

# City of Baker City, Oregon

Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2018



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**BAKER CITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2018**

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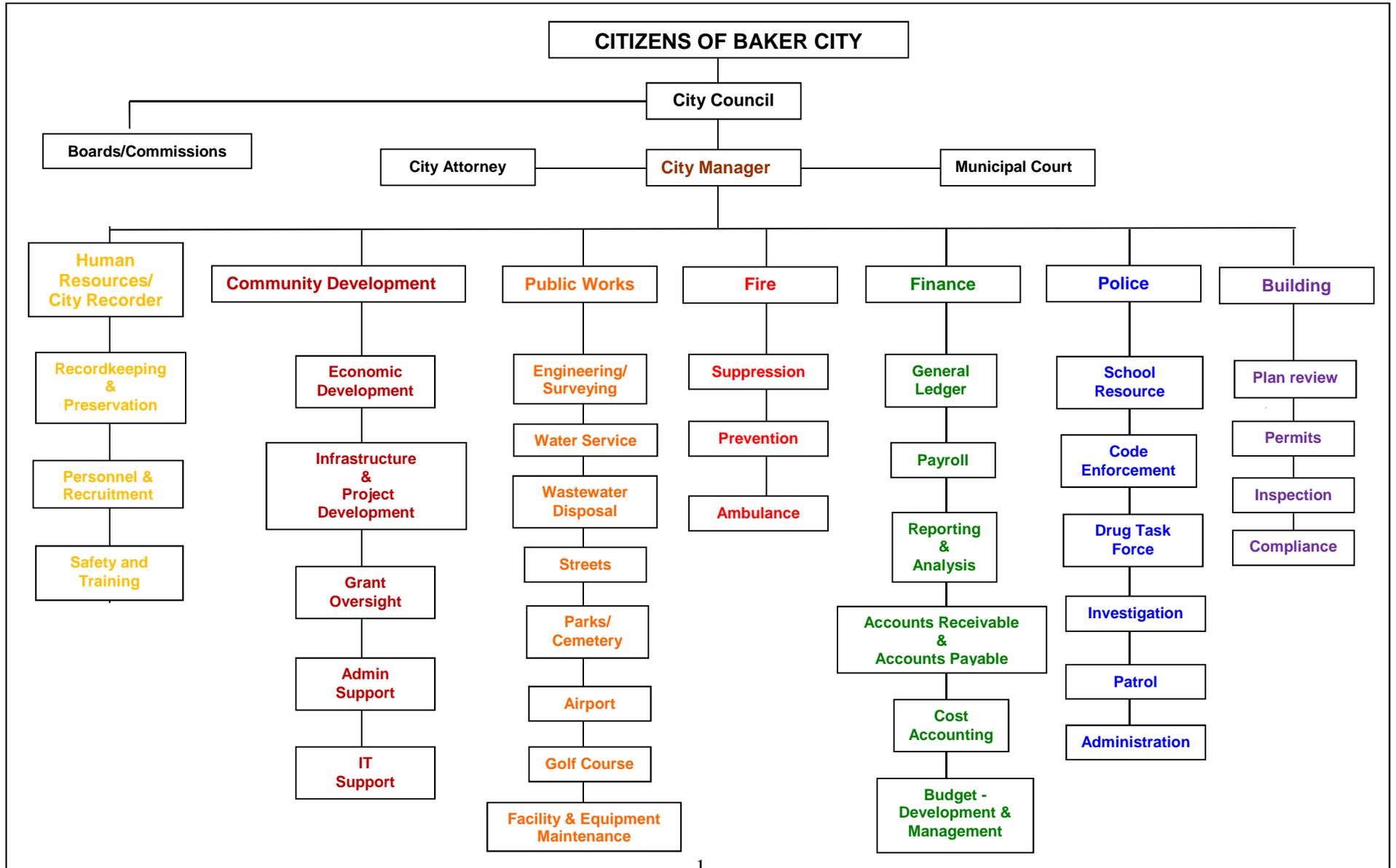
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# **Introductory Section**

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# City of Baker City



**BAKER CITY  
City Hall  
1655 1<sup>st</sup> Street  
Baker City, Oregon 97814**

**ELECTED MAYOR AND CITY COUNCIL AT JUNE 30, 2018**

	<u><b>Term Expiration</b></u>
<u>Mayor:</u>	
Mike Downing 923 Walnut Street	December 31, 2020
<u>Council Members:</u>	
Rosemary Abell 2005 Washington Avenue	December 31, 2018
Arvid Andersen 1400 Colorado Avenue	December 31, 2020
Loran Joseph 2464 Baker Street	December 31, 2020
Randy Schiewe 530 Foothill Drive	December 31, 2018
Adam Nilsson 307 Hillcrest Drive	December 31, 2018
James Thomas 1675 East Street	December 31, 2018

**APPOINTED CITY OFFICERS AS OF JUNE 30, 2018**

City Manager:

Fred Warner, Jr.

City Finance Director:

Jeanie Dexter

City Attorney:

Dan Van Thiel

Municipal Judge:

Don Williams

# **Financial Section**



Scott A. Martin  
Jacob J. Collier

Megan R. Adams  
Michael J. Rudi

Randell C. Guyer, Jr.  
Kent J. Bailey  
Kara J. Bond

David F. Lindley  
Linda L. Cyr  
Emily J. Bechtold

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of the City Council  
City of Baker City, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Baker City, Oregon, (the City) as of and for the year ended June 30, 2018, 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 accounting principles generally accepted in the United States of America; this includes 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the financial statements, the June 30, 2017 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### Emphasis of Matter Regarding New Accounting Principle

As described in Note 5 to the financial statements, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. The beginning of year net position has been adjusted for this change. Our opinion is not modified with respect to this matter.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on

pages 5-15 and the budgetary comparison, pension and other post-employment benefit information on pages 63-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison, pension and other post-employment benefit 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 budgetary comparison, pension and other post-employment benefit information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### *Other 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 introductory section on pages 1-2, combining and individual fund financial statements and budgetary comparison schedules on pages 72-88, and schedule of property tax transactions on page 89, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary comparison schedules, schedule of property tax transactions, and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual fund financial statements, budgetary comparison schedules, schedule of property tax transactions, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 it.

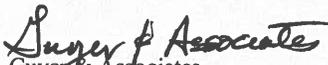
#### **Reports on Other Legal and Regulatory Requirements**

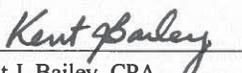
##### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2019, on our consideration of the City of Baker City, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Baker City, Oregon's internal control over financial reporting and compliance.

##### *Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated April 17, 2019, on our consideration of the City of Baker City, Oregon'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.

  
Guyer & Associates  
Certified Public Accountants, PC  
Baker City, Oregon  
April 17, 2019

By   
Kent J. Bailey, CPA

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**BAKER CITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The management of the City of Baker City, Oregon (City) presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. This Management’s Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor’s report.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is 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 basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

***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 presents information on all of the assets and liabilities of the City at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The Statement of Activities.* The statement of activities presents information showing how the net position of the City changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The government-wide financial statements can be found on pages 16-17 of this report.

***Fund financial statements*** provide more detailed information about the City’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 are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term funding decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Street Fund, LID Repayment Fund, and State and Federal Grants Fund which are considered to be major funds. The basic governmental fund financial statements can be found on pages 18-21 of this report. Data from the other governmental funds are combined into a single, aggregated presentation on these statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 73-78.

*Proprietary funds* - the City maintains six proprietary funds. Functions that are intended to recover all or a significant portion of their costs through user fees and charges are accounted for in proprietary funds. Proprietary funds are further designated as either enterprise funds or internal service funds.

Enterprise funds are used to account for services provided to outside entities. Four of the City's proprietary funds are Enterprise funds. These funds are used to account for financial transactions related to the City's water utility, wastewater utility, building inspections, and golf course.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds to account for its equipment maintenance and replacement and inventory functions.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

*Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-62 of this report.

*Other statements* – Major funds are included within the basic financial statements, where non-major funds are presented here as “combining statements”. These statements include balance

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

sheets and statements of revenues, expenditures and changes in fund balances. A final type of report is the budgetary comparison schedules. These are presented for all funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

*Analysis of Net Position*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Baker City, assets and deferred outflows exceeded liabilities and deferred inflows by \$51,401,415 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (86 percent) reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt that is still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is a summary of net position:

**City of Baker City  
Summary of Net Position  
June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
<b>ASSETS</b>						
Current and Other Assets	\$ 5,832,708	\$ 6,410,491	\$ 6,967,331	\$ 5,628,337	\$ 12,800,039	\$12,038,828
Capital Assets	20,571,388	19,715,110	25,581,281	25,129,738	46,152,669	44,844,848
Total Assets	26,404,096	26,125,601	32,548,612	30,758,075	58,952,708	56,883,676
<b>DEFERRED OUTFLOWS</b>						
Total Assets & Deferred Outflows	\$ 28,202,388	\$ 29,001,003	\$ 33,166,807	\$ 31,685,598	\$ 61,369,195	\$ 60,686,601
<b>LIABILITIES</b>						
Long-Term Liabilities	-	-	1,557,639	1,623,687	1,557,639	1,623,687
Other Liabilities	5,604,748	6,893,639	2,312,189	2,070,271	7,916,937	8,963,910
Total Liabilities	5,604,748	6,893,639	3,869,828	3,693,958	9,474,576	10,587,597
<b>DEFERRED INFLOWS</b>						
Total Liab & Deferred Inflows	\$ 5,943,555	\$ 7,274,094	\$ 4,024,225	\$ 3,816,681	\$ 9,967,780	\$ 11,090,775
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	\$ 20,571,388	\$ 19,715,110	\$ 23,951,066	\$ 23,414,799	\$ 44,522,454	\$ 43,129,909
Restricted	1,092,694	1,082,914	-	-	1,092,694	1,082,914
Unrestricted	594,751	928,885	5,191,516	4,454,118	5,786,267	5,383,003
Total Net Position	\$ 22,258,833	\$ 21,726,909	\$ 29,142,582	\$ 27,868,917	\$ 51,401,415	\$ 49,595,826

The 2016-17 comparative information has not been restated for the changes in accounting principle or the changes in accounting policies due to the lack of available actuarial and other information.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

An additional portion of the City's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,786,267) may be used to meet the City's ongoing obligations to citizens and creditors. Net position for the City as a whole increased by \$1,994,682 during the fiscal year ended June 30, 2018. The following is an analysis of this increase.

**City of Baker City  
Summary of Changes in Net Position  
June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 1,191,659	\$ 934,784	\$ 4,553,276	\$ 4,230,995	\$ 5,744,935	\$ 5,165,779
Operating Grants/Contrib.	1,131,398	742,520	-	-	1,131,398	742,520
Capital Grants/Contrib.	1,108,704	871,322	35,386	-	1,144,090	871,322
General Revenues:						
Property Taxes	3,355,997	3,231,766	-	-	3,355,997	3,231,766
Franchise Taxes	874,599	864,235	-	-	874,599	864,235
Investment Earnings	82,213	58,355	96,108	49,246	178,321	107,601
SAIF Refunds	26,185	31,428	-	-	26,185	31,428
Unrestricted Grants/Contrib.	302,889	264,424	-	-	302,889	264,424
Rental Income	31,765	34,701	49,839	47,625	81,604	82,326
Miscellaneous	59,181	56,804	93,187	281,531	152,368	338,335
Total Revenues	\$ 8,164,590	\$ 7,090,339	\$ 4,827,796	\$ 4,609,397	\$ 12,992,386	\$ 11,699,736
<b>EXPENSES</b>						
General Government	\$ 413,189	\$ 510,986	\$ -	\$ -	\$ 413,189	\$ 510,986
Public Safety	4,609,273	4,571,634	-	-	4,609,273	4,571,634
Transportation and Streets	1,496,029	1,527,443	-	-	1,496,029	1,527,443
Culture & Recreation	342,903	361,946	-	-	342,903	361,946
Economic Development	119,965	113,492	-	-	119,965	113,492
Cemetery	147,493	144,721	-	-	147,493	144,721
Airport	174,819	161,989	-	-	174,819	161,989
Hydro-Electric Plant	7,873	6,294	-	-	7,873	6,294
Interest on Long-Term Debt	3,360	3,181	-	-	3,360	3,181
Water	-	-	2,029,880	1,770,350	2,029,880	1,770,350
Wastewater	-	-	1,255,770	1,160,967	1,255,770	1,160,967
Golf Course	-	-	71,381	67,893	71,381	67,893
Building Department	-	-	325,769	328,170	325,769	328,170
Total Expenses	7,314,904	7,401,686	3,682,800	3,327,380	10,997,704	10,729,066
Operating Transfers	(30,000)	(46,000)	30,000	46,000	-	-
Change in Net Position	819,686	(357,347)	1,174,996	1,328,017	1,994,682	970,670
Net Position—Beginning of Year	21,726,909	22,084,256	27,868,917	26,540,900	49,595,826	48,625,156
Restatement of Beg Net Position	(287,762)	-	98,669	-	(189,093)	-
Net Position—End of Year	\$ 22,258,833	\$ 21,726,909	\$ 29,142,582	\$ 27,868,917	\$ 51,401,415	\$ 49,595,826

The 2016-17 comparative information has not been restated for the changes in accounting principle or the changes in accounting policies due to the lack of available actuarial and other information.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

*Analysis of Changes in Net Position*

**Governmental activities:** During the fiscal year ended June 30, 2018, net position of the governmental activities increased by \$819,686. This increase was partially offset by a restatement of beginning net position of (\$287,762) due to the implementation of GASB Statement No. 75 which requires the liability, deferred outflows and deferred inflows related to Other Post-Employment Benefits (OPEB) to be recorded on the City's financial statements.

The \$819,686 increase in the net position of the governmental activities was due in part to the addition of capital assets (the majority of which were street and airport infrastructure) that exceeded the related depreciation expense by \$780,493. Also, contributing to that increase was an increase in ambulance revenue, the implementation of a public safety fee and the increase in intergovernmental revenue such as liquor taxes and the collection of one-time marijuana taxes. These increases were partially offset by an increase in PERS expense of \$358,569 due to the requirement of GASB Statement No. 68 which requires municipalities to account for their portion of the change in net pension liability or asset and the changes in deferred inflows and outflows related to its pension plan with Oregon Public Employees Retirement System (PERS).

