

CITY OF SUBLIMITY, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2022

CITY OF SUBLIMITY
CITY OFFICIALS
JUNE 30, 2022

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

Tass Morrison

December 31, 2022

The above individuals may be contacted at the address below.

CITY ADMINISTRATION

Myrna Harding, Finance/Office Manager

MAILING ADDRESS

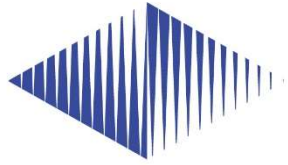
City Hall
245 NW Johnson Street
P.O. Box 146
Sublimity, Oregon 97385

CITY OF SUBLIMITY
TABLE OF CONTENTS

	<i><u>Page</u></i>
<i>INTRODUCTORY SECTION</i>	
City Officials	
Table of Contents	
<i>FINANCIAL SECTION</i>	
Independent Auditor's Report	3-5
Management's Discussion and Analysis	6-10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position (Modified Cash Basis)	11
Statement of Activities (Modified Cash Basis)	12-13
Fund Financial Statements	
Balance Sheet (Modified Cash Basis) - Governmental Funds	14-15
Reconciliation of Balance Sheet - Governmental Funds (Modified Cash Basis) to the	
Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) -	
Governmental Funds	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of	
Governmental Funds (Modified Cash Basis) to the Statement of Activities	19
Statement of Fund Net Position (Modified Cash Basis) - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) -	
Proprietary Funds	21
Statement of Cash Flows (Modified Cash Basis) - Proprietary Funds	22-23
Notes to Basic Financial Statements	24-35
Supplementary Information	
Government Funds – Statements and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis) –	
Budget and Actual	
General Fund	36
Street Fund	37
Street SDC Fund	38
Storm Water SDC Fund	39
Combining Balance Sheet - Non-Major Funds	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis) –	
Non-Major Funds	41
Transient Tax (Parks) Fund	42
Street Capital Projects Fund	43
Park SDC Fund	44
Proprietary Funds – Statements and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Sewer Operations Combined	45
Schedule of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis) –	
Budget and Actual	
Sewer Fund	46
Sewer SDC Fund	47
Sewer Capital Projects Fund	48

CITY OF SUBLIMITY
TABLE OF CONTENTS

	<u>Page</u>
Schedule of Revenues, Expenses and Changes in Fund Balance - Budget and Actual -	
Water Operations Combined	49
Schedule of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis) –	
Budget and Actual	
Water Fund	50
Water SDC Fund	51
Water Construction Fund	52
Water Capital Projects Fund	53
 <i>COMPLIANCE SECTION</i>	
Independent Auditor’s Report Required by Oregon State Regulations	54-55



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

475 Cottage Street NE, Suite 200, Salem, OR 97301
(503) 581-7788 • FAX (503) 581-0152 • www.gms.cpa

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 Audit of the Financial Statements

Opinions

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 (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sublimity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

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

Responsibilities of Management 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 described in the notes to the financial statements; and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental 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 management's discussion and analysis, budgetary comparison information, combining nonmajor fund financial statements, and other schedules, are presented for purposes of additional analysis and are not required parts of the basic financial statements.


The supplemental information is the responsibility of management and was derived from, and relate 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by 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 22, 2022, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By:  _____
Ryan T. Pasquarella, A Shareholder
November 22, 2022

**CITY OF SUBLIMITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022.

FINANCIAL HIGHLIGHTS

	<i>June 30,</i>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Net position	\$ 15,163,708	\$ 13,371,783	\$ 1,791,925
Change in net position	1,791,925	2,037,458	(245,533)
Governmental activities net position	5,417,220	4,964,039	453,181
Business-type activities net position	9,746,488	8,407,744	1,338,744
Change in governmental net assets	453,181	719,455	(266,274)
Change in proprietary net assets	1,338,744	1,318,003	20,741

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.

	2022			2021		
	<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	\$ 4,267,578	\$ 6,885,345	\$ 11,152,923	\$ 3,566,415	\$ 5,519,610	\$ 9,086,025
Capital assets, net	1,471,862	2,912,699	4,384,561	1,461,614	2,933,789	4,395,403
<i>Total Assets</i>	<u>5,739,440</u>	<u>9,798,044</u>	<u>15,537,484</u>	<u>5,028,029</u>	<u>8,453,399</u>	<u>13,481,428</u>
Other liabilities	307,631	14,994	322,625	52,339	13,294	65,633
Long-term liabilities	14,589	36,562	51,151	11,651	32,361	44,012
<i>Total Liabilities</i>	<u>322,220</u>	<u>51,556</u>	<u>373,776</u>	<u>63,990</u>	<u>45,655</u>	<u>109,645</u>
Net position:						
Net investment in capital assets	1,471,862	2,912,699	4,384,561	1,461,614	2,933,789	4,395,403
Restricted	2,586,040	2,736,759	5,322,799	2,223,030	2,240,010	4,463,040
Unrestricted	1,359,318	4,097,030	5,456,348	1,279,395	3,233,945	4,513,340
<i>Total Net Position</i>	<u>\$ 5,417,220</u>	<u>\$ 9,746,488</u>	<u>\$ 15,163,708</u>	<u>\$ 4,964,039</u>	<u>\$ 8,407,744</u>	<u>\$ 13,371,783</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 \$15.2 million as of June 30, 2022.

