



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

CITY OF SUBLIMITY
CITY OFFICIALS
JUNE 30, 2021

MAYOR

Term Expires

Jim Kingsbury, Mayor

December 31, 2022

CITY COUNCIL MEMBERS

Michael Taylor

December 31, 2024

Jim Crowther

December 31, 2024

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

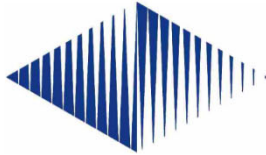
City Hall
245 NW Johnson Street
P.O. Box 146
Sublimity, Oregon 97385

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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(503) 581-7788 • FAX (503) 581-0152

475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the 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, 2021, and the

respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the 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

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.

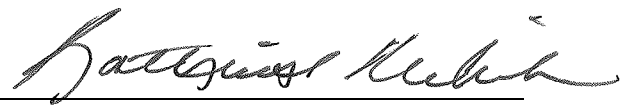
Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

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 November 8, 2021, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Katherine R. Wilson, A Shareholder
November 8, 2021

**CITY OF SUBLIMITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021.

FINANCIAL HIGHLIGHTS

	<i>June 30,</i>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Net position	\$ 13,371,783	\$ 11,334,325	\$ 2,037,458
Change in net position	2,037,458	1,774,170	263,288
Governmental activities net position	4,964,039	4,244,584	719,455
Business-type activities net position	8,407,744	7,089,741	1,318,003
Change in governmental net assets	719,455	636,748	82,707
Change in proprietary net assets	1,318,003	1,137,422	180,581

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.

	2021			2020		
	<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	\$ 3,566,415	\$ 5,519,610	\$ 9,086,025	\$ 3,115,506	\$ 4,183,832	\$ 7,299,338
Capital assets, net	1,461,614	2,933,789	4,395,403	1,240,782	2,946,715	4,187,497
<i>Total Assets</i>	<u>5,028,029</u>	<u>8,453,399</u>	<u>13,481,428</u>	<u>4,356,288</u>	<u>7,130,547</u>	<u>11,486,835</u>
Other liabilities	52,339	13,294	65,633	101,587	11,475	113,062
Long-term liabilities	11,651	32,361	44,012	10,117	29,331	39,448
<i>Total Liabilities</i>	<u>63,990</u>	<u>45,655</u>	<u>109,645</u>	<u>111,704</u>	<u>40,806</u>	<u>152,510</u>
Net position:						
Net investment in capital assets	1,461,614	2,933,789	4,395,403	1,240,782	2,946,715	4,187,497
Restricted	2,223,030	2,240,010	4,463,040	1,939,328	1,540,850	3,480,178
Unrestricted	1,279,395	3,233,945	4,513,340	1,064,474	2,602,176	3,666,650
<i>Total Net Position</i>	<u>\$ 4,964,039</u>	<u>\$ 8,407,744</u>	<u>\$ 13,371,783</u>	<u>\$ 4,244,584</u>	<u>\$ 7,089,741</u>	<u>\$ 11,334,325</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 \$13,371,783 as of June 30, 2021.

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 represents resources that 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 pages 12-13.

	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 187,675	\$ 1,722,381	\$ 1,910,056	\$ 179,909	\$ 1,632,837	\$ 1,812,746
Operating grants and contributions	220,082	-	220,082	221,034	-	221,034
Capital grants and contributions	398,995	638,990	1,037,985	379,136	458,612	837,748
General Revenues						
Property taxes	189,258	-	189,258	173,791	-	173,791
Franchise taxes	107,606	-	107,606	104,264	-	104,264
Other taxes	38,411	-	38,411	23,579	-	23,579
Intergovernmental	189,664	-	189,664	73,542	-	73,542
Other	26,212	48,797	75,009	77,466	88,602	166,068
Total Revenues	1,357,903	2,410,168	3,768,071	1,232,721	2,180,051	3,412,772
Expenses						
General government	188,212	-	188,212	139,443	-	139,443
Public safety	185,310	-	185,310	187,176	-	187,176
Community development	34,368	-	34,368	46,503	-	46,503
Public works	148,590	-	148,590	156,489	-	156,489
Culture and recreation	92,352	-	92,352	66,362	-	66,362
Water	-	348,468	348,468	-	374,633	374,633
Sewer	-	733,313	733,313	-	667,996	667,996
Total Expenses	648,832	1,081,781	1,730,613	595,973	1,042,629	1,638,602
Change in Net Position	719,455	1,318,003	2,037,458	636,748	1,137,422	1,774,170
Beginning Net Position	4,244,584	7,089,741	11,334,325	3,607,836	5,952,319	9,560,155
Ending Net Position	\$ 4,964,039	\$ 8,407,744	\$ 13,371,783	\$ 4,244,584	\$ 7,089,741	\$ 11,334,325

The City's net position increased \$2,037,458 in the current fiscal year. The key elements of the change in the City's net position for the year ended June 30, 2021 compared to the prior year are:

- \$200,237 increase in capital grants and contributions was primarily due to increased SDC fees.
- \$116,122 increase in intergovernmental revenues was primarily due to CARES Act funds received due to the COVID-19 pandemic.
- Program expenses in general government, culture and recreation, and sewer increased slightly due to increases in personnel costs and materials and services. However, management continues to hold most expenses stable in order to create reserves for future infrastructure projects.