**Business-type activities:** The current change in net position of the business-type activities was an increase of \$1,174,996. In addition, beginning net position was restated by \$98,669. This restatement was comprised of changes in accounting policies of \$191,492 and a change in accounting principle of (\$92,823). The first change in accounting policy was implemented to accrue utilities receivable for water and wastewater charges for services incurred but not yet billed on or before June 30<sup>th</sup> and resulted in a cumulative restatement of \$236,359. This was partially offset by the second change in accounting policy which was the deferral of charges for services (\$44,867) for permit revenue that was received by but that still had mandatory inspections remaining to be performed at the end of the fiscal year. The cumulative effect of the changes in accounting policies was partially offset by a change in accounting principle (\$92,823) due to the implementation of GASB Statement No. 75 which requires the liability, deferred outflows and deferred inflows related to Other Post-Employment Benefits (OPEB) to be recorded on the City's financial statements.

The current change in net position was due in part to the City's attempt to collect revenue in excess of routine operational costs in order to set aside significant funds for capital improvements to the water and wastewater infrastructure systems such as the repair and replacement of transmission and distribution lines for the water system; establishing a secondary water source; and the wastewater effluent disposal project. These increases were partially offset by an increase in PERS expense of \$184,999 due to the requirement of GASB Statement No. 68 which requires municipalities to account for their portion of the change in net pension liability or asset and the changes in deferred inflows and outflows related to its pension plan with Oregon Public Employees Retirement System (PERS).

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**FUND ANALYSIS**

The following is an analysis of the difference in the ending fund balance of each of the City's major funds.

*Major Governmental Funds*

**General Fund:** The ending fund balance of the General Fund increased from \$771,147 to \$1,177,736 due to several factors. Factors that contributed to the increase were additional charges for services, the implementation of a new public safety utility fee and an increase in intergovernmental revenue. Charges for services increased due to a significant increase in ambulance revenue from the cancellation of a third-party ambulance billing contract and an increase in ambulance transports. Intergovernmental revenue increased from the receipt of additional liquor taxes, one-time marijuana tax collections and state and federal grants received. Other factors in the increase were savings in expenditures from temporary staff vacancies and a concerted effort to save costs in order to provide funding for known future personnel cost increases such as PERS rates and health insurance premiums. Finally, beginning fund balance was restated by \$66,131 due to a change in accounting policy explained in Note 5 on pages 59-61 of the financial statements.

**Street Fund:** The ending fund balance of the Street Fund increased from \$1,159,225 to \$1,222,106. This increase was mainly due to an increase in highway trust fund revenue due to House Bill 2017 passed by the legislature to help increase cities funding for street improvements.

**LID Repayment Fund:** The deficit ending fund balance of the LID Repayment Fund decreased from (\$103,807) to (\$80,340) due to repayments received on LIDs.

**State and Federal Grants Fund:** The ending fund balance of the State and Federal Grants Fund increased from a deficit fund balance of (\$28,610) to a deficit fund balance of (\$6,587). This increase was due to grant reimbursements from Connect Oregon VI and the FAA for the airport apron reconstruction project that were received. The remaining deficit is due to the final FAA and Connect Oregon VI grant reimbursements that were not subject to accrual.

*Enterprise Funds*

**Water Fund:** The ending net position of the Water Fund increased from \$19,772,516 to \$20,711,780. This increase was partially due to the City's 10% water rate increase that will be used to fund major capital improvements to the Mountain Line and to establish a secondary water source. This increase was reduced in part by the requirements of GASB Statement No. 68 which increased PERS expense by \$120,044. Also contributing to this increase was a restatement of beginning net position. The cumulative effect of this restatement was \$143,717 and is explained in Note 5 on pages 59-61 of the financial statements.

**Wastewater Fund:** The ending net position of the Wastewater Fund increased from \$6,151,355 to \$6,410,754. This increase was due to the City's continued effort to set aside funds for major capital projects such as the mandatory wastewater effluent disposal project. This increase was reduced in part by the requirements of GASB Statement No. 68 which increased PERS expense by \$54,392.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Golf Fund:** The ending net position of the Golf Fund increased from \$1,137,795 to \$1,139,784. This increase was due to a continued effort by the golf course concessionaire and City personnel to take preventative measures to reduce repairs.

**Building Inspections Fund:** The ending net position of the Building Inspections Fund increased from \$186,865 to \$263,194 due to an increase in commercial and residential permit revenue. City staff makes a concerted effort to accumulate reserves in the Building Inspections Fund while building activity is strong in order to maintain staffing during times when building activity declines. This increase was partially offset by a restatement of beginning net position of \$52,612 explained in Note 5 on pages 59-61 of the financial statements.

**BUDGETARY HIGHLIGHTS**

The following are explanations for budget resolutions that were approved by City Council throughout the fiscal year to make changes to the 2017-18 adopted budget:

- The State and Federal Grants Fund received an unanticipated \$5,000 pass-thru grant from the National Trust for Historic Preservation for a potential developer to use for a feasibility study on the historic Central Building at Baker Middle School.
- The General Fund's Park Department transferred a \$12,000 grant match appropriation to the State and Federal Grants Fund's LAMP III Pathway/Park Department to match an unanticipated grant of \$10,000 from the Leo Adler Foundation and \$565 in private donations for the Central Park amphitheater seating and electrical installation.
- The State and Federal Grants Fund's LAMP III Pathway/Park Department received unanticipated donations of \$1,000 from Baker County Safe Communities Coalition and \$2,200 from the Local Community Advisory Council to add "no-smoking or vaping" signage within Central Park.
- The State and Federal Grants Fund's Small Miscellaneous Grants Department received an unanticipated grant of \$25,000 from a Pet Safe "Bark for Your Park" grant.
- The Fire Equipment Reserve Fund received an unanticipated Northwest Farm Credit Services grant of \$3,000 to help replace equipment that was contaminated by mercury after an explosion occurred during a mutual aid fire response. The remaining \$2,500 needed to replace the equipment was transferred from Contingency.
- The Equipment & Vehicle Fund transferred a \$15,000 savings from the Equipment and Vehicle Operations Department to the Equipment and Vehicle Capital Outlay Department to cover the replacement cost of a loader that was purchased to replace the City's 1984 Case loader when it was determined that the significant repairs that were required to keep it in operation would exceed its value.
- The revenue received from commercial wastewater rates are based on water usage and cannot be determined until after the budget is adopted. Wastewater revenue was higher than anticipated which increased the related expenditure for in-lieu-of franchise fees by \$1,000 which was transferred from Contingency.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The City's final amended General Fund budget for the fiscal year ended 2017-18 included a contingency of \$100,000 and an unappropriated ending fund balance of \$542,856, for a total of \$642,856. The actual balance carried forward to 2018-19 was \$1,177,736. The difference of \$534,880 between the 2017-18 final revised budget and the 2017-18 actual revenue and expenditures is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations of Significant Differences</u>
<b>REVENUE</b>				
Property Tax Revenue	\$ 2,619,169	\$ 2,644,967	\$ 25,798	Received more current year property taxes than anticipated.
Franchise Taxes	865,567	874,599	9,032	Received more OTEC and Charter franchise taxes than anticipated which were partially offset by less Cascade Natural Gas and Century Link franchise taxes being received than anticipated.
Intergovernmental	478,410	595,696	117,286	SAFER grant revenue of \$50,000 and one-time marijuana tax payment of \$29,000 were not anticipated and; therefore, were not budgeted. 5J School District support for the School Resource Officer was \$20,000 more than anticipated. Liquor tax revenue was \$12,000 more than anticipated.
Charges for Services	865,750	970,097	104,347	Received \$59,000 more in ambulance revenue mainly due to a change in accounting policy explained below in Restatement of Beginning Fund Balance. Cemetery revenue which is difficult to predict was \$33,000 more than anticipated. Generated power sales were \$8,000 more than budgeted.
Other Revenue	707,348	725,578	18,230	Public safety fee revenue was \$18,000 less than anticipated which was partially offset by an increase in interest of \$10,000.
<b>Total Revenue Decrease</b>			<b>\$ 274,693</b>	
<b>EXPENDITURES</b>				
Personnel Services	4,229,280	4,162,322	(66,958)	Savings in the Admin Department of \$10,000, Fire Dept. of \$37,000; Community Development of \$14,000 and other savings in Public Works labor in the General Fund.
Materials and Services	1,288,967	1,273,515	(15,452)	Various savings in departments' materials and services were partially offset by an overage in public safety from obtaining three additional fire/EMS personnel through a SAFER grant that was not anticipated and the replacement of a roof-top heating unit for the police building that also was not anticipated.
Capital Outlay	4,000	5,641	1,641	Additional costs were improvements made to FEP Type III Fire Engine after it was loaned to the City from federal surplus.
<b>Total Expenditure Savings</b>			<b>\$ (80,769)</b>	
Operating Transfer In	13,500	12,998	(502)	Received slightly less cemetery trust interest than anticipated.
Operating Transfer Out	(42,000)	(42,000)	-	Interfund transfers were made as budgeted.
Beginning Fund Balance	657,359	771,148	113,789	Additional carryover from budgeted amount.
Restatement of Beg. Fund Bal.	-	66,131	66,131	Change in accounting policy to begin accruing ambulance and other revenue that had not previously been accrued for services provided on or before the end of the fiscal year that were received within two months after the end of the year.
<b>Difference Budget &amp; Actual</b>			<b><u>(\$534,880)</u></b>	

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ACTIVITY**

Capital asset activity for the fiscal year ended June 30, 2018 is summarized on pages 36-37 in the notes to the financial statements. The following is a summary of the assets purchased, constructed or received through contributions during the fiscal year ended June 30, 2018:

Police Building Roof-Top Heating Unit	\$ 8,582
Police E-Citation System	46,217
Central Park Amphitheatre Seating and Electrical Installation	18,926
Dog Park Fences, Land Improvements and Irrigation System	27,429
Samo Swim Boiler Valves	5,785
Taxiway Apron Rehabilitation Project (Remaining Cost)	1,010,997
South Taxiway Apron Rehabilitation Project (In Process)	3,200
New Phone System for City Hall and Fire Department (Remaining Cost)	2,999
HP T830 Large Format Printer	6,840
Autocad GIS System (In Process)	65,717
Grind/Inlay Auburn Street	334,095
Curbs and Sidewalks Auburn Street	209,495
Cat Backhoe	124,982
Cat Dozer	38,384
Volvo Front End Loader	41,500
Mountain Line Pipeline System Elk Creek to Forebay (In Process)	513,392
Water Management and Conservation Plan (In Process)	11,935
GSI Groundwater Evaluation & Design (In Process)	46,501
8" Water Main Installation at Estes	167,287
Wide Frame Forks	7,349
Water System Enhancements	39,020
SCADA System Upgrade	8,649
Wastewater Pipe Curing	170,777
Wastewater System Enhancements	26,189
8" Wastewater Main Replacement	45,518
Effluent Water Disposal Options	51,318
Vertidrain - Golf Course Equipment	5,900
Golf Cart Fleet	70,890
Total	<u>\$ 3,109,873</u>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CONDITIONS AFFECTING THE CITY'S FINANCIAL SITUATION**

The following are currently known facts, decisions, or conditions that are expected to have a significant impact on the City's financial health:

- Measure 50, a tax limitation measure, established a permanent property tax rate of \$6.3314 per \$1,000 of assessed value. Growth in existing assessed value is limited to a maximum of three percent per year plus new construction's assessed value. In addition, Measure 5 limits the combined property tax rates to \$10 for all local governments except schools. City property taxes not assessed due to this \$10 limit (compression) decreased in 2018-19 for the second consecutive year from \$115,781 to \$106,155. However, the annual increase in property taxes is not enough to keep up with annual salary, health insurance and PERS benefits cost increases discussed below. On June 13, 2017, the City enacted an ordinance to create a public safety fee to help overcome this shortfall. Effective July 1, 2017 the public safety fee was set at \$3.00 per month for residential and \$6.00 per month for commercial properties. The ordinance which enacts the public safety fee will sunset on June 30, 2020.
- AFSCME Local 2175 Baker City Employees Association, Baker City Police Association and Baker City Professional Firefighters labor contracts were negotiated for periods of three-plus years. Increases for non-represented staff have not been set for future years. The known impacts of these actions are listed in the table below.

	<u>Police</u>	<u>Fire</u>	<u>AFSCME</u>	<u>Non-Represented</u>
July 1, 2018 Salary Increase	1.5%	1.5%	1.25%	0-2%*
July 1, 2019 Salary Increase	1.5%	1.5%	TBD	0-2%*
July 1, 2020 Salary Increase	TBD	TBD	TBD	0-2%*

\*Based on Merit.  
TBD – to be determined.

The PERS rates are set for a period of two years and are listed in the table below. The PERS rates for July 1, 2019 to June 30, 2021 will increase significantly.