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.

	2022			2021		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 64,820	\$ 1,813,110	\$ 1,877,930	\$ 187,675	\$ 1,722,381	\$ 1,910,056
Operating grants and contributions	249,992	-	249,992	220,082	-	220,082
Capital grants and contributions	232,478	382,832	615,310	398,995	638,990	1,037,985
General Revenues						
Property taxes	202,950	-	202,950	189,258	-	189,258
Franchise taxes	115,793	-	115,793	107,606	-	107,606
Other taxes	54,694	-	54,694	38,411	-	38,411
Intergovernmental	145,612	315,586	461,198	189,664	-	189,664
Other	29,965	51,673	81,638	26,212	48,797	75,009
Total Revenues	1,096,304	2,563,201	3,659,505	1,357,903	2,410,168	3,768,071
Expenses						
General government	158,412	-	158,412	188,212	-	188,212
Public safety	201,013	-	201,013	185,310	-	185,310
Community development	28,857	-	28,857	34,368	-	34,368
Public works	151,708	-	151,708	148,590	-	148,590
Culture and recreation	103,133	-	103,133	92,352	-	92,352
Water	-	386,162	386,162	-	348,468	348,468
Sewer	-	838,295	838,295	-	733,313	733,313
Total Expenses	643,123	1,224,457	1,867,580	648,832	1,081,781	1,730,613
Change in Net Position	453,181	1,338,744	1,791,925	719,455	1,318,003	2,037,458
Beginning Net Position	4,964,039	8,407,744	13,371,783	4,244,584	7,089,741	11,334,325
Ending Net Position	\$ 5,417,220	\$ 9,746,488	\$ 15,163,708	\$ 4,964,039	\$ 8,407,744	\$ 13,371,783

The City's net position increased \$1,791,925 in the current fiscal year. The key elements of the change in the City's net position for the year ended June 30, 2022 compared to the prior year are:

- \$422,675 decrease in capital grants and contributions was primarily due to increased SDC fees in the prior year that did not occur again in the current year.
- \$271,534 increase in intergovernmental revenues was primarily due to CARES Act funds received due to the COVID-19 pandemic.
- Program expenses in culture and recreation, water, 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.

The City's governmental funds reported combined ending fund balances of \$3,959,947 at June 30, 2022, a 13% increase.

General Fund. The General Fund is the primary operating fund of the City. The fund balance was \$1,373,907 as of June 30, 2022. The fund balance increased by \$82,861 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 366% of total General Fund expenditures. The General Fund actual expenditures were \$319,328 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 \$352,503 at June 30, 2022 represents a \$1,088 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 \$1,084,245 at June 30, 2022 represents a \$94,317 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.

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 \$1,338,744 in the current fiscal year. Significant items regarding proprietary funds are as follows:

- *Sewer Operations* funds reported an increase of \$520,521 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 \$818,223 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, 2022, the City had invested \$4,384,561 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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Land and water rights	\$ 417,254	\$ 383,329	\$ 943,584	\$ 929,043	\$ 1,360,838	\$ 1,312,372
Construction in progress	-	201,507	-	24,775	-	226,282
Buildings	693,626	693,626	-	-	693,626	693,626
Equipment	252,885	240,685	234,275	207,947	487,160	448,632
Infrastructure	587,060	364,322	-	-	587,060	364,322
Water system	-	-	2,690,322	2,611,166	2,690,322	2,611,166
Sewer system	-	-	2,241,504	2,241,504	2,241,504	2,241,504
Accumulated depreciation	(478,963)	(421,855)	(3,196,986)	(3,080,646)	(3,675,949)	(3,502,501)
Net capital assets	<u>\$ 1,471,862</u>	<u>\$ 1,461,614</u>	<u>\$ 2,912,699</u>	<u>\$ 2,933,789</u>	<u>\$ 4,384,561</u>	<u>\$ 4,395,403</u>

The City's investment in capital assets decreased \$10,842 during the fiscal year due to depreciation expense exceeding current year additions.

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 did not make any adjustments to the adopted budget of the General Fund during the current year. The General Fund actual expenditures were \$319,328 less than budgeted expenditures during the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2022-23 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, 2022**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<i>ASSETS</i>			
Cash and investments	\$ 4,267,578	\$ 6,885,345	\$ 11,152,923
Capital assets:			
Non-depreciable	417,255	943,584	1,360,839
Other capital assets, net	1,054,607	1,969,115	3,023,722
<i>Total Assets</i>	5,739,440	9,798,044	15,537,484
<i>LIABILITIES</i>			
Payroll liabilities	4,562	-	4,562
Due to other governmental agencies	47,069	-	47,069
Deposits refundable	256,000	14,994	270,994
Long-term obligations:			
Compensated absences, due within one year	14,589	36,562	51,151
<i>Total Liabilities</i>	322,220	51,556	373,776
<i>NET POSITION</i>			
Net investment in capital assets	1,471,862	2,912,699	4,384,561
Restricted for:			
Highway and streets	438,121	-	438,121
Culture and recreation	110,927	-	110,927
Capital projects	2,036,992	2,736,759	4,773,751
Unrestricted	1,359,318	4,097,030	5,456,348
<i>Total Net Position</i>	\$ 5,417,220	\$ 9,746,488	\$ 15,163,708

