING EXPENSES</b>				
Personal services	159,962	160,456	-	320,418
Materials and services	474,881	129,531	-	604,412
Depreciation	32,677	61,220	-	93,897
<i>Total Operating Expenses</i>	<u>667,520</u>	<u>351,207</u>	<u>-</u>	<u>1,018,727</u>
<b>OPERATING INCOME</b>	353,645	252,571	-	606,216
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense	-	(3,854)	-	(3,854)
Interest revenues	54,308	17,503	12,396	84,207
Miscellaneous	1,793	16,157	-	17,950
<i>Total Nonoperating Revenues (Expenses)</i>	<u>56,101</u>	<u>29,806</u>	<u>12,396</u>	<u>98,303</u>
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	409,746	282,377	12,396	704,519
Capital contributions	137,777	141,388	20,996	300,161
Transfers out (non-cash)	-	-	(12,316)	(12,316)
<b>CHANGE IN FUND NET POSITION</b>	547,523	423,765	21,076	992,364
<b>FUND NET POSITION, beginning of year</b>	3,370,962	1,610,069	511,673	5,492,704
<b>FUND NET POSITION, end of year</b>	<u>\$ 3,918,485</u>	<u>\$ 2,033,834</u>	<u>\$ 532,749</u>	<u>\$ 6,485,068</u>

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

**CITY OF SUBLIMITY, OREGON****STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2019**

			<u>Non-major</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Storm Water SDC</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,021,165	\$ 605,178	\$ -	\$ 1,626,343
Payments to suppliers	(474,881)	(122,031)	-	(596,912)
Payments to employees	(156,550)	(157,044)	-	(313,594)
<i>Net Cash Provided by Operating Activities</i>	389,734	326,103	-	715,837
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</b>				
Miscellaneous	1,793	16,157	-	17,950
Payments on advances to other funds	60,299	(60,299)	-	-
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	62,092	(44,142)	-	17,950
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(126,871)	(335,966)	(12,316)	(475,153)
System development charges received	137,777	141,388	20,996	300,161
Principal paid on bonds payable	-	(45,000)	-	(45,000)
Interest paid on long-term obligations	-	(3,854)	-	(3,854)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	10,906	(243,432)	8,680	(223,846)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on cash and investments	54,308	17,503	12,396	84,207
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	517,040	56,032	21,076	594,148
<i>Cash and investments, beginning of year</i>	1,887,139	713,304	511,673	3,112,116
<i>Cash and investments, end of year</i>	\$ 2,404,179	\$ 769,336	\$ 532,749	\$ 3,706,264



	<i>Non-major</i>			
	<i>Sewer Operations</i>	<i>Water Operations</i>	<i>Storm Water SDC</i>	<i>Total</i>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 353,645	\$ 252,571	\$ -	\$ 606,216
Adjustments to reconcile operating income to net cash provided by operating activities				
provided by operating activities				
Depreciation	32,677	61,220	-	93,897
Decrease (increase) in asset accounts				
Deposit on purchases	-	7,500	-	7,500
Increase (decrease) in liability accounts				
Deposits refundable	-	1,400	-	1,400
Compensated absences payable	3,412	3,412	-	6,824
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 389,734</u>	<u>\$ 326,103</u>	<u>\$ -</u>	<u>\$ 715,837</u>
<b>NON-CASH TRANSACTIONS</b>				
Transfer of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,316)</u>	<u>\$ (12,316)</u>

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity*

The City of Sublimity in Marion County, Oregon was established in 1903. The City provides basic services to the citizens within the city limits. Control of the City is vested in its Mayor and Council members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Council. The Chief Administrative Officer is the Mayor.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organization. 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 three components: investment in capital assets, restricted for special purposes, 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. Amounts reported as 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.

## **CITY OF SUBLIMITY, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2019**

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

*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 and proprietary. Currently, the City has governmental (general, special revenue, capital projects) and proprietary type funds. Major individual 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 supplementary 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, 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/expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

*General Fund* - This is the City's primary operating fund. It accounts for all financial resources of the general government, except for those requiring separate accounting in another fund. Principal sources of revenues are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for general operation and administration.