	<u>Tier 1 &amp; Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police &amp; Fire</u>
Rates for July 1, 2017 to June 30, 2019	22.77%	13.63%	18.40%
Rates for July 1, 2019 to June 30, 2021	27.21%	18.11%	22.74%

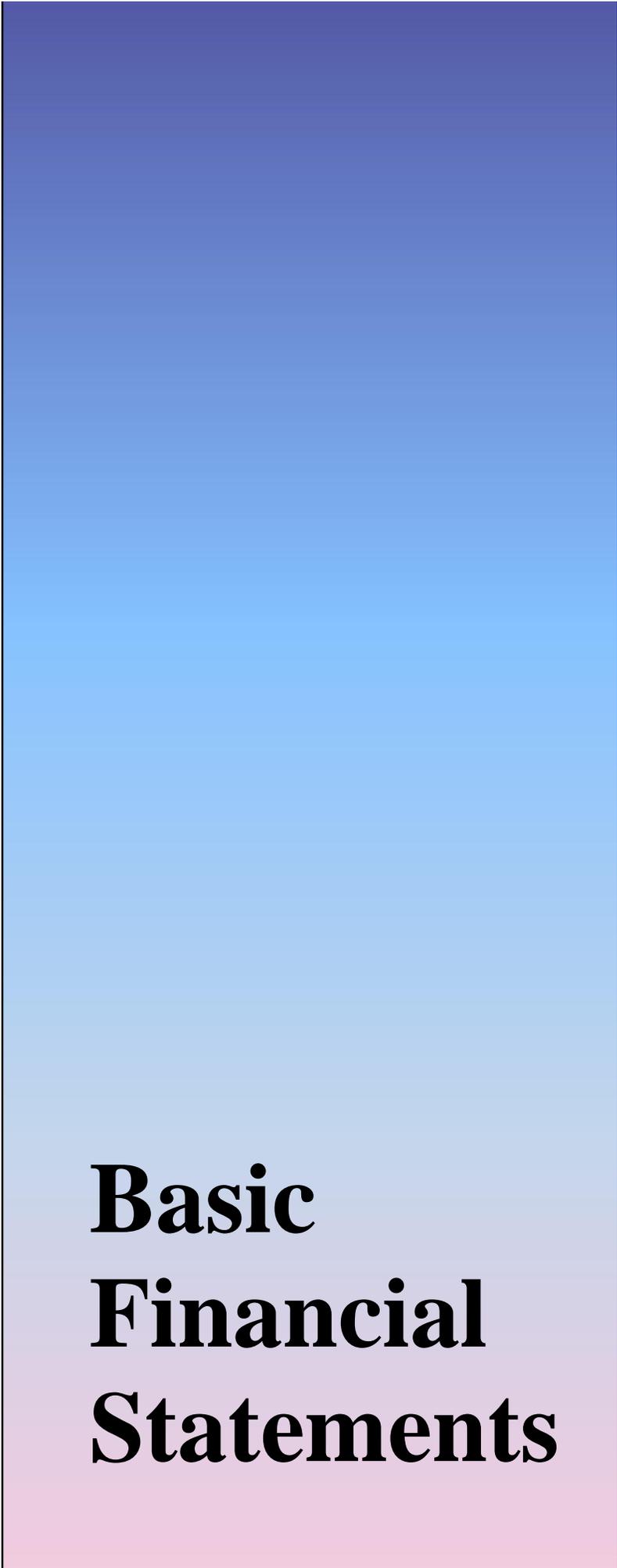
**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

- Street fund resources (mainly state gas taxes and property taxes) are not sufficient to maintain the City's streets in good condition. If the City's streets are not properly maintained (i.e. overlays, chip sealing, fog sealing, crack sealing) they will continue to deteriorate. The 2018 pavement management plan highlighted this need with 42.92% of the City's streets listed as fair condition and 3.59% listed as poor condition.
- On March 8, 2016, Council adopted the Water Facilities Master Plan prepared by Murray, Smith & Associates (MSA). This plan included a comprehensive review and evaluation of the City's water systems and consideration of needed capital improvement for the transmission, treatment and distribution systems. MSA identified the need for \$6.2 million in capital improvement projects over the 5-year horizon and a potential of \$33.4 million over the 6-to-20 year horizon due to an aging infrastructure. Although the City Council has increased water rates by 11.2% as of July 1, 2016; 10% as of July 1, 2017; and 10% as of July 1, 2018 these infrastructure needs will not be met without the continuation of significant annual water rate increases or other funding mechanisms in the future.
- Due to state and federal regulatory requirements the City's wastewater system will require significant modifications and improvements in the future. The City recently received a DEQ approved plan which includes the requirement for the City to switch from its current effluent disposal method of discharging into the Powder River to a land application disposal method. The current wastewater reserves and user rates will not be sufficient to fund these required enhancements. City staff estimates that the project costs could be up to \$11,386,000. City Council approved borrowing from the Department of Environmental Quality (DEQ) which could include up to \$500,000 of forgivable principal. It is estimated that after forgivable principal and current reserves the City may still require funding up to \$9,886,000 which would require an estimated annual debt payment of \$436,000. The DEQ would also require the City's wastewater rates to be increased to no less than \$30.86 per month.

**REQUESTS FOR INFORMATION**

The City's financial statements are designed to present the users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information please contact the City's Finance Director, Jeanie Dexter at PO Box 650, Baker City, OR 97814 or via email at [jdexter@bakercity.com](mailto:jdexter@bakercity.com).

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# **Basic Financial Statements**

**BAKER CITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 4,319,299	\$ 6,038,049	\$ 10,357,348
Deposit on Equipment	9,250	-	9,250
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	357,788	521,099	878,887
Interest Receivable	522	-	522
Prepaid Expenses	1,553	3,108	4,661
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	248,975	-	248,975
Intergovernmental Receivable	343,457	2,127	345,584
Contracts and Special Assessments Receivable	362,365	33,032	395,397
Internal Balances	(369,916)	369,916	-
Inventories	289,178	-	289,178
Capital Assets (Net of Accumulated Depreciation):			
Land	2,150,002	1,342,160	3,492,162
Construction in Process	7,223	720,695	727,918
Buildings	2,218,795	210,181	2,428,976
Improvements Other than Buildings	13,128	61,413	74,541
Machinery and Equipment	1,190,625	441,709	1,632,334
Infrastructure	14,991,615	22,805,123	37,796,738
Other Assets	270,237	-	270,237
<b>Total Assets</b>	<b>\$ 26,404,096</b>	<b>\$ 32,548,612</b>	<b>\$ 58,952,708</b>
<b>DEFERRED OUTFLOWS:</b>			
Deferred Outflows	1,798,292	618,195	2,416,487
<b>Total Assets and Deferred Outflows</b>	<b>28,202,388</b>	<b>33,166,807</b>	<b>61,369,195</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 144,872	\$ 305,844	\$ 450,716
Accrued Payroll Taxes and Benefits Payable	234,289	107,398	341,687
Accrued Interest Payable	-	32,256	32,256
Customer Deposits and Other Payables	505	43,825	44,330
Notes Payable	-	1,557,639	1,557,639
Compensated Absences Payable	227,647	104,909	332,556
Net Post-Employment Benefits Liability	289,971	99,683	389,654
Net Pension Liability	4,707,464	1,618,274	6,325,738
<b>Total Liabilities</b>	<b>5,604,748</b>	<b>3,869,828</b>	<b>9,474,576</b>
<b>DEFERRED INFLOWS:</b>			
Deferred Inflows	338,807	154,397	493,204
<b>Total Liabilities and Deferred Inflows</b>	<b>5,943,555</b>	<b>4,024,225</b>	<b>9,967,780</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	20,571,388	23,951,066	44,522,454
Restricted:			
Cemetery Care	274,061	-	274,061
2089 Celebration	3,032	-	3,032
Street Trees	31,018	-	31,018
Car Seats	1,629	-	1,629
Nonexpendable	782,954	-	782,954
Unrestricted	594,751	5,191,516	5,786,267
<b>Total Net Position</b>	<b>\$ 22,258,833</b>	<b>\$ 29,142,582</b>	<b>\$ 51,401,415</b>

The notes to the financial statements are an integral part of this statement.

BAKER CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 413,189	\$ 58,769	\$ 650	\$ 4,000	\$ (349,770)	\$ -	\$ (349,770)
Public Safety	4,609,273	960,961	188,532	42,341	(3,417,439)	-	(3,417,439)
Highways and Streets	1,496,029	24,410	854,216	-	(617,403)	-	(617,403)
Culture and Recreation	342,903	114	-	45,365	(297,424)	-	(297,424)
Airport	174,819	6,705	-	1,010,998	842,884	-	842,884
Cemetery	147,493	90,767	-	1,000	(55,726)	-	(55,726)
Hydro-electric Plant	7,873	49,933	-	-	42,060	-	42,060
Economic and Community Development	119,965	-	88,000	5,000	(26,965)	-	(26,965)
Interest on Long Term Debt	3,360	-	-	-	(3,360)	-	(3,360)
<b>Total Governmental Activities</b>	<b>7,314,904</b>	<b>1,191,659</b>	<b>1,131,398</b>	<b>1,108,704</b>	<b>(3,883,143)</b>	<b>-</b>	<b>(3,883,143)</b>
<b>Business-type Activities:</b>							
Water Utility	2,029,880	2,742,930	5,429	-	-	718,479	718,479
Wastewater Utility	1,255,770	1,363,991	29,957	-	-	138,178	138,178
Golf Operation	71,381	-	-	-	-	(71,381)	(71,381)
Building Inspection	325,769	446,355	-	-	-	120,586	120,586
<b>Total Business-type Activities</b>	<b>3,682,800</b>	<b>4,553,276</b>	<b>35,386</b>	<b>-</b>	<b>-</b>	<b>905,862</b>	<b>905,862</b>
<b>Total Government</b>	<b>\$ 10,997,704</b>	<b>\$ 5,744,935</b>	<b>\$ 1,166,784</b>	<b>\$ 1,108,704</b>	<b>(3,883,143)</b>	<b>905,862</b>	<b>(2,977,281)</b>
<b>General Revenues:</b>							
Property Taxes					3,355,997	-	3,355,997
Franchise Taxes					874,599	-	874,599
Grants and Contributions Not Restricted to a Particular Program					302,889	-	302,889
Rental Income					31,765	49,839	81,604
Interest on Investments					82,213	96,108	178,321
SAIF Refund					26,185	-	26,185
Miscellaneous					59,181	93,187	152,368
<b>Transfers:</b>							
Operating					(30,000)	30,000	-
<b>Total General Revenue and Transfers</b>					<b>4,702,829</b>	<b>269,134</b>	<b>4,971,963</b>
<b>Change in Net Position</b>					<b>819,686</b>	<b>1,174,996</b>	<b>1,994,682</b>
<b>Net Position July 1, 2017</b>					<b>21,726,909</b>	<b>27,868,917</b>	<b>49,595,826</b>
<b>Restatement of Beginning Net Position</b>					<b>(287,762)</b>	<b>98,669</b>	<b>(189,093)</b>
<b>Net Position June 30, 2018</b>					<b>\$ 22,258,833</b>	<b>\$ 29,142,582</b>	<b>\$ 51,401,415</b>

The notes to the financial statements are an integral part of this statement.

**BAKER CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and Cash Equivalents	\$ 1,181,867	\$ 1,186,040	\$ 26,523	\$ -	\$ 1,603,623	\$ 3,998,053
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	345,351	11,404	-	725	-	357,480
Interest Receivable	-	-	522	-	-	522
Prepaid Expenses	-	1,553	-	-	-	1,553
Taxes Receivable	196,418	45,986	-	-	6,571	248,975
Contracts and Special Assessments Receivable	-	-	172,499	189,866	-	362,365
Due From Other Funds	14,791	-	-	-	60,005	74,796
Advances to Other Funds	-	-	-	-	119,703	119,703
Intergovernmental Receivable	122,664	60,969	-	159,824	-	343,457
Other Assets	269,349	-	-	-	888	270,237
<b>Total Assets</b>	<u>\$ 2,130,440</u>	<u>\$ 1,305,952</u>	<u>\$ 199,544</u>	<u>\$ 350,415</u>	<u>\$ 1,790,790</u>	<u>\$ 5,777,141</u>
Liabilities:						
Accounts Payable	\$ 113,291	\$ 12,730	\$ -	\$ 494	\$ 6,129	\$ 132,644
Customer Deposit	500	-	-	-	-	500
Wages, Payroll Taxes and Benefits Payable	203,709	20,416	-	312	723	225,160
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	41,644	14,791	7,656	64,091
Advances from Other Funds	-	-	65,219	-	23,922	89,141
<b>Total Liabilities</b>	<u>317,505</u>	<u>33,146</u>	<u>106,863</u>	<u>15,597</u>	<u>38,430</u>	<u>511,541</u>
Deferred Inflows:						
Deferred Revenue	635,199	50,700	173,021	341,405	6,201	1,206,526
Fund Balance (Deficit):						
Nonspendable	269,349	-	-	-	783,842	1,053,191
Restricted for 2089 Celebration	-	-	-	-	3,032	3,032
Restricted for Cemetery Care	-	-	-	-	274,061	274,061
Restricted for Street Trees	-	-	-	-	31,018	31,018
Restricted for Community Development	-	-	-	5,000	-	5,000
Restricted for Car Seat Program	-	-	-	1,629	-	1,629
Committed for Cemetery Care	-	-	-	-	505,151	505,151
Committed for Sidewalks	-	-	-	-	88,720	88,720
Assigned for Street Trees	-	-	-	-	4,365	4,365
Assigned for Big Deal Grants	-	-	-	5,000	-	5,000
Assigned for Wellness	-	-	-	2,103	-	2,103
Assigned for Public Safety	-	-	-	39,562	-	39,562
Assigned for Skate Park	-	-	-	4,321	-	4,321
Assigned for Fire Equipment	-	-	-	-	73,942	73,942
Assigned for Samo Swim Maintenance	-	-	-	-	-	-
Assigned for Parks	-	-	-	22,109	-	22,109
Assigned for Trees	-	-	-	892	-	892
Assigned for Streets	-	1,222,106	-	-	-	1,222,106
Unassigned	908,387	-	(80,340)	(87,203)	(17,972)	722,872
<b>Total Fund Balance (Deficit)</b>	<u>1,177,736</u>	<u>1,222,106</u>	<u>(80,340)</u>	<u>(6,587)</u>	<u>1,746,159</u>	<u>4,059,074</u>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<u>\$ 2,130,440</u>	<u>\$ 1,305,952</u>	<u>\$ 199,544</u>	<u>\$ 350,415</u>	<u>\$ 1,790,790</u>	<u>\$ 5,777,141</u>

The notes to the financial statements are an integral part of this statement.