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.

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$1,291,046 as of June 30, 2021. The fund balance increased by \$216,455 during the current fiscal year, due to most revenues increasing, particularly intergovernmental revenues as a result of receiving CARES Act funds due to the COVID-19 pandemic. Expenditures and transfers out also increased slightly. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 321% of total General Fund expenditures. The General Fund actual expenditures were \$654,759 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 \$351,415 at June 30, 2021 represents a \$7,257 increase. The increase was due to fewer capital outlay expenditures for street projects, while revenues also decreased to a lesser extent.

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 \$989,928 at June 30, 2021 represents a \$154,551 increase due to system development charges collected during the year. The Division Street Storm Drain Project was partially funded by system development charges during the year.

Storm Water SDC Fund. The Storm Water SDC Fund is used to account for system development revenues and capital projects related to storm water drainage. The fund balance of \$490,665 at June 30, 2021 represents a \$83,717 decrease due to capital acquisitions related to the Crest Street Storm Drain Project.

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 \$1,318,003 in the current fiscal year. Significant items regarding proprietary funds are as follows:

- *Sewer Operations* funds reported an increase of \$709,167 in fund net position. This is due mainly to an increase in system development charges along with relatively stable operating income. This increase was planned in order to develop a reserve for future infrastructure projects.
- *Water Operations* funds reported an increase of \$608,836 in fund net position. This is due mainly to an increase in system development charges along with relatively stable operating income, resulting 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, 2021, the City had invested \$4,395,403 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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land and water rights	\$ 383,329	\$ 383,329	\$ 929,043	\$ 929,043	\$ 1,312,372	\$ 1,312,372
Construction in progress	201,507	-	24,775	-	226,282	-
Buildings	693,626	678,049	-	-	693,626	678,049
Equipment	240,685	232,617	207,947	139,566	448,632	372,183
Infrastructure	364,322	315,797	-	-	364,322	315,797
Water system	-	-	2,611,166	2,611,166	2,611,166	2,611,166
Sewer system	-	-	2,241,504	2,241,504	2,241,504	2,241,504
Accumulated depreciation	(421,855)	(369,010)	(3,080,646)	(2,974,564)	(3,502,501)	(3,343,574)
Net capital assets	<u>\$ 1,461,614</u>	<u>\$ 1,240,782</u>	<u>\$ 2,933,789</u>	<u>\$ 2,946,715</u>	<u>\$ 4,395,403</u>	<u>\$ 4,187,497</u>

The City's investment in capital assets increased \$207,906 during the fiscal year due to street and storm drain projects, purchases of equipment, and a new roof for the City Shop building.

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

Long-term liabilities. The City had no debt outstanding at the end of the current fiscal year. Additional information on compensated absences can be found in the notes to the basic financial statements of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council made three adjustments to the adopted budget of the General Fund during the year to provide funding for Business Assistance Grants and COVID-19 pandemic related expenditures through the CARES Grant, for the purchase of a Speed Radar Trailer, and for repairs and clean-up of city property following the February ice storm. The adjustments increased administration expenditures by \$137,306, intergovernmental revenue by \$87,306, capital outlay by \$10,000, and decreased contingency by \$60,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2021-22 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
P.O. Box 146
Sublimity, Oregon 97385
(503)769-5475

BASIC FINANCIAL STATEMENTS

CITY OF SUBLIMITY, OREGON**STATEMENT OF NET POSITION (MODIFIED CASH BASIS)****JUNE 30, 2021**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<i>ASSETS</i>			
Cash and investments	\$ 3,566,415	\$ 5,519,610	\$ 9,086,025
Capital assets:			
Non-depreciable	584,836	953,818	1,538,654
Other capital assets, net	876,778	1,979,971	2,856,749
<i>Total Assets</i>	5,028,029	8,453,399	13,481,428
<i>LIABILITIES</i>			
Payroll liabilities	4,867	-	4,867
Due to other governmental agencies	47,472	-	47,472
Deposits refundable	-	13,294	13,294
Long-term obligations:			
Compensated absences, due within one year	11,651	32,361	44,012
<i>Total Liabilities</i>	63,990	45,655	109,645
<i>NET POSITION</i>			
Net investment in capital assets	1,461,614	2,933,789	4,395,403
Restricted for:			
Highway and streets	351,415	-	351,415
Culture and recreation	60,297	-	60,297
Capital projects	1,811,318	2,240,010	4,051,328
Unrestricted	1,279,395	3,233,945	4,513,340
<i>Total Net Position</i>	\$ 4,964,039	\$ 8,407,744	\$ 13,371,783