*Street Fund* - Expenditures of this fund are restricted under Article IX of the Constitution of the State of Oregon for construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads and streets within the City. Principal revenues include state gas tax apportionment, federal and state grants, and other charges for services.

*Street SDC* - Accounts for the development and improvement of City streets.

*Park SDC* - Accounts for the development and improvement of City parks.

The proprietary 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. The City reports the following major proprietary funds:

*Water Operations* - Accounts for the operations, maintenance, debt service payments and capital construction projects for the water system, which is funded mainly through utility and construction fees.

*Sewer Operations* - Accounts for the operations, maintenance, and capital construction projects for the sewer system, which is funded mainly through utility and construction fees.

## ***CITY OF SUBLIMITY, OREGON***

### ***NOTES TO BASIC FINANCIAL STATEMENTS (Continued)***

***YEAR ENDED JUNE 30, 2019***

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

##### ***Fund Balance***

In governmental funds, the City's policy is to first apply the expenditures toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

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's Finance/Office Manager 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.

##### ***Definitions of Governmental Fund Types***

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

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

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

##### ***Measurement Focus and Basis of Accounting***

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

## **CITY OF SUBLIMITY, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2019**

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

##### *Measurement Focus and Basis of Accounting (Continued)*

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:

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.
4. Capital assets for which cash is expended for the asset and then depreciated over its useful life.
5. Liabilities for which cash is received and then repaid over the loan period.

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 government-wide and proprietary fund financial statements.

## ***CITY OF SUBLIMITY, OREGON***

### ***NOTES TO BASIC FINANCIAL STATEMENTS (Continued)***

***YEAR ENDED JUNE 30, 2019***

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

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 proprietary 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.

Proprietary funds distinguish between operating revenues and expenses and non-operating 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 non-operating items.

#### ***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 as cash and investments. 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 U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments in the Local Government Investment Pool are stated at cost, which approximates fair value.

#### ***Property Taxes***

Property taxes are levied by Marion County Assessor and collected by Marion 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.

As the basic financial statements are presented on the modified cash basis, uncollected property taxes are not reported. Property taxes are recorded as revenue when received.

#### ***Capital Assets***

Capital assets (items costing more than \$5,000 and lasting more than one year) are reported in the applicable governmental or business-type activities financial statements and in the notes to the financial statements. In the fund statements, capital assets are charged as expenditures/expenses as purchased. Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are not recorded. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized.

## ***CITY OF SUBLIMITY, OREGON***

### ***NOTES TO BASIC FINANCIAL STATEMENTS (Continued)***

***YEAR ENDED JUNE 30, 2019***

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

##### ***Capital Assets (Continued)***

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

Buildings	15 - 50 years
Improvements	10 - 50 years
Equipment	5 - 20 years
Distribution and collection systems	10 - 50 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts.

##### ***Long-Term Debt***

Long-term debt is presented in the government-wide and notes to the financial statements. In the fund financial statements, payments of principal and interest are recorded as expenditures/expenses when paid.

##### ***Accrued Compensated Absences***

###### ***Vacation Leave***

The City has a policy which permits employees to earn vacation leave at a rate determined by length of employment up to a maximum of 360 hours. Any balance will be paid upon the employee's termination of employment.

###### ***Sick Leave***

The City has a policy which permits full-time employees to earn sick leave at the rate of one day per month up to a maximum of 500 hours. Sick leave can be used after you have passed the 12-month probationary period, however sick leave will begin accruing after your first pay cycle. The City does not compensate the employees for unused hours at termination of employment. Part – time employees accrue leave based on State Law.

###### ***Comp Time***

The City has a policy which permits employees to accrue comp time that is calculated at 1.5 times the actual overtime hours worked, up to 80 hours, to be used within one year of when it is accrued, and prior to using vacation time. Employees, who have more than 80 hours, may be "cashed out" for hours greater than 80 within budgetary limits. When an employee is separated from employment with the City, any remaining comp time is payable to the employee.

## **CITY OF SUBLIMITY, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2019**

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

##### *Budgets and Budgetary Accounting*

The City adopts the budget on a program basis, therefore, expenditures of a fund may not legally exceed that fund's appropriation for a program. The City Council may amend the budget to expend unforeseen revenues by passing a Supplemental Budget Resolution or a Transfer Resolution. All modifications to 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 the modified cash basis of accounting requires management to make estimate and assumptions that effect reporting amounts of certain assets, liabilities, revenues and expenditures/expenses as of June 30, 2019. Actual results may differ from those estimates.