**BAKER CITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Fund Balances of Governmental Funds	\$	4,059,074
<p>The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.</p>		
		1,206,526
<p>Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.</p>		
		19,914,149
<p>All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.</p>		
- Compensated absences payable		(222,029)
<p>Internal service funds are proprietary-type funds and are not reported with the governmental funds. However, because internal service funds are expected to benefit primarily governmental activities, their assets, liabilities, and net position are reported along with governmental activities in the Statement of Net Position.</p>		
- Current assets and interfund receivable	\$	832,711
- Capital assets - net		657,239
- Current liabilities and interfund payable		(28,199)
- Compensated absences payable		(5,618)
- Noncurrent liabilities - other post-employment benefits liability		(8,864)
- Deferred outflows related to other post-employment benefits obligations		1,401
- Deferred inflows related to other post-employment benefits obligations		(693)
- Noncurrent liabilities - net pension liability		(143,898)
- Deferred outflows related to pension obligations		53,570
- Deferred inflows related to pension obligations		(9,663)
Subtotal		1,347,986
<p>That portion of internal service fund net position arising from transactions with enterprise-type funds are included in internal balances between governmental activities and business-type activities on the Statement of Net Position.</p>		
		(617,070)
<p>Pension and other-post employment benefits assets (OPEB), liabilities and deferred outflows are recorded based on actuarially determined amounts in the statement of net position but are not recorded in the fund financial statements as they are not expected to be liquidated with current resources:</p>		
- Net OPEB liability		(281,107)
- Deferred outflows related to OPEB		44,423
- Deferred inflows related to OPEB		(21,990)
- Net pension liability		(4,563,566)
- Deferred outflows related to pensions		1,698,898
- Deferred inflows related to pensions		(306,461)
Subtotal		(3,429,803)
Net Position of Governmental Activities	\$	22,258,833

**BAKER CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:						
Taxes:						
Property	\$ 2,644,967	\$ 613,434	\$ -	\$ -	\$ 87,599	\$ 3,346,000
Franchise	874,599	-	-	-	-	874,599
Licenses and Permits	9,947	-	-	-	-	9,947
Intergovernmental	595,696	853,525	-	1,001,929	-	2,451,150
Charges for Services	970,097	16,434	-	1,334	3,812	991,677
Fines and Forfeitures	39,755	-	-	-	-	39,755
Rental Income	33,865	-	-	-	-	33,865
Interest and Dividends	19,115	17,921	5,077	919	30,724	73,756
SAIF Refund	26,185	-	-	-	-	26,185
Public Safety Fee	165,243	-	-	-	-	165,243
Miscellaneous	21,813	691	21,761	97,508	15,518	157,291
Total Revenue	<u>5,401,282</u>	<u>1,502,005</u>	<u>26,838</u>	<u>1,101,690</u>	<u>137,653</u>	<u>8,169,468</u>
Expenditures:						
Current:						
General Government	337,456	-	11	63	-	337,530
Public Safety	4,244,109	-	-	27,720	5,538	4,277,367
Highways and Streets	-	951,180	-	-	-	951,180
Sidewalks	-	-	-	-	22,899	22,899
Parks and Recreation	95,457	-	-	532	93,658	189,647
Airport	47,889	-	-	-	-	47,889
Cemetery	142,386	-	-	-	-	142,386
Hydro-electric Plant	7,831	-	-	-	-	7,831
Economic and Community Development	99,787	-	-	3,000	5,004	107,791
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	3,360	-	-	3,360
Capital Outlay:						
General Government	973	-	-	-	-	973
Public Safety	55,934	-	-	-	-	55,934
Highways and Streets	-	338,449	-	-	-	338,449
Curbs and Sidewalks	-	209,495	-	-	-	209,495
Parks and Recreation	-	-	-	46,355	5,785	52,140
Airport	-	-	-	1,014,197	-	1,014,197
Cemetery	-	-	-	-	-	-
Hydro-electric Plant	-	-	-	-	-	-
Total Expenditures:	<u>5,031,822</u>	<u>1,499,124</u>	<u>3,371</u>	<u>1,091,867</u>	<u>132,884</u>	<u>7,759,068</u>
Excess (Deficit) of Revenues Over Expenditures	<u>369,460</u>	<u>2,881</u>	<u>23,467</u>	<u>9,823</u>	<u>4,769</u>	<u>410,400</u>
Other Financing Sources (Uses):						
Transfers In	12,998	60,000	-	12,000	-	84,998
Transfers Out	(42,000)	-	-	-	(72,998)	(114,998)
Total Other Financing Sources (Uses)	<u>(29,002)</u>	<u>60,000</u>	<u>-</u>	<u>12,000</u>	<u>(72,998)</u>	<u>(30,000)</u>
Net Change in Fund Balance	340,458	62,881	23,467	21,823	(68,229)	380,400
Fund Balance (Deficit), July 1, 2017	771,147	1,159,225	(103,807)	(28,610)	1,814,388	3,612,343
Restatement of Beginning Fund Balance	66,131	-	-	200	-	66,331
Fund Balance (Deficit), June 30, 2018	<u>\$ 1,177,736</u>	<u>\$ 1,222,106</u>	<u>\$ (80,340)</u>	<u>\$ (6,587)</u>	<u>\$ 1,746,159</u>	<u>\$ 4,059,074</u>

The notes to the financial statements are an integral part of this statement.

**BAKER CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	380,400
Governmental funds defer revenue that does not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.		(35,789)
Capital outlays net of dispositions, are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.		780,493
Proceeds from the issuance of long-term debt provide current financial resources and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases or decreases in noncurrent liabilities in the Statement of Net Position.		
- Change in compensated absences payable	\$	13,170
- Repayment of long term debt		-
Subtotal		13,170
Internal Service Funds are used by management to charge the costs of certain activities, such as inventory and fleet management. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(32,605)
That portion of the change in net position of internal service funds arising from transactions with business-type funds is an adjustment to internal balances between governmental activities and business-type activities on the Statement of Net Position.		3,316
Other post-employment benefit costs are determined based on actuarially determined amounts. The change in the actuarially determined liability amount is reported as an increase or decrease in the Statement of Net Position.		23,710
Pension costs are determined based on actuarially determined amounts. The change in the actuarially determined liability amount is reported as an increase or decrease in the Statement of Net Position.		(313,009)
Change in Net Position of Governmental Activities	\$	819,686

The notes to the financial statements are an integral part of this statement.

**BAKER CITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Golf Course Operation</b>	<b>Building Inspections</b>	<b>Totals</b>	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 3,480,067	\$ 2,047,003	\$ 97,926	\$ 413,053	\$ 6,038,049	\$ 321,246
Deposit on Equipment Purchase	-	-	-	-	-	9,250
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	365,394	155,640	-	65	521,099	308
Prepaid Expenses	1,554	1,554	-	-	3,108	-
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	2,127	2,127	-
Due From Other Funds	-	-	-	-	-	54,421
Inventories	-	-	-	-	-	289,178
<b>Total Current Assets</b>	<b>3,847,015</b>	<b>2,207,674</b>	<b>97,926</b>	<b>415,245</b>	<b>6,567,860</b>	<b>674,403</b>
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	158,308
Special Assessments Receivable	-	29,555	-	-	29,555	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	612,695	108,000	-	-	720,695	-
Buildings	293,250	35,037	106,146	-	434,433	58,399
Improvements other than Buildings	-	-	381,790	-	381,790	-
Infrastructure	26,476,036	9,639,795	-	-	36,115,831	-
Machinery, Equipment, and Vehicles	362,718	529,378	318,480	47,766	1,258,342	2,695,868
Less: Accumulated Depreciation	(8,583,755)	(5,561,369)	(502,749)	(24,097)	(14,671,970)	(2,097,028)
<b>Net Capital Assets</b>	<b>19,341,202</b>	<b>4,854,639</b>	<b>1,361,771</b>	<b>23,669</b>	<b>25,581,281</b>	<b>657,239</b>
<b>Total Noncurrent Assets</b>	<b>19,341,202</b>	<b>4,884,194</b>	<b>1,361,771</b>	<b>23,669</b>	<b>25,610,836</b>	<b>815,547</b>
<b>Total Assets</b>	<b>23,188,217</b>	<b>7,091,868</b>	<b>1,459,697</b>	<b>438,914</b>	<b>32,178,696</b>	<b>1,489,950</b>
Deferred Outflows	340,467	228,677	166	48,885	618,195	54,971
<b>Total Assets and Deferred Outflows</b>	<b>\$ 23,528,684</b>	<b>\$ 7,320,545</b>	<b>\$ 1,459,863</b>	<b>\$ 487,799</b>	<b>\$ 32,796,891</b>	<b>\$ 1,544,921</b>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 41,085	\$ 168,627	\$ 72,432	\$ 23,700	\$ 305,844	\$ 12,228
Customer Deposits	43,825	-	-	-	43,825	-
Due to Other Funds	-	-	58,284	-	58,284	6,842
Wages, Payroll Taxes and Benefits Payable	64,138	33,939	-	9,321	107,398	9,129
Compensated Absences Payable	67,660	28,650	-	8,599	104,909	5,618
Accrued Interest Payable	32,256	-	-	-	32,256	-
Current Portion of Long Term Debt	68,393	-	-	-	68,393	-
<b>Total Current Liabilities</b>	<b>317,357</b>	<b>231,216</b>	<b>130,716</b>	<b>41,620</b>	<b>720,909</b>	<b>33,817</b>
Long-Term Liabilities:						
Notes Payable	1,489,246	-	-	-	1,489,246	-
Advances From Other Funds	-	-	188,870	-	188,870	-
<b>Total Long-Term Liabilities</b>	<b>1,489,246</b>	<b>-</b>	<b>188,870</b>	<b>-</b>	<b>1,678,116</b>	<b>-</b>
Other Liabilities:						
Other Post-Employment Benefits Liability	54,900	36,874	27	7,882	99,683	8,864
Net Pension Liability	891,255	598,617	435	127,967	1,618,274	143,898
<b>Total Other Liabilities</b>	<b>946,155</b>	<b>635,491</b>	<b>462</b>	<b>135,849</b>	<b>1,717,957</b>	<b>152,762</b>
<b>Total Liabilities</b>	<b>2,752,758</b>	<b>866,707</b>	<b>320,048</b>	<b>177,469</b>	<b>4,116,982</b>	<b>186,579</b>
Deferred Inflows	64,146	43,084	31	47,136	154,397	10,356
<b>Total Liabilities and Deferred Inflows</b>	<b>2,816,904</b>	<b>909,791</b>	<b>320,079</b>	<b>224,605</b>	<b>4,271,379</b>	<b>196,935</b>
Net Position:						
Net Investment in Capital Assets	17,783,563	4,854,639	1,114,617	23,669	23,776,488	657,239
Unrestricted	2,928,217	1,556,115	25,167	239,525	4,749,024	690,747
<b>Total Net Position</b>	<b>\$ 20,711,780</b>	<b>\$ 6,410,754</b>	<b>\$ 1,139,784</b>	<b>\$ 263,194</b>	<b>28,525,512</b>	<b>\$ 1,347,986</b>

Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds

Related to Net Position of Business-type Activities

617,070

Net Position of Business-Type Activities

\$ 29,142,582

The notes to the financial statements are an integral part of this statement.

**BAKER CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Golf Course Operation</b>	<b>Building Inspections</b>	<b>Totals</b>	
Operating Revenue:						
Charges for Sales and Services	\$ 2,742,930	\$ 1,363,991	\$ -	\$ 446,355	\$ 4,553,276	\$ 597,925
Miscellaneous	14,776	75,617	-	2,794	93,187	367
Total Operating Revenue	<u>2,757,706</u>	<u>1,439,608</u>	<u>-</u>	<u>449,149</u>	<u>4,646,463</u>	<u>598,292</u>
Operating Expenses:						
Cost of Sales and Services	1,471,032	1,032,153	-	321,044	2,824,229	532,728
Depreciation	501,645	221,247	-	4,725	727,617	129,081
Total Operating Expenses	<u>1,972,677</u>	<u>1,253,400</u>	<u>-</u>	<u>325,769</u>	<u>3,551,846</u>	<u>661,809</u>
Operating Income (Loss)	<u>785,029</u>	<u>186,208</u>	<u>-</u>	<u>123,380</u>	<u>1,094,617</u>	<u>(63,517)</u>
Nonoperating Revenue (Expense):						
Gain (Loss) on Property and Equipment Sale	-	-	-	-	-	22,455
Investment Earnings	58,362	31,862	323	5,561	96,108	8,457
Intergovernmental Grants	5,429	29,957	-	-	35,386	-
Gain on Sale of Equipment	-	-	-	-	-	-
Rental Income	3,000	3,782	43,057	-	49,839	-
Depreciation and Expenses - Rental Property	-	-	(67,424)	-	(67,424)	-
Interest Expense	(56,273)	-	(3,941)	-	(60,214)	-
Total Nonoperating Revenue (Expense)	<u>10,518</u>	<u>65,601</u>	<u>(27,985)</u>	<u>5,561</u>	<u>53,695</u>	<u>30,912</u>
Income (Loss) Before Transfers	<u>795,547</u>	<u>251,809</u>	<u>(27,985)</u>	<u>128,941</u>	<u>1,148,312</u>	<u>(32,605)</u>
Other Financing Sources (Uses):						
Transfers In	-	-	30,000	-	30,000	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Change in Net Position	795,547	251,809	2,015	128,941	1,178,312	(32,605)
Net Position, July 1, 2017	19,772,516	6,151,355	1,137,795	186,865		1,385,969
Restatement of Beginning Net Position	143,717	7,590	(26)	(52,612)	98,669	(5,378)
Net Position, June 30, 2018	<u>\$ 20,711,780</u>	<u>\$ 6,410,754</u>	<u>\$ 1,139,784</u>	<u>\$ 263,194</u>		<u>\$ 1,347,986</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					<u>(3,316)</u>	
Change in Net Position of Business-Type Activities					<u>\$ 1,273,665</u>	