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, 2022

		<i>Program Revenues</i>		
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
FUNCTIONS/PROGRAMS	Expenses			
Governmental activities:				
General government	\$ 158,412	\$ 7,457	\$ -	\$ -
Public safety	201,013	-	4,218	-
Community development	28,857	43,341	-	-
Public works	151,708	5,880	245,774	115,253
Culture and recreation	103,133	8,142	-	117,225
<i>Total Governmental activities</i>	643,123	64,820	249,992	232,478
Business-type activities:				
Water	386,162	666,408	-	195,428
Sewer	838,295	1,146,702	-	187,404
<i>Total Business-type activities</i>	1,224,457	1,813,110	-	382,832
<i>Total Activities</i>	<u>\$ 1,867,580</u>	<u>\$ 1,877,930</u>	<u>\$ 249,992</u>	<u>\$ 615,310</u>
General revenues:				
Property taxes				
Franchise taxes				
Other taxes				
Intergovernmental				
Interest				
Miscellaneous				
<i>Total general revenues</i>				
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>
\$ (150,955)	\$ -	\$ (150,955)
(196,795)	-	(196,795)
14,484	-	14,484
215,199	-	215,199
22,234	-	22,234
(95,833)	-	(95,833)
-	475,674	475,674
-	495,811	495,811
-	971,485	971,485
(95,833)	971,485	875,652
202,950	-	202,950
115,793	-	115,793
54,694	-	54,694
145,612	315,586	461,198
24,663	35,292	59,955
5,302	16,381	21,683
549,014	367,259	916,273
453,181	1,338,744	1,791,925
4,964,039	8,407,744	13,371,783
<u>\$ 5,417,220</u>	<u>\$ 9,746,488</u>	<u>\$ 15,163,708</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, 2022**

		<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>
<i>ASSETS</i>			
Cash and investments	\$ 1,681,538	\$ 352,503	\$ 1,084,245
<i>LIABILITIES AND FUND BALANCE</i>			
<i>Liabilities:</i>			
Payroll liabilities	\$ 4,562	\$ -	\$ -
Due to other governmental agencies	47,069	-	-
Deposits refundable	256,000	-	-
<i>Total Liabilities</i>	307,631	-	-
<i>Fund Balances:</i>			
Restricted for:			
Highways and streets	-	352,503	-
Culture and recreation	-	-	-
Capital projects	-	-	1,084,245
Unrestricted	1,373,907	-	-
<i>Total Fund Balances</i>	1,373,907	352,503	1,084,245
<i>Total Liabilities and Fund Balances</i>	\$ 1,681,538	\$ 352,503	\$ 1,084,245

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

<i>Non-major Governmental</i>	<i>Total</i>
<u>\$ 1,149,292</u>	<u>\$ 4,267,578</u>
\$ -	\$ 4,562
-	47,069
-	256,000
-	307,631
85,618	438,121
110,927	110,927
952,747	2,036,992
-	1,373,907
<u>1,149,292</u>	<u>3,959,947</u>
<u>\$ 1,149,292</u>	<u>\$ 4,267,578</u>

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, 2022

<i>Fund Balances</i>	\$ 3,959,947
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	1,950,825
Accumulated depreciation	(478,963)
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.	
Compensated absences	(14,589)
	<hr/>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 5,417,220</u></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, 2022**

		<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>
REVENUES			
Taxes and assessments	\$ 202,950	\$ -	\$ -
Charges for services	-	5,680	-
Franchise fees	115,793	-	-
Licenses and permits	50,799	200	-
System development charges	-	-	88,798
Intergovernmental	140,197	247,579	-
Interest	11,283	2,022	5,829
Miscellaneous	9,517	-	-
<i>Total Revenues</i>	530,539	255,481	94,627
EXPENDITURES			
Current			
General government	145,807	-	-
Public safety	201,014	-	-
Community development	28,857	-	-
Public works	-	128,867	310
Culture and recreation	-	-	-
Capital acquisitions	-	40,026	-
<i>Total Expenditures</i>	375,678	168,893	310
REVENUES OVER (UNDER) EXPENDITURES	154,861	86,588	94,317
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(72,000)	(85,500)	-
<i>Total Other Financing Sources (Uses)</i>	(72,000)	(85,500)	-
NET CHANGE IN FUND BALANCE	82,861	1,088	94,317
FUND BALANCE, beginning of year	1,291,046	351,415	989,928
FUND BALANCE, end of year	\$ 1,373,907	\$ 352,503	\$ 1,084,245

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

<i>Non-major Governmental</i>	<i>Total</i>
\$ 54,694	\$ 257,644
-	5,680
-	115,793
8,142	59,141
129,470	218,268
17,820	405,596
5,531	24,665
-	9,517
215,657	1,096,304
-	145,807
-	201,014
-	28,857
-	129,177
61,992	61,992
43,560	83,586
105,552	650,433
110,105	445,871
157,500	157,500
-	(157,500)
157,500	-
267,605	445,871
881,687	3,514,076
\$ 1,149,292	\$ 3,959,947

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, 2022**

Net Change in Fund Balance \$ 445,871

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	67,355
Depreciation	(57,108)

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	(2,937)
----------------------	---------

<i>Change in Net Position - Governmental Activities</i>	<u><u>\$ 453,181</u></u>
---	--------------------------