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

CITY OF SUBLIMITY, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 188,212	\$ 68,305	\$ -	\$ -
Public safety	185,310	-	3,300	-
Community development	34,368	100,745	-	-
Public works	148,590	11,528	216,782	217,031
Culture and recreation	92,352	7,097	-	181,964
<i>Total Governmental activities</i>	648,832	187,675	220,082	398,995
Business-type activities:				
Water	348,468	613,515	-	326,192
Sewer	733,313	1,108,866	-	312,798
<i>Total Business-type activities</i>	1,081,781	1,722,381	-	638,990
<i>Total Activities</i>	<u>\$ 1,730,613</u>	<u>\$ 1,910,056</u>	<u>\$ 220,082</u>	<u>\$ 1,037,985</u>
General revenues:				
Property taxes				
Franchise taxes				
Other taxes				
Intergovernmental				
Interest				
Miscellaneous				
<i>Total general revenues</i>				
Transfers				
Change in net position				
Net Position - beginning of year				
Net Position - end of year				

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

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (119,907)	\$ -	\$ (119,907)
(182,010)	-	(182,010)
66,377	-	66,377
296,751	-	296,751
96,709	-	96,709
157,920	-	157,920
-	591,239	591,239
-	688,351	688,351
-	1,279,590	1,279,590
157,920	1,279,590	1,437,510
189,258	-	189,258
107,606	-	107,606
38,411	-	38,411
189,664	-	189,664
25,463	37,099	62,562
749	11,698	12,447
551,151	48,797	599,948
10,384	(10,384)	-
719,455	1,318,003	2,037,458
4,244,584	7,089,741	11,334,325
<u>\$ 4,964,039</u>	<u>\$ 8,407,744</u>	<u>\$ 13,371,783</u>

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

CITY OF SUBLIMITY, OREGON**BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS****JUNE 30, 2021**

		<u><i>Special Revenue</i></u>	<u><i>Capital Projects</i></u>
	<u><i>General</i></u>	<u><i>Streets</i></u>	<u><i>Street SDC</i></u>
ASSETS			
Cash and investments	\$ 1,343,385	\$ 351,415	\$ 989,928
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll liabilities	\$ 4,867	\$ -	\$ -
Due to other governmental agencies	47,472	-	-
<i>Total Liabilities</i>	52,339	-	-
Fund Balances:			
Restricted for:			
Highways and streets	-	351,415	-
Culture and recreation	-	-	-
Capital projects	-	-	989,928
Unrestricted	1,291,046	-	-
<i>Total Fund Balances</i>	1,291,046	351,415	989,928
<i>Total Liabilities and Fund Balances</i>	\$ 1,343,385	\$ 351,415	\$ 989,928

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

Capital Projects

<i>Storm Water SDC</i>	<i>Non-major Governmental</i>	<i>Total</i>
\$ 490,665	\$ 391,022	\$ 3,566,415
\$ -	\$ -	\$ 4,867
-	-	47,472
-	-	52,339
-	-	351,415
-	60,297	60,297
490,665	330,725	1,811,318
-	-	1,291,046
490,665	391,022	3,514,076
\$ 490,665	\$ 391,022	\$ 3,566,415

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

CITY OF SUBLIMITY, OREGON

***RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS (MODIFIED CASH BASIS) TO THE
STATEMENT OF NET POSITION***

JUNE 30, 2021

<i>Fund Balances</i>	\$ 3,514,076
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	1,883,469
Accumulated depreciation	(421,855)
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.	
Compensated absences	(11,651)
<i>Net Position of Governmental Activities</i>	<u>\$ 4,964,039</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 (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

		<u>Special Revenue</u>	<u>Capital Projects</u>
	<u>General</u>	<u>Streets</u>	<u>Street SDC</u>
REVENUES			
Taxes and assessments	\$ 189,258	\$ -	\$ -
Charges for services	-	10,928	-
Franchise fees	107,606	-	-
Licenses and permits	169,050	600	-
System development charges	-	-	172,375
Intergovernmental	189,664	216,782	-
Interest	9,642	2,720	6,948
Miscellaneous	3,680	49	-
<i>Total Revenues</i>	668,900	231,079	179,323
EXPENDITURES			
Current			
General government	173,888	-	-
Public safety	185,311	-	-
Community development	34,368	-	-
Public works	-	124,472	712
Culture and recreation	-	-	-
Capital acquisitions	8,878	99,350	24,060
<i>Total Expenditures</i>	402,445	223,822	24,772
REVENUES OVER (UNDER) EXPENDITURES	266,455	7,257	154,551
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(50,000)	-	-
<i>Total Other Financing Sources (Uses)</i>	(50,000)	-	-
NET CHANGE IN FUND BALANCE	216,455	7,257	154,551
FUND BALANCE, beginning of year	1,074,591	344,158	835,377
FUND BALANCE, end of year	\$ 1,291,046	\$ 351,415	\$ 989,928