**BAKER CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds					Governmental Activities-- Internal Service Funds
	Water Utility	Wastewater Utility	Golf Course Operation	Building Inspections	Totals	
Cash From Operating Activities:						
Receipts from Customers and Users	\$ 2,711,986	\$ 1,326,685	\$ -	\$ 437,297	\$ 4,475,968	\$ 1,019
Receipts from Interfund Services Provided	-	-	-	-	-	597,219
Other Receipts	14,776	75,617	-	2,794	93,187	3,967
Payments to Suppliers	(203,729)	(168,678)	-	(111,211)	(483,618)	(307,778)
Payments to Employees	(760,481)	(562,705)	-	(161,303)	(1,484,489)	(180,893)
Payments for Interfund Services Used	(374,061)	(243,867)	-	(25,168)	(643,096)	(110)
Net Cash Provided (Used) by Operating Activities	<u>1,388,491</u>	<u>427,052</u>	<u>-</u>	<u>142,409</u>	<u>1,957,952</u>	<u>113,424</u>
Cash Flows From Non Capital Financing Activities:						
Advances and Transfers from (to) Other Funds	-	-	30,000	-	30,000	(70,890)
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	4,931	-	-	-	4,931	33,696
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,931</u>	<u>3,477</u>	<u>30,000</u>	<u>-</u>	<u>38,408</u>	<u>(37,194)</u>
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	608	-	-	-	608	56,305
Deposit on Capital Assets	-	-	-	-	-	(9,250)
Acquisition/Construction of Capital Assets	(816,599)	(168,773)	(5,900)	(162)	(991,434)	(205,191)
Other Receipts	5,429	29,957	-	-	35,386	-
Advances from (to) Other Funds	-	-	70,890	-	70,890	-
Principal Paid on Long Term or Interfund Debt	(66,048)	-	(49,613)	-	(115,661)	-
Interest Paid on Long Term or Interfund Debt	(57,641)	-	(3,941)	-	(61,582)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(934,251)</u>	<u>(138,816)</u>	<u>11,436</u>	<u>(162)</u>	<u>(1,061,793)</u>	<u>(158,136)</u>
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	43,057	-	49,839	-
Expenses Rental Property	-	-	(12,413)	-	(12,413)	-
Principal Received on Notes Receivable	76,000	-	-	-	76,000	-
Interest on Investments	58,664	31,862	323	5,561	96,410	8,457
Net Cash Provided (Used) by Investing Activities	<u>137,664</u>	<u>35,644</u>	<u>30,967</u>	<u>5,561</u>	<u>209,836</u>	<u>8,457</u>
Net Increase (Decrease) in Cash and Cash Equivalents	596,835	327,357	72,403	147,808	1,144,403	(73,449)
Cash and Cash Equivalents, July 1, 2017	2,883,232	1,719,646	25,523	265,245	4,893,646	394,695
Cash and Cash Equivalents, June 30, 2018	<u>\$ 3,480,067</u>	<u>\$ 2,047,003</u>	<u>\$ 97,926</u>	<u>\$ 413,053</u>	<u>\$ 6,038,049</u>	<u>\$ 321,246</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 785,029	\$ 186,208	\$ -	\$ 123,380	\$ 1,094,617	\$ (63,517)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	501,645	221,247	-	4,725	727,617	129,081
(Increase) Decrease in Accounts Receivable Related to Operating Activities (Net of Allowance for Uncollectible Accounts)**	(33,916)	(37,306)	-	(2,117)	(73,339)	3,913
(Increase) Decrease in Prepaid Expenses	2,671	2,488	-	36	5,195	-
(Increase) Decrease in Inventories	-	-	-	-	-	25,578
Increase (Decrease) in Customer Deposits	2,972	-	-	-	2,972	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	(266)	3,173	-	9,221	12,128	(29,442)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	8,253	4,251	-	778	13,282	1,252
Increase (Decrease) in Compensated Absences Asset/Liability	868	(5,608)	-	3,290	(1,450)	(1,778)
Increase (Decrease) in Deferred Inflows Related to Building Permits	-	-	-	(6,942)	(6,942)	-
Net Change in Other Post-Employment Benefits Liab.	1,191	(1,793)	-	(492)	(1,094)	2,778
Net Change in Pension Asset/Liabilities	120,044	54,392	-	10,530	184,966	45,559
Total Adjustments	<u>603,462</u>	<u>240,844</u>	<u>-</u>	<u>19,029</u>	<u>863,335</u>	<u>176,941</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,388,491</u>	<u>\$ 427,052</u>	<u>\$ -</u>	<u>\$ 142,409</u>	<u>\$ 1,957,952</u>	<u>\$ 113,424</u>

The notes to the financial statements are an integral part of this statement.

\*Increase (Decrease) in accounts payable related to the acquisition/construction of capital assets is as follows - Water Fund \$13,768; Wastewater Fund \$157,727; Golf Course Operations Fund \$70,890 and Equipment and Vehicle Fund \$325.

\*\*((Increase) Decrease in accounts receivable related to the sale of fixed assets is as follows: Water Fund \$608 and Equipment & Vehicle Fund \$33,850.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Baker City is an Oregon municipal corporation governed by a separately elected seven member council, which includes a mayor. The current City Charter was adopted May 16, 2000 and is a Council-Manager form of Government. The accompanying financial statements present the City in its entirety. There are no other entities for which the City is considered to be financially accountable.

**Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities report information on all activities of the City of Baker City, except fiduciary activities. Eliminations have been made to minimize the double counting of interfund activities. Governmental activities, which normally are 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. 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, (2) operating grants and contributions that are restricted to a particular function or segment and (3) capital grants or contributions that are restricted to a particular function or segment. Revenues that are not classified as program revenues, including property taxes and franchise taxes, are presented as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Net position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, donations and similar items are recognized as revenues in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within two months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, claims and judgments and pension liabilities are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds.

Property taxes, franchise taxes, intergovernmental revenues, licenses, grants, airport revenue, ambulance revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The State Tax Street Fund accounts for gas tax apportionments from the State of Oregon. These funds are designated by State law for use in maintenance of the City's street system. It also accounts for property taxes allocated by the City to be used for maintenance and repair of the City's street system.

The LID Repayment Fund is used to track the payments and outstanding balances of local improvement district receivables.

The State and Federal Grants Fund is used to track the receipt and disbursement of grant dollars.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's Water service and distribution facilities.

The Wastewater Utility Fund accounts for the operation and maintenance of the City's sewer system including the collection lines and the sewage treatment lagoons.

The Golf Course Operation Fund accounts for the revenues and expenses from the lease of the City's 18-hole golf course.

The Building Inspections Fund accounts for county-wide building inspection activity.

Additionally, the City reports the following fund types:

Special revenue funds account for funds restricted to a particular purpose. These include property taxes allocated to swimming pool operation and revenues dedicated to cemetery operation and improvements.

The capital projects fund accounts for the accumulation of money for major fire and emergency medical supply (EMS) equipment purchases.

Internal service funds account for fleet, inventory and insurance management provided to other departments or agencies of the City on a cost reimbursement basis.

The City has three permanent funds: the One Hundred Year Trust Fund, the Mt. Hope Trust Fund and the Anthony Silvers Street Tree Trust Fund. The One Hundred Year Trust Fund was started with donations in 1989 and will be used to accumulate money to fund a public amenity, fund a community celebration in the year 2089, and provide seed money for another one hundred year trust. By city ordinance the Mt. Hope Trust Fund's trust corpus cannot be spent but the investment earnings are to be used for cemetery maintenance. The Anthony Silvers Street Tree Trust Fund was created by a bequest from Anthony Silvers and its corpus can never be spent but the investment earnings are to be used for planting and/or replanting of street trees within the City of Baker City.

The City has applied Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies certain FASB and AICPA Pronouncements into GASB authoritative literature.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. For example, the General Fund charges other funds for centralized expenses. The revenue and expenses in the General Fund are reduced by the centralized expenses that are charged to other funds. Exceptions to this general rule are payments-in-lieu of franchise taxes and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater Utility, and the Building Inspections funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, interest expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For example, the revenue and expenses associated with the lease of the City's 18-hole golf course are non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Assets, Liabilities, and Net Position or Fund Balance**

**Cash, Cash Equivalents and Investments**

The City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the City consisted of the State Treasurer's Investment Pool (LGIP). The City's investments are stated at cost which approximates fair value.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Position or Fund Balance (Continued)**

**Cash, Cash Equivalents and Investments (Continued)**

The Oregon State Treasury administers the LGIP. It 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. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles is calculated for each type of receivable based on past collection history. Property taxes receivable are deemed to be 100% collectible as they are secured by a lien on real property with foreclosure proceedings to commence at four years past due.

Property taxes are levied July 1 on property values assessed as of January 1. The tax levy is divided into three installments: the first installment is due on November 15, the second installment is due February 15 and the third installment is due May 15. The taxes are considered past due after May 15, at which time the applicable property is subject to penalties and interest.

**Inventories**

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Position or Fund Balance (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The construction of the U.V. treatment facility was funded in part by a \$1,750,000 note payable to the State of Oregon – Infrastructure Finance Authority. The interest accrued of \$7,251 while the U.V. treatment facility was under construction was included in the capitalized value of the asset.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings & Improvements	25-40
Land Improvements	10-20
Machinery & Equipment	5-10
Vehicles	5-10
Utility Systems	25-40
Infrastructure	20-40

**Compensated Absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. Vacation liabilities are accrued when earned.

**Long-Term Obligations**

In the government-wide financial statements and fund financial statements (proprietary funds) long-term debt and other long-term obligations are reported as liabilities of the applicable governmental activities. Business-type discounts and issuance costs are deferred and amortized over the life of the debt using the effective interest method. Debt payable is reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Position or Fund Balance (Continued)**

**Long-Term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize issuance costs, as well as premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Inflows and Outflows of Resources**

In the governmental fund statements, amounts that will not be collected within two months of the fiscal year end are considered deferred inflows. These amounts include past due property taxes, franchise fees, intergovernmental revenues, ambulance revenue and trade accounts receivable.

In the proprietary fund and government wide statements deferred inflows and outflows relate to pension activity, other post-employment retirement plans (OPEB) and building permits with outstanding inspections. For purposes of measuring the net pension liability; the net OPEB liability; deferred outflows of resources and deferred inflows of resources related to pensions and OPEB; pension expense; OPEB expense; information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and the Retiree Health Insurance Account (RHIA) and additions to/deductions from OPERS's fiduciary net position (OPERS and RHIA) have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

Total OPEB Liability, deferred inflows and deferred outflows of resources related to OPEB, and OPEB expenses for the City's Implicit Rate Subsidy Plan have been determined by an actuarial valuation prepared by Milliman in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75. For this purpose, deferred outflows of resources relate to the expected benefit payments (related to the estimated additional health care cost for active employees) in the current fiscal year.

Building permit revenue (including plumbing, mechanical and electrical permits) received by June 30, 2018 are considered deferred inflows if building inspections required by those permits are still outstanding at June 30, 2018. Deferred inflows for these permits are estimated by multiplying the estimated number of inspections remaining by the inspection billing rate. Revenue is recognized in the Building Inspection Fund as outstanding inspections for building permits are completed.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Position or Fund Balance (Continued)**

**Government-Wide Statements (Continued)**

Fund balance is classified as net position and displayed in the following four components:

- § *Net investment in capital assets* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- § *Restricted net position* – Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- § *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.
- § *Nonexpendable* – Includes permanent endowments and permanent fund principal amounts and is required to be retained in perpetuity.

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Financial Statements**

Proprietary fund balance is classified the same as in the government-wide statements.

Governmental fund balance is classified in the following categories:

- § *Nonspendable* – amounts that are not in a spendable form (such as inventory and electric cooperative capital credits) or are required to remain intact (such as the corpus of an endowment fund).
- § *Restricted* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- § *Committed* – amounts constrained to specific purposes by the City itself at the highest level of authority. This generally occurs by the adoption of an ordinance by the City Council.
- § *Assigned* – amounts the City intends to use for a specific purpose. Assignment can be made by the designation of revenue sources to a particular fund, such as franchise fees designated to be received by the Street Fund, by informal motion of the City Council or by decision of management.
- § *Unassigned* – amounts that are available for any purpose.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Position or Fund Balance (Continued)**

**Fund Financial Statements (Continued)**

When more than one class of fund balance is available it is the City's policy to first expend the fund balance from the class with the highest level of restriction. Restricted fund balance is comprised of the following:

The will of John Schmitz bequeathed a sum of money to the City to be used exclusively to benefit Mt. Hope Cemetery. Ordinance No. 2663 requires that the John Schmitz Memorial Trust Funds be maintained for cemetery purposes and that the income earned from investments be used for maintenance, upkeep, improvements or other benefits of the cemetery. This is accomplished by transferring interest income into the General Fund. The City annually spends significantly more than this interest amount for cemetery maintenance.

On November 15, 1989, the City entered into a trust agreement which established the One Hundred Year Trust Fund. The terms of this agreement require the principal and interest to accumulate for 100 years. In the year 2089 the funds are to be used for a community wide celebration, \$5,000 to establish the next one hundred year trust fund and construction of a public amenity related to public recreation.

The will of Anthony Silvers bequeathed a sum of money to the City and provided that the principal thereof be perpetually maintained in an account designated as the Anthony Silvers Street Tree Trust Fund and that the income thereof be used solely for the purpose of the planting and/or replanting of street trees within the City of Baker City.

Amounts restricted for community development and car seats were restricted by their grantors.

**Use of Estimates**

The preparation of the City's general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from the estimates.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with Oregon Local Budget Law for Municipal Corporations for all funds. All annual appropriations lapse at fiscal year end.

Before June 30, the proposed budget is presented to the City's budget committee for review. The Committee holds public hearings, makes changes as approved by the majority, and then approves the budget. The budget then goes to the City Council for an additional hearing, final changes and approval. The final budget must be prepared and adopted no later than June 30.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Budgetary Information (Continued)**

The budget is prepared by fund and program unit. The government’s department heads may make transfers of appropriations within a program unit. Transfers of appropriations between program units require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the program unit, and where there is no clearly defined program unit legal budgetary control is by fund and category. The Council made several transfers of budgetary appropriations throughout the year.

**Deficit Fund Balance**

As of June 30, 2018, the LID Repayment Fund and the Samo Swim Maintenance Fund had deficit fund balances of \$80,340 and \$17,972, respectively. These deficits were funded through interfund loans. These funds did not have deficit fund balances on a budget basis.

The State and Federal Grants Fund had a deficit fund balance of \$6,587 as of June 30, 2018 on a generally accepted accounting principles (GAAP) basis as well as on a budget basis. The deficit fund balance is due to FAA and Connect Oregon VI grants that were not susceptible to accrual due to the timing of the grant reimbursements.

**3. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

At June 30, 2018, the City’s carrying amount of deposits was \$246,000 and the bank balance was \$340,489. In addition, the City had \$16,020 of cash on hand. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City has no formal investment policy but does follow the requirements of Chapter 295 of the Oregon Revised Statutes (ORS) for managing custodial credit risk. Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts. ORS Chapter 295 requires depository banks to deposit with a third party bank custodian, securities which have a value of 10%, 25% or 110% of public funds on deposit in excess of FDIC insurance limits depending on the capitalization level of the depository bank. This collateral is to be in the name of the Oregon State Treasurer (Treasurer). Should a bank holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City’s banks participate in this program; however, since the collateral is not held in the City’s name, deposits in excess of FDIC insurance are still considered to be exposed to custodial credit risk. As of June 30, 2018 the City’s bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$	340,489
Uninsured and uncollateralized		-
Total		\$ 340,489

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Deposits and Investments (Continued)**

At June 30, 2018, the City had an investment of \$10,095,326 in the Oregon Short Term Fund (OSTF), an external investment pool administered by the Oregon State Treasurer. The OSTF is regulated under the statutes of the State of Oregon (ORS 294.805-294.895). The OSTF invests in US Agency Securities, Corporate Bonds, Commercial Paper and Certificates of Deposit. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

**Receivables**

Receivables as of year-end for the City's governmental individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Street Fund	LID Repayment Fund	State and Federal Grants Fund	Non-major and Other Funds	Total
Interest	\$ -	\$ -	\$ 522	\$ -	\$ -	\$ 522
Property Taxes	196,418	45,986	-	-	6,571	248,975
Franchise Taxes	33,903	-	-	-	-	33,903
Trade Accounts	493,446	13,795	-	725	-	507,966
Special Assessments	-	-	-	189,866	-	189,866
LID Receivables	-	-	172,499	-	-	172,499
Intergovernmental	122,664	60,969	-	159,824	-	343,457
Gross Receivables	846,431	120,750	173,021	350,415	6,571	1,497,188
Less: Allowance for Uncollectibles	(181,998)	(2,391)	-	-	-	(184,389)
Total Receivables	\$ 664,433	\$ 118,359	\$ 173,021	\$ 350,415	\$ 6,571	\$ 1,312,799

Internal Service Funds have trade account receivables at year-end of \$308 which are included with governmental activities in the Statement of Net Position.