CITY OF SUBLIMITY, OREGON**STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS****JUNE 30, 2022**

	<i>Sewer Operations</i>	<i>Water Operations</i>	<i>Total</i>
ASSETS			
<i>Current Assets</i>			
Cash and investments	\$ 4,248,424	\$ 2,636,921	\$ 6,885,345
<i>Capital Assets</i>			
Non-depreciable	611,198	332,386	943,584
Other capital assets, net	977,117	991,998	1,969,115
<i>Total Capital Assets, net</i>	1,588,315	1,324,384	2,912,699
<i>Total Assets</i>	5,836,739	3,961,305	9,798,044
LIABILITIES			
<i>Current Liabilities</i>			
Deposits refundable	-	14,994	14,994
Compensated absences payable	17,946	18,616	36,562
<i>Total Current Liabilities</i>	17,946	33,610	51,556
FUND NET POSITION			
Net investment in capital assets	1,588,315	1,324,384	2,912,699
Restricted for:			
Capital projects	1,288,902	1,447,857	2,736,759
Unrestricted	2,941,576	1,155,454	4,097,030
<i>Total Fund Net Position</i>	\$ 5,818,793	\$ 3,927,695	\$ 9,746,488

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, 2022**

	<u><i>Sewer Operations</i></u>	<u><i>Water Operations</i></u>	<u><i>Total</i></u>
OPERATING REVENUES			
Charges for services	\$ 1,146,702	\$ 666,408	\$ 1,813,110
OPERATING EXPENSES			
Personal services	166,023	172,715	338,738
Materials and services	613,686	155,694	769,380
Depreciation	58,587	57,752	116,339
<i>Total Operating Expenses</i>	838,296	386,161	1,224,457
OPERATING INCOME	308,406	280,247	588,653
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	2,385	5,350	7,735
Interest revenues	22,326	12,968	35,294
Miscellaneous	-	324,230	324,230
<i>Total Nonoperating Revenues (Expenses)</i>	24,711	342,548	367,259
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	333,117	622,795	955,912
Capital contributions	187,404	195,428	382,832
CHANGE IN FUND NET POSITION	520,521	818,223	1,338,744
FUND NET POSITION, beginning of year	5,298,272	3,109,472	8,407,744
FUND NET POSITION, end of year	\$ 5,818,793	\$ 3,927,695	\$ 9,746,488

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, 2022**

	<i>Sewer Operations</i>	<i>Water Operations</i>	<i>Total</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers	\$ 1,146,702	\$ 668,108	\$ 1,814,810
Payments to suppliers	(613,686)	(155,694)	(769,380)
Payments to employees	(164,063)	(170,473)	(334,536)
<i>Net Cash Provided by Operating Activities</i>	368,953	341,941	710,894
<i>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</i>			
Miscellaneous	-	324,230	324,230
Intergovernmental	2,385	5,350	7,735
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	2,385	329,580	331,965
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>			
Purchase of capital assets	(19,470)	(75,779)	(95,249)
System development charges received	187,404	195,428	382,832
<i>Net Cash Provided by Capital and Related Financing Activities</i>	167,934	119,649	287,583
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Interest on cash and investments	22,326	12,968	35,294
<i>NET INCREASE IN CASH AND INVESTMENTS</i>	561,598	804,138	1,365,736
<i>Cash and Investments, Beginning of Year</i>	3,686,826	1,832,783	5,519,609
<i>Cash and Investments, End of Year</i>	\$ 4,248,424	\$ 2,636,921	\$ 6,885,345

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

	<i>Sewer Operations</i>	<i>Water Operations</i>	<i>Total</i>
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</i>			
Operating income	\$ 308,406	\$ 280,247	\$ 588,653
Adjustments to reconcile operating income to net cash provided by operating activities			
provided by operating activities			
Depreciation	58,587	57,752	116,339
Increase (decrease) in liability accounts			
Deposits refundable	-	1,700	1,700
Compensated absences payable	1,960	2,242	4,202
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 368,953</u>	<u>\$ 341,941</u>	<u>\$ 710,894</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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022.

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, 2022

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, 2022:

Cash

Cash on hand	\$	150
Deposits with financial institutions		326,811

Investments

Local Government Investment Pool		10,825,964
	\$	<u>11,152,923</u>

Deposits

The book balance of the City's bank deposits with various financial institutions was \$326,811 and the bank balance was \$341,753 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, 2022

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, 2022, \$91,753 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, 2022 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, 2022****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, 2022 is as follows:

	<i>Balances July 1, 2021</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2022</i>
Non-depreciable				
Land and improvements	\$ 383,329	\$ 33,925	\$ -	\$ 417,254
Construction in progress	201,507	21,231	(222,738)	-
<i>Total non-depreciable</i>	584,836	55,156	(222,738)	417,254
Depreciable				
Buildings	693,626	-	-	693,626
Equipment	240,685	12,200	-	252,885
Infrastructure	364,322	-	222,738	587,060
<i>Total depreciable</i>	1,298,633	12,200	222,738	1,533,571
Accumulated depreciation				
Buildings	(231,276)	(23,452)	-	(254,728)
Equipment	(157,714)	(13,566)	-	(171,280)
Infrastructure	(32,865)	(20,090)	-	(52,955)
<i>Total accumulated depreciation</i>	(421,855)	(57,108)	-	(478,963)
<i>Governmental activities capital assets, net</i>	<u>\$ 1,461,614</u>	<u>\$ 10,248</u>	<u>\$ -</u>	<u>\$ 1,471,862</u>