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

Capital Projects

<i>Storm Water SDC</i>	<i>Non-major Governmental</i>	<i>Total</i>
\$ -	\$ 38,411	\$ 227,669
-	-	10,928
-	-	107,606
-	7,097	176,747
44,658	181,964	398,997
-	-	406,446
4,058	2,095	25,463
-	320	4,049
48,716	229,887	1,357,905
-	-	173,888
-	-	185,311
-	-	34,368
-	-	125,184
-	68,670	68,670
132,433	5,606	270,327
132,433	74,276	857,748
(83,717)	155,611	500,157
-	50,000	50,000
-	-	(50,000)
-	50,000	-
(83,717)	205,611	500,157
574,382	185,411	3,013,919
\$ 490,665	\$ 391,022	\$ 3,514,076

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 (MODIFIED CASH BASIS) TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance \$ 500,157

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

Capital acquisitions	273,677
Depreciation	(52,845)

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	(1,534)
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<i>Change in Net Position - Governmental Activities</i>	<u><u>\$ 719,455</u></u>
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CITY OF SUBLIMITY, OREGON**STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS****JUNE 30, 2021**

	<u><i>Sewer Operations</i></u>	<u><i>Water Operations</i></u>	<u><i>Total</i></u>
ASSETS			
Current Assets			
Cash and investments	\$ 3,686,826	\$ 1,832,784	\$ 5,519,610
Capital Assets			
Non-depreciable	603,928	349,890	953,818
Other capital assets, net	1,023,504	956,467	1,979,971
<i>Total Capital Assets, net</i>	<u>1,627,432</u>	<u>1,306,357</u>	<u>2,933,789</u>
<i>Total Assets</i>	<u>5,314,258</u>	<u>3,139,141</u>	<u>8,453,399</u>
LIABILITIES			
Current Liabilities			
Deposits refundable	-	13,294	13,294
Compensated absences payable	15,986	16,375	32,361
<i>Total Current Liabilities</i>	<u>15,986</u>	<u>29,669</u>	<u>45,655</u>
FUND NET POSITION			
Net investment in capital assets	1,627,432	1,306,357	2,933,789
Restricted for:			
Capital projects	1,094,763	1,145,247	2,240,010
Unrestricted	2,576,077	657,868	3,233,945
<i>Total Fund Net Position</i>	<u>\$ 5,298,272</u>	<u>\$ 3,109,472</u>	<u>\$ 8,407,744</u>

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 (MODIFIED CASH BASIS) - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	<u><i>Sewer Operations</i></u>	<u><i>Water Operations</i></u>	<u><i>Total</i></u>
OPERATING REVENUES			
Charges for services	\$ 1,108,866	\$ 613,515	\$ 1,722,381
OPERATING EXPENSES			
Personal services	165,111	171,579	336,690
Materials and services	517,837	121,172	639,009
Depreciation	50,365	55,717	106,082
<i>Total Operating Expenses</i>	<u>733,313</u>	<u>348,468</u>	<u>1,081,781</u>
OPERATING INCOME	375,553	265,047	640,600
NONOPERATING REVENUES (EXPENSES)			
Interest revenues	25,712	11,387	37,099
Miscellaneous	296	11,402	11,698
<i>Total Nonoperating Revenues (Expenses)</i>	<u>26,008</u>	<u>22,789</u>	<u>48,797</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	401,561	287,836	689,397
Capital contributions	312,798	326,192	638,990
Transfers out - non-cash	(5,192)	(5,192)	(10,384)
CHANGE IN FUND NET POSITION	709,167	608,836	1,318,003
FUND NET POSITION, beginning of year	<u>4,589,105</u>	<u>2,500,636</u>	<u>7,089,741</u>
FUND NET POSITION, end of year	<u><u>\$ 5,298,272</u></u>	<u><u>\$ 3,109,472</u></u>	<u><u>\$ 8,407,744</u></u>

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

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

	<u><i>Sewer Operations</i></u>	<u><i>Water Operations</i></u>	<u><i>Total</i></u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers	\$ 1,108,866	\$ 615,334	\$ 1,724,200
Payments to suppliers	(517,837)	(121,172)	(639,009)
Payments to employees	(163,739)	(169,921)	(333,660)
<i>Net Cash Provided by Operating Activities</i>	427,290	324,241	751,531
<i>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</i>			
Miscellaneous	296	11,402	11,698
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>			
Purchase of capital assets	(63,558)	(39,982)	(103,540)
System development charges received	312,798	326,192	638,990
<i>Net Cash Provided by Capital and Related Financing Activities</i>	249,240	286,210	535,450
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Interest on cash and investments	25,712	11,387	37,099
<i>NET INCREASE IN CASH AND INVESTMENTS</i>	702,538	633,240	1,335,778
<i>Cash and Investments, Beginning of Year</i>	2,984,288	1,199,544	4,183,832
<i>Cash and Investments, End of Year</i>	<u>\$ 3,686,826</u>	<u>\$ 1,832,784</u>	<u>\$ 5,519,610</u>

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

	<u><i>Sewer Operations</i></u>	<u><i>Water Operations</i></u>	<u><i>Total</i></u>
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</i>			
Operating income	\$ 375,553	\$ 265,047	\$ 640,600
Adjustments to reconcile operating income to net cash provided by operating activities			
provided by operating activities			
Depreciation	50,365	55,717	106,082
Increase (decrease) in liability accounts			
Deposits refundable	-	1,819	1,819
Compensated absences payable	1,372	1,658	3,030
	<u> </u>	<u> </u>	<u> </u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 427,290</u>	<u>\$ 324,241</u>	<u>\$ 751,531</u>
<i>NON-CASH TRANSACTIONS</i>			
Transfer of capital assets	<u>\$ (5,192)</u>	<u>\$ (5,192)</u>	<u>\$ (10,384)</u>

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

CITY OF SUBLIMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021

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.