Receivables as of year end for the City's individual business-type major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Water Utility Fund	Wastewater Utility Fund	Building Inspection Fund	Golf Course Operation Fund	Total
Trade Accounts	\$ 371,291	\$ 158,340	\$ 65	\$ -	\$ 529,696
Special Assessments	-	33,032	-	-	33,032
Intergovernmental	-	-	2,127	-	2,127
Gross Receivables	371,291	191,372	2,192	-	564,855
Less: Allowance for Uncollectibles	(5,897)	(2,700)	-	-	(8,597)
Total Receivables	\$ 365,394	\$ 188,672	\$ 2,192	\$ -	\$ 556,258

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Receivables (Continued)**

On May 3, 2017, the City entered into an agreement with Orrin and Tera Bigelow to accept a \$76,000 promissory note as partial payment on the purchase of property located at Salmon Creek. This promissory note was originally due and payable on June 9, 2022 with interest at 5% per annum. On October 12, 2017, the City received \$75,741 from Orrin and Tera Bigelow which satisfied the promissory note in full.

Governmental funds report deferred revenue in connection with receivables when revenues are not considered available to pay liabilities for the fiscal period ended June 30. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Deferred Revenue
Trade Accounts Receivable	\$ 188,330
Intergovernmental Receivable	151,014
Delinquent Property Taxes Receivable	234,946
Special Assessments Not Due	189,866
Local Improvement District Receivables Not Due	172,499
Interest Receivable	522
Oregon Trail Electric Cooperative Capital Credits	269,349
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,206,526

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$269,349, special assessments receivable in the amount of \$189,866 and the local improvement district receivables of \$172,499 are not expected to be collected within one year.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 1,008,530	\$ 1,018,379	\$ (2,019,686)	\$ 7,223
Land	<u>2,150,002</u>	-	-	<u>2,150,002</u>
Total capital assets, not being depreciated	<u>3,158,532</u>	<u>1,018,379</u>	<u>(2,019,686)</u>	<u>2,157,225</u>
Capital assets, being depreciated:				
Buildings	5,595,207	8,582	-	5,603,789
Improvements other than buildings	119,151	-	-	119,151
Machinery and equipment	5,327,764	266,919	(155,582)	5,439,101
Infrastructure	<u>36,500,065</u>	<u>2,601,860</u>	<u>(520,147)</u>	<u>38,581,778</u>
Total capital assets being depreciated	<u>47,542,187</u>	<u>2,877,361</u>	<u>(675,729)</u>	<u>49,743,819</u>
Less accumulated depreciation for:				
Buildings	(3,252,371)	(132,622)	-	(3,384,993)
Improvements other than buildings	(104,547)	(1,476)	-	(106,023)
Machinery and equipment	(4,162,872)	(232,052)	146,447	(4,248,477)
Infrastructure	<u>(23,465,819)</u>	<u>(644,491)</u>	<u>520,147</u>	<u>(23,590,163)</u>
Total accumulated depreciation	<u>(30,985,609)</u>	<u>(1,010,641)</u>	<u>666,594</u>	<u>(31,329,656)</u>
Total capital assets, being depreciated, net	<u>16,556,578</u>	<u>1,866,720</u>	<u>(9,135)</u>	<u>18,414,163</u>
Governmental activities capital assets, net	<u>\$ 19,715,110</u>	<u>\$ 2,885,099</u>	<u>\$ (2,028,821)</u>	<u>\$ 20,571,388</u>

As of June 30, 2018, construction in process for governmental activities of \$7,223 is comprised of the following projects: the taxiway apron rehabilitation project in process \$3,200 and the AutoCAD GIS project of \$4,023.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Construction in process	\$ 35,159	\$ 687,680	\$ (2,144)	\$ 720,695
Land	1,342,160	-	-	1,342,160
Total capital assets, not being depreciated	1,377,319	687,680	(2,144)	2,062,855
Capital assets, being depreciated:				
Buildings	434,433	-	-	434,433
Machinery and equipment	1,174,367	90,843	(6,868)	1,258,342
Improvements other than buildings	381,790	-	-	381,790
Infrastructure	35,658,391	457,440	-	36,115,831
Total capital assets, being depreciated	37,648,981	548,283	(6,868)	38,190,396
Less accumulated depreciation for:				
Buildings	(214,013)	(10,238)	-	(224,251)
Machinery and equipment	(758,594)	(64,907)	6,868	(816,633)
Improvements other than buildings	(300,351)	(20,026)	-	(320,377)
Infrastructure	(12,623,604)	(687,104)	-	(13,310,708)
Total accumulated depreciation	(13,896,562)	(782,275)	6,868	(14,671,969)
Total capital assets, being depreciated, net	23,752,419	(233,992)	-	23,518,427
Business-type activities capital assets, net	<u>\$ 25,129,738</u>	<u>\$ 453,688</u>	<u>\$ (2,144)</u>	<u>\$ 25,581,282</u>

As of June 30, 2018, construction in process for business-type activities of \$720,695 is comprised of \$56,914 for the effluent disposal options project; \$70,708 for the AutoCAD GIS project; \$19,500 for the wastewater facility plan; \$48,246 for the groundwater evaluation and design project; \$11,935 for the water management and conservation plan and \$513,392 for the Mountain line improvement project.

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 42,289
Public safety	119,988
Highway and streets, including depreciation of general infrastructure assets	432,208
Culture and recreation	151,549
Economic and Community Development	4,859
Airport	126,773
Cemetery	3,894
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	129,081

**Total depreciation expense - governmental activities**

**\$ 1,010,641**

**Business-type activities:**

Water utility	\$ 501,645
Wastewater utility	221,247
Building inspections	4,725
Golf operation	54,658

**Total depreciation expense-business-type activities**

**\$ 782,275**

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	Golf Course Operations	\$ 39,923
Anthony Silvers Street Tree Trust	LID Repayment	41,644
Mt Hope Trust	Golf Course Operations	18,361
Equipment and Vehicle	Samo Swim Maintenance	7,656
General Fund	State & Federal Grants Fund	14,791
Equipment and Vehicle	Central Stores	6,842
Total		<u>\$ 129,217</u>

Advances from/to other funds (interfund loans due after one year):

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Equipment and Vehicle	Golf Course Operations	\$ 134,386
Anthony Silvers Street Tree Trust	LID Repayment	65,219
Mt. Hope Trust	Golf Course Operations	54,484
Equipment and Vehicle	Samo Swim Maintenance	23,922
Total		<u>\$ 278,011</u>

Interfund balances are primarily used to fund activities that would normally be financed with loans from outside sources. The City has determined that it is in the City's economic interest for the City funds with excess cash to loan money to funds short on cash and pay interest internally rather than pay interest to outsiders.

Routine transfers made during the year ended June 30, 2018 are as follows:

	General Fund	State Tax Street Fund	S&F Grant Fund	Nonmajor Governmental Funds	Enterprise Funds	Total
<b>Transfer from:</b>						
General Fund	\$ -	\$ -	\$ 12,000	\$ -	\$ 30,000	\$ 42,000
Non Major Governmental Funds	12,998	60,000	-	-	-	72,998
Total Transfers	<u>\$ 12,998</u>	<u>\$ 60,000</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 114,998</u>

The City uses interfund transfers on a routine basis to transfer interest earnings from the permanent funds to be used for cemetery maintenance; for matching grant funds; to transfer funds to pay for capital assets.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Contracts, Notes and Capital Lease Obligations**

The following is a summary of the City's business-type outstanding debt at June 30, 2018:

	<b>Business-Type Activities Long-Term Obligations</b>
Note Payable to the Oregon Infrastructure Finance Authority (IFA) for \$1,750,000 dated May 16, 2014 for the construction of the U.V. Treatment Facility, the first annual installment of \$130,940 was due December 1, 2015 with annual installments of \$123,690 due December 1, thereafter, including interest at 3.55%. The note payable is secured by the pledge of the City's full faith and credit and taxing power within the limitations of Article XI, section 11 and 11b, of the Oregon Constitution and by the "Net Revenues" of the City's water system after payment of operation and maintenance costs of the system.	\$ 1,557,639
Total Business-Type Long-Term Liabilities	\$ 1,557,639

The following is a summary of maturities of the governmental activity long-term liability as of June 30, 2018:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2018-2019	\$ 68,393	\$ 55,296	\$ 123,689
2019-2020	70,821	52,868	123,689
2020-2021	73,336	50,354	123,690
2021-2022	75,939	47,751	123,690
2022-2023	78,635	45,055	123,690
2023-2028	437,083	181,365	618,448
2028-2033	520,372	98,076	618,448
2033-2035	233,060	12,450	245,510
Total	\$ 1,557,639	\$ 543,215	\$ 2,100,854

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 242,594	\$ 325,998	\$ (340,945)	\$ 227,647	\$ 227,647

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Contracts, Notes and Capital Lease Obligations**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Compensated absences	\$ 106,359	\$ 109,823	\$ (111,273)	\$ 104,909	\$ 104,909
Note payable – OR IFA	1,623,687	-	(66,048)	1,557,639	68,393
Business-type activity					
Long-term liabilities	<u>\$ 1,730,046</u>	<u>\$ 109,823</u>	<u>\$ (177,321)</u>	<u>\$ 1,662,548</u>	<u>\$ 173,302</u>

The compensated absences liability for the Internal Service Funds is \$5,618 and is included in the above totals for governmental activities.

**4. OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters for which the City carries commercial insurance. There have been no significant decreases in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City obtains most of its insurance coverage through CityCounty Insurance Services (CIS) under an insurance pooling arrangement in which many cities and counties in Oregon participate. The City maintains a retrospective liability plan with CIS for its general liability insurance. This type of plan provides for a reduced upfront premium cost with the City repaying CIS for any liability claims up to a set amount each plan year. The City has a related contingent liability of \$84,921 for the plan year ended June 30, 2018 and \$44,718 for the plan year ended June 30, 2017. The City also has a contingent liability for future claims (including certain claims with no statute of limitations) that may be filed related to plan years ending June 30, 2016 and prior of \$151,956, where a contingent liability still remains. The City believes that any such future payments will not be significant.

**Post-Employment Benefits Other than Pensions**

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**Financial Statement Presentation**

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements related to the plans as follows:

	<b>Implicit Rate Subsidy Plan</b>	<b>PERS RHIA Plan</b>	<b>Total OPEB on Financials</b>
Net OPEB Asset	\$ -	\$ 14,860	\$ 14,860
Deferred Outflows of Resources			
Contributions after the Measurement Date	43,919	17,657	61,576
Total OPEB Liability	404,513	-	404,513
Deferred Inflows of Resources			
Change in Proportionate Share	-	(387)	(387)
Change in Assumptions	(23,212)	-	(23,212)
Difference in Earnings	-	(6,882)	(6,882)
OPEB Expense (Credit)*	39,589	(64)	39,525

\*Included in program expenses on the Statement of Activities.

**Implicit Rate Subsidy Plan**

**General Information – Plan Description**

The City's defined benefit postemployment healthcare plan is administered by Citycounty Insurance Services (CIS), a public entity insurance trust. CIS was formed by the League of Oregon Cities and the Association of Oregon Counties to meet the risk management and employee benefit needs of Oregon cities, counties and other eligible local governments. The CIS Board of Trustees administers the CIS Trust which includes the CIS Property/Casualty Trust and the two CIS Benefits trusts: EBS (cities) and AOCIT (counties). The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. Implicit employer subsidies generally represent the increase in premiums the City must pay on behalf of its active employees as a consequence of providing access to retirees' OPEB.

**Funding Policy**

The City has not established a trust fund to supplement the cost for the net OPEB obligation. Contribution requirements are negotiated between the City and union representatives. Eligible members receiving postemployment benefits are responsible for all their healthcare premiums.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**Implicit Rate Subsidy Plan (Continued)**

**Benefits Provided**

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	5
Active employees	61
Total	66

**Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The City's total OPEB liability of \$404,513 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$39,589. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *entry age actuarial cost method* with Service Cost expressed as a level percent of pay, an amount actuarially determined in accordance with the guidance of GASB Statement No. 75. The Present Value of Benefits is the present value of projected benefits (projected costs less retiree contributions) discounted at the valuation interest rate. Under the Entry Age Actuarial Cost Method, the Present Value of Benefits is allocated over the service for each active employee from the date of hire to their expected retirement age, as a level percent of the employee's pay. This level percent multiplied by pay is referred to as the Service Cost, and is that portion of the Present Value of Benefits attributable to an employee's service in a current year. The Service Cost equals \$0 for retired members.

At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>OPEB - Implicit Rate Subsidy Plan</b>		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or inputs	-	(23,212)
Changes in proportionate share	-	-
Total (prior to post-MD contributions)	-	(23,212)
Contributions subsequent to the MD	43,919	N/A
Total as of June 30, 2018	\$ 43,919	\$ (23,212)

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**Implicit Rate Subsidy Plan (Continued)**

Deferred outflows of resources related to OPEB of \$43,919 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred Inflows	
Amortization Period	
FY2019	\$ (2,608)
FY2020	(2,608)
FY2021	(2,608)
FY2022	(2,608)
FY2023	(2,608)
Thereafter	(10,172)
Total	\$ (23,212)

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50%
Discount Rate	3.58%
Projected Salary Increases	3.50%
Healthcare Cost Trend Rate	Medical and vision: 7.5% per year decreasing to 5.0%. Based on a model circulated by the Society of Actuaries.
Healthy Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**Implicit Rate Subsidy Plan (Continued)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance as of June 30, 2017	\$ 425,457
Changes for the year:	
Service cost	29,752
Interest on Total OPEB Liability	12,445
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(25,820)
Benefit payments	(37,321)
Balance as of June 30, 2018	\$ 404,513

The Total OPEB Liability is the Present Value of Benefits less the actuarial present value of future Service Costs and represents the liabilities allocated to service up to the valuation date. For retirees, the Total OPEB Liability is equal to the Present Value of Benefits.