Depreciation expense was charged as follows:

General government	\$ 9,666
Public works	27,908
Culture and recreation	19,534
	<u> </u>
Total	<u>\$ 57,108</u>

CITY OF SUBLIMITY, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2022****CAPITAL ASSETS (Continued)**

The summary of capital assets for business-type activities for the year ended June 30, 2022 is as follows:

	<i>Balances July 1, 2021</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2022</i>
Non-depreciable				
Land and water rights	\$ 929,043	\$ 14,541	\$ -	\$ 943,584
Construction in progress	24,775	21,535	(46,310)	-
<i>Total non-depreciable</i>	<i>953,818</i>	<i>36,076</i>	<i>(46,310)</i>	<i>943,584</i>
Depreciable				
Equipment	207,947	26,328	-	234,275
Water system	2,611,166	32,846	46,310	2,690,322
Sewer system	2,241,504	-	-	2,241,504
<i>Total depreciable</i>	<i>5,060,617</i>	<i>59,174</i>	<i>46,310</i>	<i>5,166,101</i>
Accumulated depreciation				
Equipment	(118,848)	(14,148)	-	(132,996)
Water system	(1,666,320)	(55,362)	-	(1,721,682)
Sewer system	(1,295,479)	(46,829)	-	(1,342,308)
<i>Total accumulated depreciation</i>	<i>(3,080,647)</i>	<i>(116,339)</i>	<i>-</i>	<i>(3,196,986)</i>
<i>Business-type activities capital assets, net</i>	<i>\$ 2,933,788</i>	<i>\$ (21,089)</i>	<i>\$ -</i>	<i>\$ 2,912,699</i>

Depreciation expense was charged as follows:

Water	\$ 57,752
Sewer	58,587
Total	<u>\$ 116,339</u>

LONG-TERM LIABILITIES

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

	<i>Outstanding July 1, 2021</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2022</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Compensated absences	\$ 11,651	\$ 14,589	\$ (11,651)	\$ 14,589	\$ 14,589

CITY OF SUBLIMITY, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2022****LONG-TERM LIABILITIES (Continued)**

	<i>Outstanding July 1, 2021</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2022</i>	<i>Due Within One Year</i>
<i>Business-type Activities</i>					
Compensated absences	\$ 32,361	\$ 36,562	\$ (32,361)	\$ 36,562	\$ 36,562

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, 2022 was \$40,247.

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 another 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, 2022 were as follows:

<i>Fund</i>	<i>Transfers in</i>	<i>Transfers out</i>
General	\$ -	\$ 72,000
Street	-	85,500
Transient Tax (Parks)	50,000	-
Street Capital Projects	85,500	-
Parks SDC	22,000	-
Water	-	431,398
Water Construction	100,000	-
Water Capital Projects	331,398	-
Sewer	-	1,134,111
Sewer Capital Projects	1,134,111	-
	<u>\$ 1,723,009</u>	<u>\$ 1,723,009</u>

CITY OF SUBLIMITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

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 Plant for the year ended June 30, 2022, amounted to \$191,853. The City's share of the debt service for the year ending June 30, 2022 is projected to be \$200,000, paid in monthly installments of \$16,650.

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, 2022**

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes and assessments	\$ 188,271	\$ 188,271	\$ 202,950	\$ 14,679
Franchise fees	99,000	99,000	115,793	16,793
Licenses and permits	28,435	28,435	50,799	22,364
Fines and forfeitures	200	200	-	(200)
Intergovernmental	77,500	77,500	140,197	62,697
Interest	7,500	7,500	11,283	3,783
Miscellaneous	12,510	12,510	9,517	(2,993)
<i>Total Revenues</i>	413,416	413,416	530,539	117,123
EXPENDITURES				
Administration	269,250	269,250	223,777	45,473
General operations	206,591	206,591	151,901	54,690
Contingency	219,165	219,165	-	219,165
<i>Total Expenditures</i>	695,006	695,006	375,678	319,328
REVENUES OVER (UNDER) EXPENDITURES	(281,590)	(281,590)	154,861	436,451
OTHER FINANCING SOURCES (USES)				
Transfers out	(72,000)	(72,000)	(72,000)	-
NET CHANGE IN FUND BALANCE	(353,590)	(353,590)	82,861	436,451
FUND BALANCE, beginning of year	1,180,168	1,180,168	1,291,046	110,878
FUND BALANCE, end of year	\$ 826,578	\$ 826,578	\$ 1,373,907	\$ 547,329

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL – STREET FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 247,579	\$ 67,579
Charges for services	3,800	3,800	5,680	1,880
Licenses and permits	100	100	200	100
Interest	2,400	2,400	2,022	(378)
<i>Total Revenues</i>	186,300	186,300	255,481	69,181
<i>EXPENDITURES</i>				
Street operations	239,998	239,998	128,867	111,131
Capital outlay	15,500	49,426	40,026	9,400
Contingency	67,949	34,023	-	34,023
<i>Total Expenditures</i>	323,447	323,447	168,893	154,554
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(137,147)	(137,147)	86,588	223,735
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	(85,500)	(85,500)	(85,500)	-
<i>NET CHANGE IN FUND BALANCE</i>	(222,647)	(222,647)	1,088	223,735
<i>FUND BALANCE, beginning of year</i>	297,647	297,647	351,415	53,768
<i>FUND BALANCE, end of year</i>	\$ 75,000	\$ 75,000	\$ 352,503	\$ 277,503