Storm Water SDC – Accounts for the development and improvement of City stormwater facilities.

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, 2021

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, 2021

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, 2021

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 state 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, 2021

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. There was no long-term debt at June 30, 2021.

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, 2021

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 year-end. Actual results may differ from those estimates.

CASH AND INVESTMENTS

The City's cash and investments are comprised of the following at June 30, 2021:

Cash

Cash on hand	\$	150
Deposits with financial institutions		112,350

Investments

Local Government Investment Pool		8,973,525
	\$	<u>9,086,025</u>

Deposits

The book balance of the City's bank deposits with various financial institutions was \$112,350 and the bank balance was \$236,578 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 Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. 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, 2021

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, 2021, all of the City's bank balances were covered by the FDIC.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2021 the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting 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, 2021****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.

CAPITAL ASSETS

The summary of capital assets for governmental activities for the year ended June 30, 2021 is as follows:

	<i>Balances July 1, 2020</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2021</i>
Non-depreciable				
Land and improvements	\$ 383,329	\$ -	\$ -	\$ 383,329
Construction in progress	-	201,507	-	201,507
<i>Total non-depreciable</i>	383,329	201,507	-	584,836
Depreciable				
Buildings	678,049	15,577	-	693,626
Equipment	232,617	8,068	-	240,685
Infrastructure	315,797	48,525	-	364,322
<i>Total depreciable</i>	1,226,463	72,170	-	1,298,633
Accumulated depreciation				
Buildings	(210,801)	(20,475)	-	(231,276)
Equipment	(148,500)	(9,214)	-	(157,714)
Infrastructure	(9,709)	(23,156)	-	(32,865)
<i>Total accumulated depreciation</i>	(369,010)	(52,845)	-	(421,855)
<i>Governmental activities capital assets, net</i>	<u>\$ 1,240,782</u>	<u>\$ 220,832</u>	<u>\$ -</u>	<u>\$ 1,461,614</u>

Depreciation expense was charged as follows:

General government	\$ 11,982
Public works	22,787
Culture and recreation	18,076
Total	<u>\$ 52,845</u>

CITY OF SUBLIMITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS (Continued)

The summary of capital assets for business-type activities for the year ended June 30, 2021 is as follows:

	<i>Balances July 1, 2020</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2021</i>
Non-depreciable				
Land and water rights	\$ 929,043	\$ -	\$ -	\$ 929,043
Construction in progress	-	24,775	-	24,775
<i>Total non-depreciable</i>	929,043	24,775	-	953,818
Depreciable				
Equipment	139,566	68,381	-	207,947
Water system	2,611,166	-	-	2,611,166
Sewer system	2,241,504	-	-	2,241,504
<i>Total depreciable</i>	4,992,236	68,381	-	5,060,617
Accumulated depreciation				
Equipment	(114,446)	(4,402)	-	(118,848)
Water system	(1,611,369)	(54,951)	-	(1,666,320)
Sewer system	(1,248,749)	(46,729)	-	(1,295,478)
<i>Total accumulated depreciation</i>	(2,974,564)	(106,082)	-	(3,080,646)
<i>Business-type activities capital assets, net</i>	<u>\$ 2,946,715</u>	<u>\$ (12,926)</u>	<u>\$ -</u>	<u>\$ 2,933,789</u>

Depreciation expense was charged as follows:

Water	\$ 55,717
Sewer	50,365
Total	<u>\$ 106,082</u>

LONG-TERM LIABILITIES

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

	<i>Outstanding July 1, 2020</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2021</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Compensated absences	<u>\$ 10,117</u>	<u>\$ 7,748</u>	<u>\$ (6,214)</u>	<u>\$ 11,651</u>	<u>\$ 11,651</u>

CITY OF SUBLIMITY, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2021****LONG-TERM LIABILITIES (Continued)**

	<i>Outstanding July 1, 2020</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2021</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>					
Compensated absences	\$ 29,331	\$ 22,640	\$ (19,610)	\$ 32,361	\$ 32,361

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, 2021 was \$58,784.

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.

INTERFUND TRANSFERS

Budgetary interfund transfers during the year ended June 30, 2021 were as follows:

<i>Fund</i>	<i>Transfers in</i>	<i>Transfers out</i>
General	\$ -	\$ 50,000
Transient Tax (Parks)	50,000	-
Water	-	50,000
Water Construction	50,000	-
	<u>\$ 100,000</u>	<u>\$ 100,000</u>

CITY OF SUBLIMITY, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2021**

INTERFUND TRANSFERS (Continued)

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.