Change in assumptions is the result of the change in the discount rate from 2.85% to 3.58%.

**Sensitivity of the Total OPEB Liability**

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

<b>Discount Rate</b>	<b>1% Decrease (2.58%)</b>	<b>Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
Total OPEB Liability	\$ 438,585	\$ 404,513	\$ 373,204
<b>Healthcare Cost Trend</b>	<b>1% Decrease (6.5% decreasing to 4.0%)</b>	<b>Current Healthcare Trend Rate (7.5% decreasing to 5.0%)</b>	<b>1% Increase (8.5% decreasing to 6.0%)</b>
Total OPEB Liability	\$ 361,823	\$ 404,513	\$ 455,226

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**PERS Retirement Health Insurance Account**

**Plan Description**

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. OPERS issues publicly available financial statements and required supplementary information. That report may be obtained online at <https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

**Benefits Provided**

Due to the creation of RHIA by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS requires that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: 1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, 2) receive both Medicare Part A and B coverage, and 3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she 1) is receiving a retirement benefit or allowance from PERS or 2) was insured at the time the member died and the member retired before May 1, 1991.

**Contributions**

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The City's contribution rate which is based on a percentage of payroll is 0.43%. The City's total contributions for the year ended June 30, 2018 were \$17,657.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the City reported an asset of \$14,860 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.0356%, which is a decrease from its proportion of 0.0376% as of June 30, 2016. For the year ended June 30, 2018, the City recognized an OPEB expense credit of \$64. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

<b>OPEB - PERS RHIA</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	(6,882)
Changes in proportionate share	-	(387)
Differences between employer contributions and proportionate share of system contributions	-	-
Total (prior to post-MD contributions)	-	(7,269)
Contributions subsequent to the MD	17,657	N/A
Total as of June 30, 2018	\$ 17,657	\$ (7,269)

Deferred outflows of resources related to OPEB of \$17,657 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred Inflows	
Amortization Period	
FY2019	\$ (1,865)
FY2020	(1,865)
FY2021	(1,819)
FY2022	(1,720)
Total	\$ (7,269)

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Post-Employment Benefits Other than Pensions (Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Actuarial Methods and Assumptions**

The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Healthcare Cost Trend Rate      Ranging from 6.3% in 2016 to 4.4% in 2094

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan. See Note 4 Pension Plan/Actuarial Assumptions for additional information on actuarial assumptions and methods; the long-term expected rate of return; and the discount rate.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate**

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

<b>Discount Rate</b>	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net OPEB Liability (Asset)	\$            2,072	\$            (14,860)	\$            (29,262)

**OPEB Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report available online at <https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

**Change in Plan Provisions Subsequent to Measurement Date**

The PERS Board lowered the Assumed Rate of Return from 7.5% to 7.2% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Employee Retirement System and Pension Plans**

**General Information - Plan Description**

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (PERS or the System) a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003.

The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS' issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at [http://sos.oregon.gov/audits/Documents/auditsearch/agency/public\\_retirement.html](http://sos.oregon.gov/audits/Documents/auditsearch/agency/public_retirement.html).

**Benefits provided**

**1. Tier One/Tier Two Retirement Benefit ORS Chapter 238**

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**1. Tier One/Tier Two Retirement Benefit ORS Chapter 238 (Continued)**

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

**Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**Benefit Changes**

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

**OPSRP Pension Program (OPSRP DB)**

**Pension Benefits**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**2. OPSRP Pension Program (OPSRP DB)**

**Pension Benefits**

*Police and Fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

*General Service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**Benefits**

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**Disability Benefits**

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**Benefit Changes after Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**3. OPSRP Individual Account Program (OPSRP IAP)**

**Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account is established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Recordkeeping**

PERS contracts with VOYA Financial to maintain IAP participant records.

**Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation which became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$705,752, excluding amounts to fund employer specific liabilities. Additional contributions of \$225,788 were made to the OPSRP IAP for the year ended June 30, 2018.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Contributions (Continued)**

The rates in effect for the fiscal year ended June 30, 2018 were 22.77 percent for Tier One/Tier Two Members, 13.63 percent for OPSRP Pension Program General Service Members, 18.40 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the City reported a liability of \$6,325,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.0469267 percent, which was decreased from its proportion of 0.04763956 percent measured as of June 30, 2016.

For the year ended June 30, 2018, the City's recognized pension expense (income) of \$543,567. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 305,915	\$ -
Changes of assumptions	1,153,069	-
Net difference between projected and actual earnings on investments	65,170	-
Changes in proportionate share		353,888
Differences between employer contributions and proportionate share of system contributions	125,003	70,910
Total (prior to post-MD contributions)	1,649,157	424,798
Contributions subsequent to the MD	705,752	-
Total	\$ 2,354,909	\$ 424,798

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows		Deferred Inflows	
Amortization Period		Amortization Period	
FY2019	\$ 333,808	FY2019	\$ 137,891
FY2020	846,933	FY2020	135,245
FY2021	583,473	FY2021	111,125
FY2022	(128,824)	FY2022	37,167
FY2023	13,767	FY2023	3,370
Total	\$ 1,649,157	Total	\$ 424,798

**Actuarial Assumptions**

The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p><b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2015 Experience Study which reviewed experience for the four-year period ending on December 31, 2015.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team (PERS actuary) and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Long-Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large Cap US Equities	15.75%	6.70%
Mid Cap US Equities	1.31%	6.99%
Small Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-drivin	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed Inflation - Mean		2.50%

**Depletion Date Projection**

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Depletion Date Projection (Continued)**

GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Pension Plan (Continued)**

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 10,780,211	\$ 6,325,737	\$ 2,600,972

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**Changes in Plan Provisions Subsequent to the Measurement Date**

The PERS Board lowered the Assumed Rate of Return from 7.5% to 7.2% on July 28, 2017. This change is effective January 1, 2018 and will increase the net pension liability in future periods.

**Commitments, Contingencies and Subsequent Events**

Accrued liabilities do not include sick leave of approximately \$713,139 which was earned as of June 30, 2018, but is payable only for absences from work under the City's sick leave plan.

Amounts received or receivable from grants agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is involved in certain other legal matters that, in the opinion of the City's legal counsel, will not have a material adverse effect on the financial condition of the City.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**4. OTHER INFORMATION (Continued)**

**Commitments, Contingencies and Subsequent Events (Continued)**

As of July 27, 2018, the City entered into a commitment with Arnold Machinery Company to purchase a Volvo excavator. The purchase price was \$160,800 with an agreement to apply three months of previous rent paid of \$4,625 per month to the purchase price for a net purchase price of \$146,925. Two of the rent payments applied totaling \$9,250 were paid prior to June 30, 2018 and were reclassified in the Equipment and Vehicle Fund from expenses related to equipment operations to a Deposit on Equipment Purchase asset account. The related capital asset and liability will be accounted for in the year ending June 30, 2019.

**5. CHANGE IN ACCOUNTING POLICIES AND PRINCIPLE**

**Changes in Accounting Policies**

In the governmental fund financial statements revenue is recognized when both measurable and available. The City began accruing ambulance and certain other revenue that had not previously been accrued for services provided on or before the end of the fiscal year that were received within two months after the end of the year. Beginning fund balances have been restated for the related charges for services revenue and deferred inflow as of June 30, 2017.

The City began accruing utilities receivable for charges for water and wastewater services incurred but not yet billed on or before June 30<sup>th</sup> including estimated water charges during that same time period. Beginning net position and fund balances have been restated for the related receivable and charges for service revenue as of June 30, 2017.

The City began deferring building, plumbing, mechanical and electrical permit charges for service revenue for revenue collected on permits issued on or before June 30<sup>th</sup> if mandatory City inspections required by those permits had not been completed by June 30<sup>th</sup>. Beginning net position and fund balance have been restated for the related deferred inflow and the reduction of charges for service revenue as of June 30, 2017.

The effects of the changes in accounting policy are summarized in the table below in the restatements of beginning net position section.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**5. CHANGE IN ACCOUNTING POLICIES AND PRINCIPLE (Continued)**

**Change in Accounting Principle**

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize the correct Total OPEB Liability for the City's Implicit Rate Subsidy Plan and to recognize the City's proportionate share of the Net OPEB Liability for the OPERS Retirement Health Insurance Account in accordance with GASB Statement No. 75. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date and a deferred inflow of resources related to the difference in projected and actual earnings on investment.

The effects of the change in accounting principle are summarized in the table below in the restatements of beginning net position section.

**Restatements of Beginning Net Position**

The effects of the changes in accounting policy and the change in accounting principle are summarized in the tables below:

	Governmental Activities	Internal Service Funds (already included in Government Activities)	General Fund	State and Federal Grants Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net position - beginning (as originally reported)	\$ 21,726,909	\$ 1,385,969	\$ 771,147	\$ (28,610)
Restatement for Change in Accounting Principle:				
GASB Statement No. 75	(287,762)	(5,378)	-	-
Total effect of change in accounting principle	<u>(287,762)</u>	<u>(5,378)</u>	<u>-</u>	<u>-</u>
Restatement for Change in Accounting Policy:				
Other revenue accruals	-	-	66,131	200
Total effect of change in accounting policy	<u>-</u>	<u>-</u>	<u>66,131</u>	<u>200</u>
Total restatement of net position	<u>(287,762)</u>	<u>(5,378)</u>	<u>66,131</u>	<u>200</u>
Net position - beginning (as restated)	<u>\$ 21,439,147</u>	<u>\$ 1,380,591</u>	<u>\$ 837,278</u>	<u>\$ (28,410)</u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**5. CHANGE IN ACCOUNTING POLICIES AND PRINCIPLE (Continued)**

**Restatements of Beginning Net Position (Continued)**

	Business-type Activities	Water Utility Fund	Wastewater Utility Fund	Golf Course Operations Fund	Building Inspections Fund
Net position - beginning (as originally reported)	\$ 27,868,917	\$ 19,772,516	\$ 6,151,355	\$ 1,137,795	\$ 186,865
Restatement for Change in Accounting Principle: GASB Statement No. 75	<u>(92,823)</u>	<u>(49,328)</u>	<u>(35,724)</u>	<u>(26)</u>	<u>(7,745)</u>
Total effect of change in accounting principle	<u>(92,823)</u>	<u>(49,328)</u>	<u>(35,724)</u>	<u>(26)</u>	<u>(7,745)</u>
Restatement for Change in Accounting Policy: Utility revenue accruals for unbilled services	236,359	193,045	43,314	-	-
Building inspection revenue deferral	<u>(44,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,867)</u>
Total effect of change in accounting policy	<u>191,492</u>	<u>193,045</u>	<u>43,314</u>	<u>-</u>	<u>(44,867)</u>
Total restatement of net position	<u>98,669</u>	<u>143,717</u>	<u>7,590</u>	<u>(26)</u>	<u>(52,612)</u>
Net position - beginning (as restated)	<u>\$ 27,967,586</u>	<u>\$ 19,916,233</u>	<u>\$ 6,158,945</u>	<u>\$ 1,137,769</u>	<u>\$ 134,253</u>

	Governmental Activities	Business-type Activities	Total Government- wide
Net position - beginning (as originally reported)	\$ 21,726,909	\$ 27,868,917	\$ 49,595,826
Restatement for Change in Accounting Principle: GASB Statement No. 75	<u>(287,762)</u>	<u>(92,823)</u>	<u>(380,585)</u>
Total effect of change in accounting principle	<u>(287,762)</u>	<u>(92,823)</u>	<u>(380,585)</u>
Restatement for Change in Accounting Policy: Utility revenue accruals for unbilled services	-	236,359	236,359
Building inspection revenue deferral	<u>-</u>	<u>(44,867)</u>	<u>(44,867)</u>
Total effect of change in accounting policy	<u>-</u>	<u>191,492</u>	<u>191,492</u>
Total restatement of net position	<u>(287,762)</u>	<u>98,669</u>	<u>(189,093)</u>
Net position - beginning (as restated)	<u>\$ 21,439,147</u>	<u>\$ 27,967,586</u>	<u>\$ 49,406,733</u>