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, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
System development charges	\$ 59,800	\$ 59,800	\$ 88,798	\$ 28,998
Intergovernmental	100,000	100,000	-	(100,000)
Interest	5,400	5,400	5,829	429
<i>Total Revenues</i>	165,200	165,200	94,627	(70,573)
<i>EXPENDITURES</i>				
Operations	165,000	165,000	310	164,690
Capital outlay	975,177	975,177	-	975,177
<i>Total Expenditures</i>	1,140,177	1,140,177	310	1,139,867
<i>NET CHANGE IN FUND BALANCE</i>	(974,977)	(974,977)	94,317	1,069,294
<i>FUND BALANCE, beginning of year</i>	974,977	974,977	989,928	14,951
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 1,084,245	\$ 1,084,245

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, 2022**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
System development charges	\$ 16,000	\$ 16,000	\$ 24,650	\$ 8,650
Interest	2,400	2,400	2,725	325
<i>Total Revenues</i>	18,400	18,400	27,375	8,975
EXPENDITURES				
Operations	5,000	5,000	-	5,000
Capital outlay	505,464	505,464	21,954	483,510
<i>Total Expenditures</i>	510,464	510,464	21,954	488,510
NET CHANGE IN FUND BALANCE	(492,064)	(492,064)	5,421	497,485
FUND BALANCE, beginning of year	492,064	492,064	490,665	(1,399)
FUND BALANCE, end of year	\$ -	\$ -	\$ 496,086	\$ 496,086

CITY OF SUBLIMITY, OREGON**COMBINING BALANCE SHEET (BUDGETARY BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2022**

	<u><i>Special Revenue</i></u>	<u><i>Capital Projects</i></u>			
	<u><i>Transient Tax (Parks)</i></u>	<u><i>Street Capital Projects</i></u>	<u><i>Park SDC</i></u>	<u><i>Storm Water SDC</i></u>	<u><i>Total</i></u>
ASSETS					
Cash and investments	\$ 110,927	\$ 85,618	\$ 456,661	\$ 496,086	\$ 1,149,292
LIABILITIES AND FUND BALANCE					
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:					
Restricted for:					
Highways and streets	-	85,618	-	-	85,618
Culture and recreation	110,927	-	-	-	110,927
Capital projects	-	-	456,661	496,086	952,747
<i>Total Fund Balance</i>	110,927	85,618	456,661	496,086	1,149,292
<i>Total Liabilities and Fund Balances</i>	\$ 110,927	\$ 85,618	\$ 456,661	\$ 496,086	\$ 1,149,292

CITY OF SUBLIMITY, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(BUDGETARY BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	<i>Special</i>	<i>Capital Projects</i>			
	<i>Transient Tax</i>	<i>Street Capital</i>		<i>Storm Water</i>	
	<i>(Parks)</i>	<i>Projects</i>	<i>Park SDC</i>	<i>SDC</i>	<i>Total</i>
REVENUES					
Taxes and assessments	\$ 54,694	\$ -	\$ -	\$ -	\$ 54,694
Licenses and permits	8,142	-	-	-	8,142
System development charges	-	-	104,820	24,650	129,470
Intergovernmental	5,415	-	12,405	-	17,820
Interest	471	118	2,217	2,725	5,531
<i>Total Revenues</i>	68,722	118	119,442	27,375	215,657
EXPENDITURES					
Current					
Culture and recreation	61,992	-	-	-	61,992
Capital outlay	6,100	-	15,506	21,954	43,560
<i>Total Expenditures</i>	68,092	-	15,506	21,954	105,552
REVENUES OVER (UNDER) EXPENDITURES	630	118	103,936	5,421	110,105
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	85,500	22,000	-	157,500
NET CHANGE IN FUND BALANCE	50,630	85,618	125,936	5,421	267,605
FUND BALANCE, beginning of year	60,297	-	330,725	490,665	881,687
FUND BALANCE, end of year	\$ 110,927	\$ 85,618	\$ 456,661	\$ 496,086	\$ 1,149,292

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, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Taxes and assessments	\$ 20,000	\$ 20,000	\$ 54,694	\$ 34,694
Licenses and permits	5,200	5,200	8,142	2,942
Intergovernmental	-	-	5,415	5,415
Interest	120	120	471	351
<i>Total Revenues</i>	25,320	25,320	68,722	43,402
<i>EXPENDITURES</i>				
Parks operations	94,563	94,563	61,992	32,571
Capital outlay	14,500	14,500	6,100	8,400
Contingency	8,063	8,063	-	8,063
<i>Total Expenditures</i>	117,126	117,126	68,092	49,034
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(91,806)	(91,806)	630	92,436
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	50,000	50,000	50,000	-
<i>NET CHANGE IN FUND BALANCE</i>	(41,806)	(41,806)	50,630	92,436
<i>FUND BALANCE, beginning of year</i>	41,806	41,806	60,297	18,491
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 110,927	\$ 110,927