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, 2021, amounted to \$191,844. The City's share of the debt service for the year ending June 30, 2021 is projected to be \$200,000, paid in monthly installments of \$16,650.

RISKS AND UNCERTAINTIES

As a result of the recent coronavirus pandemic (COVID-19), numerous sectors of the community are suffering, and long-term economic consequences remain unknown. The extent to which this will impact the City of Sublimity is uncertain.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2021, 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.

SUPPLEMENTARY INFORMATION

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

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Taxes and assessments	\$ 176,819	\$ 176,819	\$ 189,258	\$ 12,439
Franchise fees	96,000	96,000	107,606	11,606
Licenses and permits	137,305	137,305	169,050	31,745
Fines and forfeitures	200	200	-	(200)
Intergovernmental	77,500	164,806	189,664	24,858
Interest	10,000	10,000	9,642	(358)
Miscellaneous	3,500	3,500	3,680	180
<i>Total Revenues</i>	501,324	588,630	668,900	80,270
EXPENDITURES				
Administration	262,175	399,481	261,851	137,630
General operations	207,407	207,407	131,716	75,691
Capital outlay	8,000	18,000	8,878	9,122
Contingency	492,316	432,316	-	432,316
<i>Total Expenditures</i>	969,898	1,057,204	402,445	654,759
REVENUES OVER (UNDER)				
EXPENDITURES	(468,574)	(468,574)	266,455	735,029
OTHER FINANCING SOURCES				
(USES)				
Transfers out	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	(518,574)	(518,574)	216,455	735,029
FUND BALANCE, beginning of year	943,574	943,574	1,074,591	131,017
FUND BALANCE, end of year	\$ 425,000	\$ 425,000	\$ 1,291,046	\$ 866,046

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>REVENUES</i>				
Intergovernmental	\$ 280,000	\$ 280,000	\$ 216,782	\$ (63,218)
Charges for services	3,800	3,800	10,928	7,128
Licenses and permits	-	-	600	600
Interest	4,000	4,000	2,720	(1,280)
Miscellaneous	-	-	49	49
<i>Total Revenues</i>	287,800	287,800	231,079	(56,721)
<i>EXPENDITURES</i>				
Street operations	217,850	217,850	124,472	93,378
Capital outlay	146,000	146,000	99,350	46,650
Contingency	141,871	141,871	-	141,871
<i>Total Expenditures</i>	505,721	505,721	223,822	281,899
<i>NET CHANGE IN FUND BALANCE</i>	(217,921)	(217,921)	7,257	225,178
<i>FUND BALANCE, beginning of year</i>	292,921	292,921	344,158	51,237
<i>FUND BALANCE, end of year</i>	\$ 75,000	\$ 75,000	\$ 351,415	\$ 276,415

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

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
System development charges	\$ 57,800	\$ 57,800	\$ 172,375	\$ 114,575
Interest	14,000	14,000	6,948	(7,052)
<i>Total Revenues</i>	71,800	71,800	179,323	107,523
EXPENDITURES				
Operations	91,300	91,300	712	90,588
Capital outlay	799,853	799,853	24,060	775,793
<i>Total Expenditures</i>	891,153	891,153	24,772	866,381
NET CHANGE IN FUND BALANCE	(819,353)	(819,353)	154,551	973,904
FUND BALANCE, beginning of year	819,353	819,353	835,377	16,024
FUND BALANCE, end of year	\$ -	\$ -	\$ 989,928	\$ 989,928

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

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
System development charges	\$ 16,000	\$ 16,000	\$ 44,658	\$ 28,658
Interest	9,000	9,000	4,058	(4,942)
<i>Total Revenues</i>	25,000	25,000	48,716	23,716
EXPENDITURES				
Operations	5,000	5,000	-	5,000
Capital outlay	578,349	578,349	132,433	445,916
<i>Total Expenditures</i>	583,349	583,349	132,433	450,916
NET CHANGE IN FUND BALANCE	(558,349)	(558,349)	(83,717)	474,632
FUND BALANCE, beginning of year	558,349	558,349	574,382	16,033
FUND BALANCE, end of year	\$ -	\$ -	\$ 490,665	\$ 490,665

CITY OF SUBLIMITY, OREGON**COMBINING BALANCE SHEET (BUDGETARY BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2021**

	<u><i>Special Revenue</i></u>	<u><i>Capital Projects</i></u>	
	<u><i>Transient Tax</i></u>		
	<u><i>(Parks)</i></u>	<u><i>Park SDC</i></u>	<u><i>Total</i></u>
<i>ASSETS</i>			
Cash and investments	\$ 60,297	\$ 330,725	\$ 391,022
<i>LIABILITIES AND FUND BALANCE</i>			
<i>Fund Balance:</i>			
Restricted for:			
Culture and recreation	60,297	-	60,297
Capital projects	-	330,725	330,725
<i>Total Liabilities and Fund Balances</i>	\$ 60,297	\$ 330,725	\$ 391,022