#### **CASH AND INVESTMENTS**

The City's cash and investments are comprised of the following at June 30, 2019:

	<i><b>Carrying Value</b></i>	<i><b>Fair Value</b></i>
<b><i>Cash</i></b>		
Cash on hand	\$ 150	\$ 150
Deposits with financial institutions	433,024	433,024
<b><i>Investments</i></b>		
Local Government Investment Pool	5,377,693	5,377,693
	<u><u>\$ 5,810,867</u></u>	<u><u>\$ 5,810,867</u></u>

##### *Deposits*

The book balance of the City's bank deposits with various financial institutions was \$433,024 and the bank balance was \$464,086 at year-end. The difference is due to transactions in process. 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 Depositary 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. 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



## **CITY OF SUBLIMITY, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2019**

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#### **CASH AND INVESTMENTS (Continued)**

##### *Custodial Credit Risk - Deposits (Continued)*

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, 2019, \$214,086 of the City's bank balances were covered by the PFCP.

##### *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, 2019 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 the weighted average maturity of its investments through use of the Local Government Investment Pool.

##### *Custodial Risk – Local Government Investment Pool*

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.

**CITY OF SUBLIMITY, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2019****CASH AND INVESTMENTS (Continued)****Custodial Risk – Local Government Investment Pool (Continued)**

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. The LGIP is not rated for credit quality.

**CAPITAL ASSETS**

The summary of capital assets for governmental activities for the year ended June 30, 2019 is as follows:

	<i>Balances July 1, 2018</i>	<i>Increases</i>	<i>Decreases</i>	<i>Adjustments</i>	<i>Balances June 30, 2019</i>
Non-depreciable					
Land and improvements	\$ 12,315	\$ 428,110	\$ -	\$ -	\$ 440,425
Construction in progress	-	31,106	-	-	31,106
<i>Total non-depreciable</i>	12,315	459,216	-	-	471,531
Depreciable					
Buildings	381,886	227,237	-	-	609,123
Equipment	197,930	25,462	-	-	223,392
Infrastructure	80,346	-	-	-	80,346
<i>Total depreciable</i>	660,162	252,699	-	-	912,861
Accumulated depreciation					
Buildings	(170,868)	(14,818)	-	-	(185,686)
Equipment	(118,476)	(10,693)	-	-	(129,169)
Infrastructure	(5,691)	(2,009)	-	-	(7,700)
<i>Total accumulated depreciation</i>	(295,035)	(27,520)	-	-	(322,555)
<i>Governmental activities capital assets, net</i>	<u>\$ 377,442</u>	<u>\$ 684,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,837</u>

Depreciation expense was charged as follows:

<i>Governmental activities:</i>	
General government	\$ 8,666
Public works	7,957
Culture and recreation	10,897
<b>Total</b>	<u><u>\$ 27,520</u></u>

**CITY OF SUBLIMITY, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2019****CAPITAL ASSETS (Continued)**

The summary of capital assets for business-type activities for the year ended June 30, 2019 is as follows:

	<i>Balances July 1, 2018</i>	<i>Increases</i>	<i>Decreases</i>	<i>Adjustments</i>	<i>Balances June 30, 2019</i>
Non-depreciable					
Land and water rights	\$ 528,812	\$ 422,435	\$ -	\$ -	\$ 951,247
Construction in progress	-	6,024	-	-	6,024
<i>Total non-depreciable</i>	528,812	428,459	-	-	957,271
Depreciable					
Equipment	51,397	25,462	-	58,753	135,612
Water system	2,611,043	-	-	(25,359)	2,585,684
Sewer system	2,029,517	9,168	-	(33,394)	2,005,291
<i>Total depreciable</i>	4,691,957	34,630	-	-	4,726,587
Accumulated depreciation					
Equipment	(50,365)	(2,048)	-	(58,753)	\$ (111,166)
Water system	(1,517,433)	(60,978)	-	24,569	(1,553,842)
Sewer system	(1,211,055)	(30,871)	-	34,184	(1,207,742)
<i>Total accumulated depreciation</i>	(2,778,853)	(93,897)	-	-	(2,872,750)
<i>Business-type activities capital assets, net</i>	<u>\$ 2,441,916</u>	<u>\$ 369,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,811,108</u>