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL –STREET CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Interest	\$ 250	\$ 250	\$ 118	\$ (132)
EXPENDITURES				
Capital outlay	85,750	85,750	-	85,750
REVENUES OVER (UNDER) EXPENDITURES	(85,500)	(85,500)	118	85,618
OTHER FINANCING SOURCES (USES)				
Transfers in	85,500	85,500	85,500	-
NET CHANGE IN FUND BALANCE	-	-	85,618	85,618
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 85,618	\$ 85,618

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, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
System development charges	\$ 80,000	\$ 80,000	\$ 104,820	\$ 24,820
Intergovernmental	28,000	28,000	12,405	(15,595)
Interest	1,400	1,400	2,217	817
<i>Total Revenues</i>	109,400	109,400	119,442	10,042
<i>EXPENDITURES</i>				
Operations	50,000	50,000	15,506	34,494
Capital outlay	395,001	395,001	-	395,001
<i>Total Expenditures</i>	445,001	445,001	15,506	429,495
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(335,601)	(335,601)	103,936	439,537
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	22,000	22,000	22,000	-
<i>NET CHANGE IN FUND BALANCE</i>	(313,601)	(313,601)	125,936	439,537
<i>FUND BALANCE, beginning of year</i>	313,601	313,601	330,725	17,124
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 456,661	\$ 456,661

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
SEWER OPERATIONS COMBINED
YEAR ENDED JUNE 30, 2022**

	<i>Sewer</i>	<i>Sewer SDC</i>	<i>Sewer Capital Projects</i>	<i>Total</i>
OPERATING REVENUES				
Charges for services	\$ 1,146,703	\$ -	\$ -	\$ 1,146,703
System development charges	-	187,404	-	187,404
Interest	14,027	6,735	1,562	22,324
Intergovernmental	2,385	-	-	2,385
<i>Total Operating Revenues</i>	1,163,115	194,139	1,562	1,358,816
OPERATING EXPENSES				
Sewer operations	777,748	-	-	777,748
Capital outlay	19,470	-	-	19,470
<i>Total Operating Expenses</i>	797,218	-	-	797,218
REVENUES OVER (UNDER) EXPENDITURES	365,897	194,139	1,562	561,598
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,134,111	1,134,111
Transfers out	(1,134,111)	-	-	(1,134,111)
<i>Total Other Financing Sources (Uses)</i>	(1,134,111)	-	1,134,111	-
NET CHANGE IN FUND BALANCE	(768,214)	194,139	1,135,673	561,598
FUND BALANCE, beginning of year	2,592,063	1,094,763	-	3,686,826
FUND BALANCE, end of year	\$ 1,823,849	\$ 1,288,902	\$ 1,135,673	4,248,424
Adjustments to reconcile from budgetary basis to modified cash basis:				
Capital assets, net				1,588,315
Compensated absences				(17,946)
FUND NET POSITION, end of year				\$ 5,818,793

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Charges for services	\$ 1,007,230	\$ 1,007,230	\$ 1,146,703	\$ 139,473
Interest	12,000	12,000	14,027	2,027
Intergovernmental	-	-	2,385	2,385
<i>Total Revenues</i>	1,019,230	1,019,230	1,163,115	143,885
<i>EXPENDITURES</i>				
Sewer operations	1,005,247	1,005,247	777,748	227,499
Capital outlay	28,000	35,270	19,470	15,800
Contingency	523,651	516,381	-	516,381
<i>Total Expenditures</i>	1,556,898	1,556,898	797,218	759,680
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(537,668)	(537,668)	365,897	903,565
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	(1,134,111)	(1,134,111)	(1,134,111)	-
<i>NET CHANGE IN FUND BALANCE</i>	(1,671,779)	(1,671,779)	(768,214)	903,565
<i>FUND BALANCE, beginning of year</i>	2,471,779	2,471,779	2,592,063	120,284
<i>FUND BALANCE, end of year</i>	\$ 800,000	\$ 800,000	\$ 1,823,849	\$ 1,023,849

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, 2022**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
System development charges	\$ 126,000	\$ 126,000	\$ 187,404	\$ 61,404
Interest	6,000	6,000	6,735	735
<i>Total Revenues</i>	132,000	132,000	194,139	62,139
EXPENDITURES				
Operations	73,000	73,000	-	73,000
Capital outlay	1,122,874	1,122,874	-	1,122,874
<i>Total Expenditures</i>	1,195,874	1,195,874	-	1,195,874
NET CHANGE IN FUND BALANCE	(1,063,874)	(1,063,874)	194,139	1,258,013
FUND BALANCE, beginning of year	1,063,874	1,063,874	1,094,763	30,889
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,288,902	\$ 1,288,902

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL – SEWER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>REVENUES</i>				
Interest	\$ 2,000	\$ 2,000	\$ 1,562	\$ (438)
<i>Total Revenues</i>	2,000	2,000	1,562	(438)
<i>EXPENDITURES</i>				
Capital outlay	1,136,111	1,136,111	-	1,136,111
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(1,134,111)	(1,134,111)	1,562	1,135,673
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	1,134,111	1,134,111	1,134,111	-
<i>NET CHANGE IN FUND BALANCE</i>	-	-	1,135,673	1,135,673
<i>FUND BALANCE, beginning of year</i>	-	-	-	-
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 1,135,673	\$ 1,135,673