CITY OF SUBLIMITY, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(BUDGETARY BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	<u><i>Special Revenue</i></u>	<u><i>Capital Projects</i></u>	
	<u><i>Transient Tax</i></u>		
	<u><i>(Parks)</i></u>	<u><i>Park SDC</i></u>	<u><i>Total</i></u>
REVENUES			
Taxes and assessments	\$ 38,411	\$ -	\$ 38,411
Licenses and permits	7,097	-	7,097
System development charges	-	181,964	181,964
Interest	335	1,760	2,095
Miscellaneous	320	-	320
<i>Total Revenues</i>	46,163	183,724	229,887
EXPENDITURES			
Current			
Culture and recreation	68,670	-	68,670
Capital outlay	5,606	-	5,606
<i>Total Expenditures</i>	74,276	-	74,276
REVENUES OVER (UNDER)			
EXPENDITURES	(28,113)	183,724	155,611
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	-	50,000
NET CHANGE IN FUND BALANCE	21,887	183,724	205,611
FUND BALANCE, beginning of year	38,410	147,001	185,411
FUND BALANCE, end of year	\$ 60,297	\$ 330,725	\$ 391,022

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL – TRANSIENT TAX (PARKS) FUND
YEAR ENDED JUNE 30, 2021**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Taxes and assessments	\$ 15,000	\$ 15,000	\$ 38,411	\$ 23,411
Licenses and permits	5,600	5,600	7,097	1,497
Interest	200	200	335	135
Miscellaneous	-	-	320	320
<i>Total Revenues</i>	20,800	20,800	46,163	25,363
<i>EXPENDITURES</i>				
Parks operations	85,620	85,620	68,670	16,950
Capital outlay	6,000	6,000	5,606	394
Contingency	5,751	5,751	-	5,751
<i>Total Expenditures</i>	97,371	97,371	74,276	23,095
<i>REVENUES OVER (UNDER)</i>				
<i>EXPENDITURES</i>	(76,571)	(76,571)	(28,113)	48,458
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	50,000	50,000	50,000	-
<i>NET CHANGE IN FUND BALANCE</i>	(26,571)	(26,571)	21,887	48,458
<i>FUND BALANCE, beginning of year</i>	26,571	26,571	38,410	11,839
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 60,297	\$ 60,297

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

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
System development charges	\$ 80,370	\$ 80,370	\$ 181,964	\$ 101,594
Intergovernmental	50,000	50,000	-	(50,000)
Interest	1,000	1,000	1,760	760
<i>Total Revenues</i>	131,370	131,370	183,724	52,354
EXPENDITURES				
Operations	50,000	50,000	-	50,000
Capital outlay	193,426	193,426	-	193,426
<i>Total Expenditures</i>	243,426	243,426	-	243,426
NET CHANGE IN FUND BALANCE	(112,056)	(112,056)	183,724	295,780
FUND BALANCE, beginning of year	112,056	112,056	147,001	34,945
FUND BALANCE, end of year	\$ -	\$ -	\$ 330,725	\$ 330,725

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
SEWER OPERATIONS COMBINED
YEAR ENDED JUNE 30, 2021**

	<i>Sewer</i>	<i>Sewer SDC</i>	<i>Total</i>
OPERATING REVENUES			
Charges for services	\$ 1,108,866	\$ -	\$ 1,108,866
System development charges	-	312,798	312,798
Interest	18,621	7,091	25,712
Miscellaneous	296	-	296
<i>Total Operating Revenues</i>	1,127,783	319,889	1,447,672
OPERATING EXPENSES			
Sewer operations	681,263	-	681,263
Capital outlay	63,871	-	63,871
<i>Total Operating Expenses</i>	745,134	-	745,134
NET CHANGE IN FUND BALANCE	382,649	319,889	702,538
FUND BALANCE, beginning of year	2,209,414	774,874	2,984,288
FUND BALANCE, end of year	\$ 2,592,063	\$ 1,094,763	3,686,826
Adjustments to reconcile from budgetary basis to modified cash basis:			
Capital assets, net			1,627,432
Compensated absences			(15,986)
FUND NET POSITION, end of year			\$ 5,298,272

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

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for services	\$ 1,007,400	\$ 1,007,400	\$ 1,108,866	\$ 101,466
Interest	31,000	31,000	18,621	(12,379)
Miscellaneous	-	-	296	296
<i>Total Revenues</i>	1,038,400	1,038,400	1,127,783	89,383
EXPENDITURES				
Sewer operations	1,033,860	1,033,860	681,263	352,597
Capital outlay	805,425	805,425	63,871	741,554
Contingency	475,720	475,720	-	475,720
<i>Total Expenditures</i>	2,315,005	2,315,005	745,134	1,569,871
NET CHANGE IN FUND BALANCE	(1,276,605)	(1,276,605)	382,649	1,659,254
FUND BALANCE, beginning of year	2,076,605	2,076,605	2,209,414	132,809
FUND BALANCE, end of year	\$ 800,000	\$ 800,000	\$ 2,592,063	\$ 1,792,063