Depreciation expense was charged as follows:

<i>Business-type activities:</i>	
Water	\$ 61,220
Sewer	32,677
Total	<u>\$ 93,897</u>

**LONG-TERM LIABILITIES**

Long-term liability transactions for the year were as follows:

	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Compensated Absences	<u>\$ 4,685</u>	<u>\$ 6,865</u>	<u>\$ (4,073)</u>	<u>\$ 7,477</u>	<u>\$ 7,477</u>

**CITY OF SUBLIMITY, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2019****LONG-TERM DEBT (Continued)**

	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>					
Water Revenue Bonds, Series 1998 original amount \$600,000; interest rate of 5.02 percent	\$ 45,000	\$ -	\$ (45,000)	\$ -	\$ -
Compensated Absences	15,728	19,150	(12,324)	22,554	22,554
	<u>\$ 60,728</u>	<u>\$ 19,150</u>	<u>\$ (57,324)</u>	<u>\$ 22,554</u>	<u>\$ 22,554</u>

**DEFINED CONTRIBUTION PENSION PLAN**

The City sponsors a Simplified Employee Pension (SEP) Plan administered by Raymond James Investments. The SEP is a defined contribution plan whereby the City contributes 12 percent to the plan based on the employee's gross pay once they are eligible. City employees are eligible to participate after completing a full six months of service and must be at least 21 years of age. The city's contribution to the SEP for the year ended June 30, 2019 was \$87,544.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

As required by ORS 243.303(2), all retirees are allowed to continue coverage (at the retirees' expense) under the group health insurance plan, until age 65 as an other post-employment benefit. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy. The implicit subsidy is not considered material to the City and the related liability has not been included in these financial statements.

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to errors and omissions, automobile, damage to or destruction of assets, bodily injury and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three years.

**CITY OF SUBLIMITY, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2019**

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**INTERFUND TRANSFERS AND ADVANCES**

Budgetary interfund transfers during the year ended June 30, 2019 were as follows:

<i><b>Fund</b></i>	<i><b>Transfers in</b></i>	<i><b>Transfers out</b></i>
General	\$ -	\$ 50,200
Transient Tax (Parks)	25,000	-
Parks SDC	25,200	-
	<u>\$ 50,200</u>	<u>\$ 50,200</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 and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

An advance (loan) from the Sewer Fund to the Water Fund was made to fund operations for a term not to exceed three years. The advance is being repaid semi-annually, on December 31<sup>st</sup> and June 30<sup>th</sup>, with interest to be charged at the LGIP interest rate. At June 30, 2019, the balance was \$83,325, which has been paid in full subsequent to year-end.

**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Oregon law prohibits expenditures in excess of Council approved appropriations. Expenditures in excess of appropriations in individual funds for the year ended June 30, 2019 occurred as follows:

<i><b>Fund / Appropriation category</b></i>	<i><b>Budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance</b></i>
<b>General</b>			
Capital outlay	\$ 18,000	\$ 18,176	\$ (176)

**COMMITMENTS**

The City has entered into an intergovernmental agreement with the City of Stayton regarding sewage services. Under the agreement, the City agrees to maintain a partnership with the City of Stayton to plan, finance, and operate a Wastewater Treatment Plant. The City has agreed to pay a percentage of the annual debt service of two loans from the U.S. Department of Agriculture and one loan from the Department of Environmental Quality. The loan proceeds are being used to improve the City of Stayton's sewage collection system. The City's proportionate share of the debt service, based on its share of the average annual flow at the Wastewater Treatment Plan for the year ended June 30, 2019, amounted to \$190,569. The City's share of the debt service for the year ending June 30, 2020 is projected to be \$198,000, paid in monthly installments of \$16,500.