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
WATER OPERATIONS COMBINED
YEAR ENDED JUNE 30, 2022**

	<i>Water</i>	<i>Water SDC</i>	<i>Water Construction</i>	<i>Water Capital Projects</i>	<i>Total</i>
OPERATING REVENUES					
Charges for services	\$ 666,408	\$ -	\$ -	-	\$ 666,408
System development charges	-	195,428	-	-	195,428
Intergovernmental	5,350	-	-	307,851	313,201
Interest	4,336	6,220	962	1,449	12,967
Miscellaneous	16,589	-	-	-	16,589
<i>Total Operating Revenues</i>	692,683	201,648	962	309,300	1,204,593
OPERATING EXPENSES					
Water operations	325,674	-	-	-	325,674
Capital outlay	42,933	-	-	33,549	76,482
<i>Total Operating Expenses</i>	368,607	-	-	33,549	402,156
REVENUES OVER (UNDER) EXPENDITURES	324,076	201,648	962	275,751	802,437
OTHER FINANCING SOURCES					
Transfers in	-	-	100,000	331,398	431,398
Transfers out	(431,398)	-	-	-	(431,398)
<i>Total Other Financing Sources (Uses)</i>	(431,398)	-	100,000	331,398	-
NET CHANGE IN FUND BALANCE	(107,322)	201,648	100,962	607,149	802,437
FUND BALANCE, beginning of year	674,243	998,013	147,234	-	1,819,490
FUND BALANCE, end of year	\$ 566,921	\$ 1,199,661	\$ 248,196	\$ 607,149	2,621,927
Adjustments to reconcile from budgetary basis to modified cash basis:					
Capital assets, net					1,324,384
Compensated absences					(18,616)
FUND NET POSITION, end of year					\$ 3,927,695

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL – WATER FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Charges for services	\$ 566,200	\$ 566,200	\$ 666,408	\$ 100,208
Intergovernmental	-	-	5,350	5,350
Interest	3,000	3,000	4,336	1,336
Miscellaneous	10,200	10,200	16,589	6,389
<i>Total Revenues</i>	579,400	579,400	692,683	113,283
<i>EXPENDITURES</i>				
Water operations	393,618	393,618	325,674	67,944
Capital outlay	35,000	63,805	42,933	20,872
Contingency	178,240	149,435	-	149,435
<i>Total Expenditures</i>	606,858	606,858	368,607	238,251
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(27,458)	(27,458)	324,076	351,534
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers out	(431,398)	(431,398)	(431,398)	-
<i>NET CHANGE IN FUND BALANCE</i>	(458,856)	(458,856)	(107,322)	351,534
<i>FUND BALANCE, beginning of year</i>	608,856	608,856	674,243	65,387
<i>FUND BALANCE, end of year</i>	\$ 150,000	\$ 150,000	\$ 566,921	\$ 416,921

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, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>REVENUES</i>				
System development charges	\$ 130,000	\$ 130,000	\$ 195,428	\$ 65,428
Interest	5,400	5,400	6,220	820
<i>Total Revenues</i>	135,400	135,400	201,648	66,248
<i>EXPENDITURES</i>				
Operations	85,000	85,000	-	85,000
Capital outlay	990,882	990,882	-	990,882
<i>Total Expenditures</i>	1,075,882	1,075,882	-	1,075,882
<i>NET CHANGE IN FUND BALANCE</i>	(940,482)	(940,482)	201,648	1,142,130
<i>FUND BALANCE, beginning of year</i>	940,482	940,482	998,013	57,531
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 1,199,661	\$ 1,199,661

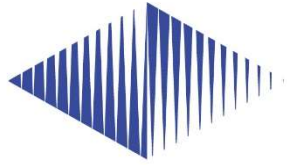
CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL - WATER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Interest	\$ 600	\$ 600	\$ 962	\$ 362
EXPENDITURES				
Capital outlay	247,764	247,764	-	247,764
REVENUES OVER (UNDER) EXPENDITURES	(247,164)	(247,164)	962	248,126
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
NET CHANGE IN FUND BALANCE	(147,164)	(147,164)	100,962	248,126
FUND BALANCE, beginning of year	147,164	147,164	147,234	70
FUND BALANCE, end of year	\$ -	\$ -	\$ 248,196	\$ 248,196

CITY OF SUBLIMITY, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) -
BUDGET AND ACTUAL - WATER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Intergovernmental	\$ 280,000	\$ 280,000	\$ 307,851	\$ 27,851
Interest	500	500	1,449	949
<i>Total Revenues</i>	280,500	280,500	309,300	28,800
<i>EXPENDITURES</i>				
Operations	5,000	5,000	-	5,000
Capital outlay	606,898	606,898	33,549	573,349
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(331,398)	(331,398)	275,751	602,149
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	331,398	331,398	331,398	-
<i>NET CHANGE IN FUND BALANCE</i>	-	-	607,149	602,149
<i>FUND BALANCE, beginning of year</i>	-	-	-	-
<i>FUND BALANCE, end of year</i>	\$ -	\$ -	\$ 607,149	\$ 602,149

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

475 Cottage Street NE, Suite 200, Salem, OR 97301
(503) 581-7788 • FAX (503) 581-0152 • www.gms.cpa

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, 2022, and have issued our report thereon dated November 22, 2022.

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: 
Ryan T. Pasquarella, A Shareholder
November 22, 2022