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

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
System development charges	\$ 126,000	\$ 126,000	\$ 312,798	\$ 186,798
Interest	12,000	12,000	7,091	(4,909)
<i>Total Revenues</i>	138,000	138,000	319,889	181,889
EXPENDITURES				
Operations	73,000	73,000	-	73,000
Capital outlay	793,788	793,788	-	793,788
<i>Total Expenditures</i>	866,788	866,788	-	866,788
NET CHANGE IN FUND BALANCE	(728,788)	(728,788)	319,889	1,048,677
FUND BALANCE, beginning of year	728,788	728,788	774,874	46,086
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,094,763	\$ 1,094,763

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

	<i>Water</i>	<i>Water SDC</i>	<i>Water Construction</i>	<i>Total</i>
OPERATING REVENUES				
Charges for services	\$ 613,515	\$ -	\$ -	\$ 613,515
System development charges	-	326,192	-	326,192
Interest	4,183	6,296	908	11,387
Miscellaneous	11,402	-	-	11,402
<i>Total Operating Revenues</i>	629,100	332,488	908	962,496
OPERATING EXPENSES				
Water operations	296,671	4,125	-	300,796
Capital outlay	30,279	-	-	30,279
<i>Total Operating Expenses</i>	326,950	4,125	-	331,075
REVENUES OVER (UNDER) EXPENDITURES	302,150	328,363	908	631,421
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,000	50,000
Transfers out	(50,000)	-	-	(50,000)
<i>Total Other Financing Sources (Uses)</i>	(50,000)	-	50,000	-
NET CHANGE IN FUND BALANCE	252,150	328,363	50,908	631,421
FUND BALANCE, beginning of year	422,093	669,650	96,326	1,188,069
FUND BALANCE, end of year	\$ 674,243	\$ 998,013	\$ 147,234	1,819,490
Adjustments to reconcile from budgetary basis to modified cash basis:				
Capital assets, net				1,306,357
Compensated absences				(16,375)
FUND NET POSITION, end of year				\$ 3,109,472

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

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Charges for services	\$ 547,200	\$ 547,200	\$ 613,515	\$ 66,315
Interest	3,000	3,000	4,183	1,183
Miscellaneous	11,200	11,200	11,402	202
<i>Total Revenues</i>	561,400	561,400	629,100	67,700
EXPENDITURES				
Water operations	381,383	381,383	296,671	84,712
Capital outlay	48,000	48,000	30,279	17,721
Contingency	310,849	285,849	-	285,849
<i>Total Expenditures</i>	740,232	715,232	326,950	388,282
REVENUES OVER (UNDER) EXPENDITURES	(178,832)	(153,832)	302,150	455,982
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	(203,832)	(203,832)	252,150	455,982
FUND BALANCE, beginning of year	353,832	353,832	422,093	68,261
FUND BALANCE, end of year	\$ 150,000	\$ 150,000	\$ 674,243	\$ 524,243

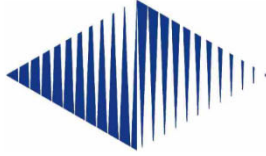
CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL - WATER SDC FUND
YEAR ENDED JUNE 30, 2021**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
System development charges	\$ 130,000	\$ 130,000	\$ 326,192	\$ 196,192
Interest	9,000	9,000	6,296	(2,704)
<i>Total Revenues</i>	139,000	139,000	332,488	193,488
EXPENDITURES				
Operations	85,000	85,000	4,125	80,875
Capital outlay	673,033	673,033	-	673,033
<i>Total Expenditures</i>	758,033	758,033	4,125	753,908
NET CHANGE IN FUND BALANCE	(619,033)	(619,033)	328,363	947,396
FUND BALANCE, beginning of year	619,033	619,033	669,650	50,617
FUND BALANCE, end of year	\$ -	\$ -	\$ 998,013	\$ 998,013

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

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>REVENUES</i>				
Interest	\$ 1,000	\$ 1,000	\$ 908	\$ (92)
<i>EXPENDITURES</i>				
Operations	147,144	147,144	-	147,144
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(146,144)	(146,144)	908	(92)
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	50,000	50,000	50,000	-
<i>NET CHANGE IN FUND BALANCE</i>	(96,144)	(96,144)	50,908	(92)
<i>FUND BALANCE, beginning of year</i>	96,144	96,144	96,326	182
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 147,234	\$ 90

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable 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, 2021, and have issued our report thereon dated November 8, 2021.

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.

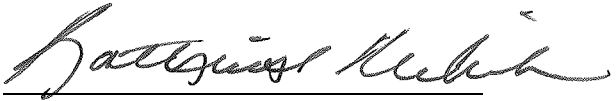
Internal Control Over Financial Reporting

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, A Shareholder
November 8, 2021