***SUPPLEMENTARY INFORMATION***

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes and assessments	\$ 148,780	\$ 148,780	\$ 173,725	\$ 24,945
Charges for services	-	-	4,154	4,154
Franchise fees	105,300	105,300	110,549	5,249
Licenses and permits	61,975	61,975	235,137	173,162
Fines and forfeitures	200	200	390	190
Intergovernmental	61,400	61,400	73,667	12,267
Interest	8,500	8,500	20,255	11,755
Miscellaneous	1,150	1,150	3,819	2,669
<i>Total Revenues</i>	387,305	387,305	621,696	234,391
<b>EXPENDITURES</b>				
Administration	189,050	189,050	187,478	1,572
General operations	137,159	153,759	124,456	29,303
Capital outlay	18,000	18,000	18,176	(176)
Contingency	264,002	247,402	-	247,402
<i>Total Expenditures</i>	608,211	608,211	330,110	278,101
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(220,906)	(220,906)	291,586	512,492
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(50,200)	(50,200)	(50,200)	-
<b>NET CHANGE IN FUND BALANCE</b>	(271,106)	(271,106)	241,386	512,492
<b>FUND BALANCE, beginning of year</b>	591,106	591,106	653,876	62,770
<b>FUND BALANCE, end of year</b>	\$ 320,000	\$ 320,000	\$ 895,262	\$ 575,262

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL – STREET FUND****YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<b>REVENUES</b>				
Intergovernmental	\$ 170,000	\$ 170,000	\$ 205,343	\$ 35,343
Charges for services	-	-	3,968	3,968
Interest	2,500	2,500	9,019	6,519
Miscellaneous	-	-	839	839
<i>Total Revenues</i>	172,500	172,500	219,169	46,669
<b>EXPENDITURES</b>				
Street operations	199,862	209,962	162,825	47,137
Capital outlay	150,400	150,400	69,481	80,919
Contingency	100,736	90,636	-	90,636
<i>Total Expenditures</i>	450,998	450,998	232,306	218,692
<b>NET CHANGE IN FUND BALANCE</b>	(278,498)	(278,498)	(13,137)	265,361
<b>FUND BALANCE, beginning of year</b>	353,498	353,498	377,310	23,812
<b>FUND BALANCE, end of year</b>	\$ 75,000	\$ 75,000	\$ 364,173	\$ 289,173



**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – STREET SDC FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
System development charges	\$ 43,842	\$ 43,842	\$ 65,713	\$ 21,871
Interest	3,600	3,600	16,086	12,486
<i>Total Revenues</i>	47,442	47,442	81,799	34,357
<b>EXPENDITURES</b>				
Capital outlay	20,000	20,000	12,316	7,684
<b>NET CHANGE IN FUND BALANCE</b>	27,442	27,442	69,483	42,041
<b>FUND BALANCE, beginning of year</b>	636,122	636,122	650,370	14,248
<b>FUND BALANCE, end of year</b>	\$ 663,564	\$ 663,564	\$ 719,853	\$ 56,289

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL – PARK SDC FUND****YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
System development charges	\$ 58,000	\$ 58,000	\$ 85,449	\$ 27,449
Intergovernmental	226,800	226,800	113,353	(113,447)
Interest	2,000	2,000	6,460	4,460
Miscellaneous	-	-	8,200	8,200
<i>Total Revenues</i>	286,800	286,800	213,462	(73,338)
<b>EXPENDITURES</b>				
Capital outlay	656,046	656,046	589,553	66,493
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(369,246)	(369,246)	(376,091)	(6,845)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,200	25,200	25,200	-
<b>NET CHANGE IN FUND BALANCE</b>	(344,046)	(344,046)	(350,891)	(6,845)
<b>FUND BALANCE, beginning of year</b>	344,046	344,046	361,647	17,601
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 10,756	\$ 10,756

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – TRANSIENT TAX (PARKS) FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes and assessments	\$ 25,000	\$ 25,000	\$ 23,967	\$ (1,033)
Licenses and permits	6,000	6,000	6,640	640
Interest	150	150	607	457
Miscellaneous	-	-	1,000	1,000
<i>Total Revenues</i>	31,150	31,150	32,214	1,064
<b>EXPENDITURES</b>				
Parks operations	47,690	57,815	46,641	11,174
Contingency	24,761	14,636	-	14,636
<i>Total Expenditures</i>	72,451	72,451	46,641	25,810
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(41,301)	(41,301)	(14,427)	26,874
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	25,000	25,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(16,301)	(16,301)	10,573	26,874
<b>FUND BALANCE, beginning of year</b>	16,301	16,301	20,110	3,809
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 30,683	\$ 30,683

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SEWER OPERATIONS COMBINED  
YEAR ENDED JUNE 30, 2019**

	<b><i>Sewer</i></b>	<b><i>Sewer SDC</i></b>	<b><i>Total</i></b>
<b><i>OPERATING REVENUES</i></b>			
Charges for services	\$ 1,021,165	\$ -	\$ 1,021,165
System development charges	-	137,777	137,777
Interest	42,835	11,473	54,308
Loan payment	60,299	-	60,299
Miscellaneous	1,793	-	1,793
<i>Total Operating Revenues</i>	1,126,092	149,250	1,275,342
<b><i>OPERATING EXPENSES</i></b>			
Sewer operations	645,622	-	645,622
Capital outlay	69,571	43,109	112,680
<i>Total Operating Expenses</i>	715,193	43,109	758,302
<b><i>NET CHANGE IN FUND BALANCE</i></b>	410,899	106,141	517,040
<b><i>FUND BALANCE, beginning of year</i></b>	1,455,492	431,647	1,887,139
<b><i>FUND BALANCE, end of year</i></b>	<u>\$ 1,866,391</u>	<u>\$ 537,788</u>	<u>2,404,179</u>
<b><i>Adjustments to reconcile from budgetary basis to modified cash basis:</i></b>			
Capital assets, net			1,442,258
Advances to other funds			83,325
Compensated absences			(11,277)
<b><i>NET POSITION, end of year</i></b>			<u>\$ 3,918,485</u>

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 961,750	\$ 961,750	\$ 1,021,165	\$ 59,415
Interest	15,000	18,000	42,835	24,835
Loan payment	-	60,000	60,299	299
Miscellaneous	-	-	1,793	1,793
<i>Total Revenues</i>	976,750	1,039,750	1,126,092	86,342
<b>EXPENDITURES</b>				
Sewer operations	918,081	941,781	645,622	296,159
Capital outlay	289,753	289,753	69,571	220,182
Contingency	475,572	451,872	-	451,872
<i>Total Expenditures</i>	1,683,406	1,683,406	715,193	968,213
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(706,656)	(643,656)	410,899	1,054,555
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	63,000	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	(643,656)	(643,656)	410,899	1,054,555
<b>FUND BALANCE, beginning of year</b>	1,293,656	1,293,656	1,455,492	161,836
<b>FUND BALANCE, end of year</b>	\$ 650,000	\$ 650,000	\$ 1,866,391	\$ 1,216,391

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – SEWER SDC FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
System development charges	\$ 92,990	\$ 92,990	\$ 137,777	\$ 44,787
Interest	1,600	1,600	11,473	9,873
<i>Total Revenues</i>	94,590	94,590	149,250	54,660
<b>EXPENDITURES</b>				
Capital outlay	497,225	497,225	43,109	454,116
<b>NET CHANGE IN FUND BALANCE</b>	(402,635)	(402,635)	106,141	508,776
<b>FUND BALANCE, beginning of year</b>	402,635	402,635	431,647	29,012
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 537,788	\$ 537,788

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - WATER OPERATIONS COMBINED  
YEAR ENDED JUNE 30, 2019**

	<i><b>Water</b></i>	<i><b>Water SDC</b></i>	<i><b>Water Construction</b></i>	<i><b>Total</b></i>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 603,778	\$ -	\$ -	\$ 603,778
System development charges	-	141,388	-	141,388
Interest	3,365	12,518	1,620	17,503
Miscellaneous	16,157	-	-	16,157
<i>Total Operating Revenues</i>	623,300	153,906	1,620	778,826
<b>OPERATING EXPENSES</b>				
Water operations	276,891	-	-	276,891
Capital outlay	45,241	293,159	-	338,400
Debt service				
Principal	105,299	-	-	105,299
Interest	3,854	-	-	3,854
<i>Total Operating Expenses</i>	431,285	293,159	-	724,444
<b>NET CHANGE IN FUND BALANCE</b>	192,015	(139,253)	1,620	54,382
<b>FUND BALANCE, beginning of year</b>	53,874	583,286	68,044	705,204
<b>FUND BALANCE, end of year</b>	\$ 245,889	\$ 444,033	\$ 69,664	759,586
<b>RECONCILIATION TO NET POSITION - GAAP BASIS</b>				
Capital assets, net				1,368,850
Compensated absences				(11,277)
Advances from other funds				(83,325)
<b>NET POSITION</b>				\$ 2,033,834

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – WATER FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 416,933	\$ 416,933	\$ 603,778	\$ 186,845
Interest	650	650	3,365	2,715
Miscellaneous	8,100	8,100	16,157	8,057
<i>Total Revenues</i>	425,683	425,683	623,300	197,617
<b>EXPENDITURES</b>				
Water operations	284,667	308,367	276,891	31,476
Capital outlay	57,500	57,500	45,241	12,259
Debt service				
Principal	45,000	105,000	105,299	(299)
Interest	1,153	4,153	3,854	299
Contingency	33,768	10,068	-	10,068
<i>Total Expenditures</i>	422,088	485,088	431,285	53,803
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	3,595	(59,405)	192,015	251,420
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(63,000)	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	(59,405)	(59,405)	192,015	251,420
<b>FUND BALANCE, beginning of year</b>	59,405	59,405	53,874	(5,531)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 245,889	\$ 245,889



**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - WATER SDC FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
System development charges	\$ 96,976	\$ 96,976	\$ 141,388	\$ 44,412
Interest	3,000	3,000	12,518	9,518
<i>Total Revenues</i>	99,976	99,976	153,906	53,930
<b>EXPENDITURES</b>				
Capital outlay	653,674	653,674	293,159	360,515
<b>NET CHANGE IN FUND BALANCE</b>	(553,698)	(553,698)	(139,253)	414,445
<b>FUND BALANCE, beginning of year</b>	553,698	553,698	583,286	29,588
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 444,033	\$ 444,033

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - WATER CONSTRUCTION FUND  
YEAR ENDED JUNE 30, 2019**

	<b><i>Budget Amounts</i></b>		<b><i>Actual</i></b>	<b><i>Variance</i></b>
	<b><i>Original</i></b>	<b><i>Final</i></b>		
<b><i>REVENUES</i></b>				
Interest	\$ 400	\$ 400	\$ 1,620	\$ 1,220
<b><i>EXPENDITURES</i></b>				
Capital outlay	68,254	68,254	-	68,254
<b><i>NET CHANGE IN FUND BALANCE</i></b>	(67,854)	(67,854)	1,620	69,474
<b><i>FUND BALANCE, beginning of year</i></b>	67,854	67,854	68,044	190
<b><i>FUND BALANCE, end of year</i></b>	\$ -	\$ -	\$ 69,664	\$ 69,664

**CITY OF SUBLIMITY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - STORM WATER SDC FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
System development charges	\$ 12,616	\$ 12,616	\$ 20,996	\$ 8,380
Interest	500	500	12,396	11,896
<i>Total Revenues</i>	13,116	13,116	33,392	20,276
<b>EXPENDITURES</b>				
Materials and services	5,000	5,000	-	5,000
Capital outlay	503,792	503,792	12,316	491,476
<i>Total Expenditures</i>	508,792	508,792	12,316	496,476
<b>NET CHANGE IN FUND BALANCE</b>	(495,676)	(495,676)	21,076	516,752
<b>FUND BALANCE, beginning of year</b>	495,676	495,676	511,673	15,997
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 532,749	\$ 532,749

***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 Jim Kingsbury, Mayor  
and Members of the City Council  
245 NW Johnson Street  
P.O. Box 146  
Sublimity, Oregon 97385

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Sublimity, Oregon as of and for the year ended June 30, 2019, and have issued our report thereon dated December 9, 2019.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, 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 include, 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

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 overexpenditures of appropriations as detailed in the notes to the financial statements.

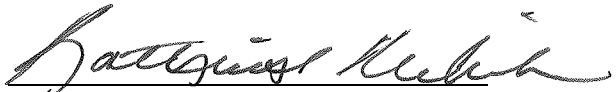
### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. 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 council members and management of the City 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:   
Katherine R. Wilson, Shareholder  
December 9, 2019