**Required  
Supplementary  
Information**

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**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GENERAL FUND</b>					
Revenue:					
Property Taxes	\$ 2,619,169	\$ 2,619,169	\$ 2,644,967	\$ -	\$ 2,644,967
Franchise Taxes	865,567	865,567	874,599	-	874,599
Licenses and Permits	8,525	8,525	9,947	-	9,947
Intergovernmental	478,410	478,410	595,696	-	595,696
Charges for Services	865,750	865,750	970,097	-	970,097
Fines and Forfeitures	36,750	36,750	39,755	-	39,755
Rental Income	44,373	44,373	33,865	-	33,865
Interest and Dividends	9,000	9,000	19,115	-	19,115
SAIF Refund	-	-	26,185	-	26,185
Public Safety Fee	183,600	183,600	165,243	-	165,243
Miscellaneous	45,100	45,100	21,813	-	21,813
Overhead Charges to Other Funds	380,000	380,000	409,655	(409,655)	-
<b>Total Revenues</b>	<b>5,536,244</b>	<b>5,536,244</b>	<b>5,810,937</b>	<b>(409,655)</b>	<b>5,401,282</b>
Expenditures:					
General Government:					
Administration	1,055,205	1,055,205	1,037,202	(759,655)	277,547
Planning	61,500	61,500	60,882	-	60,882
<b>Total General Government</b>	<b>1,116,705</b>	<b>1,116,705</b>	<b>1,098,084</b>	<b>(759,655)</b>	<b>338,429</b>
Public Safety:					
Police	2,142,256	2,142,256	2,153,140	350,000	2,503,140
Fire	1,812,690	1,812,690	1,796,903	-	1,796,903
<b>Total Public Safety</b>	<b>3,954,946</b>	<b>3,954,946</b>	<b>3,950,043</b>	<b>350,000</b>	<b>4,300,043</b>
Parks	115,518	103,518	95,457	-	95,457
Airport	57,651	57,651	47,889	-	47,889
Cemetery	164,856	164,856	142,386	-	142,386
Hydro Electric Plant	9,271	9,271	7,831	-	7,831
Community Development	115,300	115,300	99,787	-	99,787
Operating Contingency	100,000	100,000	-	-	-
<b>Total Expenditures</b>	<b>5,634,247</b>	<b>5,622,247</b>	<b>5,441,477</b>	<b>(409,655)</b>	<b>5,031,822</b>
Excess (Deficit) of Revenues Over Expenditures	(98,003)	(86,003)	369,460	-	369,460
Other Financing Sources (Uses):					
Transfers In	13,500	13,500	12,998	-	12,998
Transfers Out	(30,000)	(42,000)	(42,000)	-	(42,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(16,500)</b>	<b>(28,500)</b>	<b>(29,002)</b>	<b>-</b>	<b>(29,002)</b>
<b>Net Change in Fund Balance</b>	<b>(114,503)</b>	<b>(114,503)</b>	<b>340,458</b>	<b>-</b>	<b>340,458</b>
Fund Balance, July 1, 2017	657,359	657,359	771,147	-	771,147
Restatement of Beginning Fund Balance	-	-	66,131	-	66,131
<b>Fund Balance, June 30, 2018</b>	<b>\$ 542,856</b>	<b>\$ 542,856</b>	<b>\$ 1,177,736</b>	<b>\$ -</b>	<b>\$ 1,177,736</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STATE TAX STREET FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE TAX STREET FUND</b>					
Revenue:					
Taxes	\$ 582,356	\$ 582,356	\$ 613,434	\$ -	\$ 613,434
Intergovernmental	817,276	817,276	853,525	-	853,525
Charges for Services	13,000	13,000	16,434	-	16,434
Interest	3,500	3,500	17,921	-	17,921
Miscellaneous	891	891	691	-	691
<b>Total Revenues</b>	<b>1,417,023</b>	<b>1,417,023</b>	<b>1,502,005</b>	<b>-</b>	<b>1,502,005</b>
Expenditures:					
Maintenance	1,001,236	1,001,236	815,161	-	815,161
Storm Water Maintenance	135,236	135,236	36,143	-	36,143
Preventative Maintenance	756,982	756,982	508,352	-	508,352
Street Lighting	100,548	100,548	89,054	-	89,054
Snow and Ice Control	97,089	97,089	48,201	-	48,201
Street Construction	6,370	6,370	2,213	-	2,213
Operating Contingency	150,000	150,000	-	-	-
<b>Total Expenditures</b>	<b>2,247,461</b>	<b>2,247,461</b>	<b>1,499,124</b>	<b>-</b>	<b>1,499,124</b>
Excess (Deficit) of Revenues Over Expenditures	(830,438)	(830,438)	2,881	-	2,881
Other Financing Sources:					
Transfers In	60,000	60,000	60,000	-	60,000
Total Other Financing Uses	60,000	60,000	60,000	-	60,000
Net Change in Fund Balance	(770,438)	(770,438)	62,881	-	62,881
Fund Balance, July 1, 2017	1,062,895	1,062,895	1,159,225	-	1,159,225
Fund Balance, June 30, 2018	<u>\$ 292,457</u>	<u>\$ 292,457</u>	<u>\$ 1,222,106</u>	<u>\$ -</u>	<u>\$ 1,222,106</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - LID REPAYMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>LID REPAYMENT FUND</b>					
Revenue:					
Interest	\$ 5,050	\$ 5,050	\$ 440	\$ 4,637	\$ 5,077
Special Assessments/LID Repayments	16,118	16,118	26,398	(4,637)	21,761
Total Revenues	<u>21,168</u>	<u>21,168</u>	<u>26,838</u>	<u>-</u>	<u>26,838</u>
Expenditures:					
Administration	800	800	11	-	11
Debt Service	-	-	-	3,360	3,360
Total Expenditures	<u>800</u>	<u>800</u>	<u>11</u>	<u>3,360</u>	<u>3,371</u>
Excess (Deficit) of Revenues Over Expenditures	20,368	20,368	26,827	(3,360)	23,467
Other Financing Sources and (Uses):					
Interfund Loan Transfers Out	(33,868)	(33,868)	(33,868)	33,868	-
Total Other Financing Uses	<u>(33,868)</u>	<u>(33,868)</u>	<u>(33,868)</u>	<u>33,868</u>	<u>-</u>
Net Change in Fund Balance	(13,500)	(13,500)	(7,041)	30,508	23,467
Fund Balance (Deficit), July 1, 2017	<u>13,500</u>	<u>13,500</u>	<u>33,565</u>	<u>(137,372)</u>	<u>(103,807)</u>
Fund Balance (Deficit), June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,524</u>	<u>\$ (106,864)</u>	<u>\$ (80,340)</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STATE AND FEDERAL GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE &amp; FEDERAL GRANTS FUND</b>					
Revenue:					
Intergovernmental	\$ 1,601,550	\$ 1,606,550	\$ 1,001,929	\$ -	\$ 1,001,929
Charges for Services	700	700	1,334	-	1,334
Interest	45	45	919	-	919
Miscellaneous	33,579	72,344	97,508	-	97,508
<b>Total Revenues</b>	<b>1,635,874</b>	<b>1,679,639</b>	<b>1,101,690</b>	<b>-</b>	<b>1,101,690</b>
Expenditures:					
Administration	2,166	2,166	63	-	63
Public Safety	49,260	49,260	27,720	-	27,720
Transportation and Streets	1,600,000	1,600,000	1,014,197	-	1,014,197
Parks and Recreation	19,054	72,300	46,887	-	46,887
Economic/Community Development	5,000	10,000	3,000	-	3,000
Operating Contingency	10,000	10,000	-	-	-
<b>Total Expenditures</b>	<b>1,685,480</b>	<b>1,743,726</b>	<b>1,091,867</b>	<b>-</b>	<b>1,091,867</b>
Excess (Deficit) of Revenues Over Expenditures	(49,606)	(64,087)	9,823	-	9,823
Other Financing Sources:					
Transfers In	-	12,000	12,000	-	12,000
<b>Total Other Financing Sources</b>	<b>-</b>	<b>12,000</b>	<b>12,000</b>	<b>-</b>	<b>12,000</b>
<b>Net Change in Fund Balance</b>	<b>(49,606)</b>	<b>(52,087)</b>	<b>21,823</b>	<b>-</b>	<b>21,823</b>
Fund Balance, July 1, 2017	89,512	89,512	(28,610)	-	(28,610)
Restatement of Beginning Fund Balance	-	-	200	-	200
<b>Fund Balance, June 30, 2018</b>	<b>\$ 39,906</b>	<b>\$ 37,425</b>	<b>\$ (6,587)</b>	<b>\$ -</b>	<b>\$ (6,587)</b>

**BAKER CITY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Last Five Fiscal Years**

Year Ended June 30	(a) City's Proportion of the Net Pension Liability (Asset)	(b) City's Proportionate Share of the Net Pension Liability (Asset)	(c) City's Covered Payroll	(b/c) City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.04692670%	\$ 6,325,738	\$ 3,611,905	175.14%	82.10%
2017	0.04763956%	7,151,805	3,557,881	201.01%	83.10%
2016	0.05454563%	3,131,716	3,370,480	92.92%	80.50%
2015	0.05671163%	(1,285,491)	3,466,206	-37.09%	91.90%
2014	0.05671163%	2,894,078	3,431,864	84.33%	103.60%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**BAKER CITY**  
**SCHEDULE OF CONTRIBUTIONS**  
**For the Last Five Fiscal Years**

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 705,752	\$ 705,752	\$ -	\$ 3,763,135	18.75%
2017	547,839	547,839	-	3,611,905	15.17%
2016	556,962	556,962	-	3,557,881	15.65%
2015	468,775	468,775	-	3,370,480	13.91%
2014	486,539	486,539	-	3,466,206	14.04%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

Details and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015. This report can be found at:  
<https://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

**BAKER CITY**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**Implicit Rate Subsidy Plan**  
**For the Current Fiscal Year\***

<b>Total OPEB Liability</b>	Fiscal Years Ending June 30	
	2018	2017
Service cost	\$ 29,752	Not Available*
Interest on total OPEB liability	12,445	Not Available*
Effect of changes to benefit terms	-	Not Available*
Effect of economic/demographic gains or (losses)	-	Not Available*
Effect of assumption changes or inputs	(25,820)	Not Available*
Benefit payments	(37,321)	Not Available*
Net change in OPEB liability	(20,944)	Not Available*
Total OPEB Liability - beginning	425,457	Not Available*
Total OPEB Liability - ending	<u>\$ 404,513</u>	<u>\$ 425,457</u>
 City's covered payroll	 \$ 3,611,905	 \$ 3,557,881
 Total OPEB Liability as a % of covered payroll	 11.20%	 11.96%

The amounts presented were actuarially determined at July 1, 2016 valuation and were rolled forward to the measurement date using standard actuarial techniques. The amounts presented are for the measurement period reported during the fiscal year, which for fiscal year 2018 is July 1, 2016 to June 30, 2017.

\*This schedule is presented to illustrate the requirements for a period of 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported. Therefore, historical information will be presented in the future as it becomes available.

**BAKER CITY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**Oregon Public Employees Retirement System, Retirement Health Insurance Account**  
**Last Two Fiscal Years\***

	Fiscal Years Ending June 30	
	2018	2017
City's proportion of the net OPEB liability (asset)	0.0356%	0.0376%
City's proportionate share of the net OPEB liability (asset)	\$ (14,860)	\$ 10,200
City's covered payroll	\$ 3,611,905	\$ 3,557,881
City's proportionate share of the net OPEB liability (asset) as a percentage of it's covered payroll	-0.4114%	0.2867%
Plan fiduciary net position as a percentage of the total OPEB liability	108.9%	94.2%

The amounts presented were actuarially determined at December 31, 2015 valuation and were rolled forward to the measurement date using standard actuarial techniques. The amounts presented are for the measurement period reported during the fiscal year, which for fiscal year 2018 is July 1, 2016 to June 30, 2017.

\*This schedule is presented to illustrate the requirements for a period of 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported. Therefore, historical information will be presented in the future as it becomes available.

**BAKER CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**BUDGET TO GAAP RECONCILIATION**

Sections of Oregon Revised Statutes (Oregon Budget Law) require most transactions to be budgeted on the modified accrual basis of accounting. However, there are certain transactions where the statutory budget requirements conflict with generally accepted accounting principles (GAAP). The following discusses the differences between the budget basis and GAAP basis of accounting for the General Fund and the major special revenue funds.

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>
Net Change in Fund Balance - Budget Basis	\$ 340,458	\$ 62,881	\$ (7,041)	\$ 21,823
<i>Budget resources not qualifying as revenues or other financing sources under GAAP:</i>				
Interest included in LID repayments received is reclassified to interest income.	-	-	-	-
Indirect and other cost reimbursements received are reported as revenues or other financing sources on a budget basis. Such receipts are reclassified as a reduction of expenditures on a GAAP basis.	(409,655)	-	-	-
<i>Budget expenditures not qualifying as expenditures or other financing uses under GAAP:</i>				
Indirect and other costs reimbursed are reported as expenditures or other financing uses on a budget basis. Such disbursements are reclassified as a reduction of revenues and other financing sources on a GAAP basis.	409,655	-	-	-
Loans or loan payments made to other funds are reported as an other financing use (transfer) on a budget basis. Such loans are reclassified as either interfund loans payable (current portion) or advances from other funds (long-term portion) or, as a reduction in interfund loans payable or advances from other funds. The interest portion of interfund loans repaid is reclassified to debt service.	-	-	30,508	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$330,000 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ 340,458</u>	<u>\$ 62,881</u>	<u>\$ 23,467</u>	<u>\$ 21,823</u>

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**Other  
Supplementary  
Information**

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## **Non-Major Governmental Funds**

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Sam-O Swim Maintenance Levy Fund:** This fund accounts for property tax collections used for the maintenance of the City swimming pool.

**John Schmitz Memorial Trust Fund:** This fund accounts for monies left to the City by the late John Schmitz. His will designated these monies to be used for the cemetery. The earnings are transferred to the General Fund which uses them to pay for cemetery operations.

**Tree City Fund:** This fund accounts for sidewalk variance fees and OTEC tree vouchers designated for street tree planting.

**Sidewalk Utility Fund:** This fund accounts for sidewalk utility fees. The fees are transferred to this fund to be used for grants to repair and replace existing public sidewalks and for City sidewalk projects.

**Capital Projects Funds** are used to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds.

**Fire Equipment Reserve Fund:** This fund is used to account for the acquisition of major pieces of firefighting or EMS equipment.

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Mt Hope Trust Fund:** The principal is restricted by City ordinance but the interest earned on the corpus is transferred to the General Fund and used for cemetery maintenance.

**One Hundred Year Trust:** This fund is an investment account that started with donations in 1989 and will be used to accumulate interest to fund a community celebration and build a public amenity in 2089 as well as provide seed money for another 100 year trust.

**Anthony Silvers Street Tree Trust:** This fund was created by a bequest from Anthony Silvers. The principal can never be expended but the interest earned on the corpus is to be used solely for the purpose of the planting and/or replanting of street trees within the City of Baker City.

**BAKER CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	Special Revenue			Capital Projects	Permanent Funds			Total Nonmajor Governmental Funds	
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust		Anthony Silvers Street Tree Trust
Assets:									
Cash and Cash Equivalents	\$ 17,891	\$ 274,061	\$ 4,505	\$ 88,828	\$ 73,942	\$ 432,306	\$ 3,032	\$ 709,058	\$ 1,603,623
Accounts Receivable (Net of Allowance)	-	-	-	-	-	-	-	-	-
Taxes Receivable	6,571	-	-	-	-	-	-	-	6,571
Due from Other Funds	-	-	-	-	-	18,361	-	41,644	60,005
Advances to Other Funds	-	-	-	-	-	54,484	-	65,219	119,703
Other Investments	-	-	-	-	-	888	-	-	888
<b>Total Assets</b>	<b>\$ 24,462</b>	<b>\$ 274,061</b>	<b>\$ 4,505</b>	<b>\$ 88,828</b>	<b>\$ 73,942</b>	<b>\$ 506,039</b>	<b>\$ 3,032</b>	<b>\$ 815,921</b>	<b>\$ 1,790,790</b>
Liabilities:									
Accounts Payable	\$ 4,560	\$ -	\$ 140	\$ -	\$ -	\$ -	\$ -	\$ 1,429	\$ 6,129
Due to Other Funds	7,656	-	-	-	-	-	-	-	7,656
Advances from Other Funds	23,922	-	-	-	-	-	-	-	23,922
Accrued Payroll Taxes	95	-	-	108	-	-	-	520	723
<b>Total Liabilities</b>	<b>36,233</b>	<b>-</b>	<b>140</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,949</b>	<b>38,430</b>
Deferred Inflows:									
Deferred Revenue	6,201	-	-	-	-	-	-	-	6,201
Fund Balance:									
Restricted for 2089 Celebration	-	-	-	-	-	-	3,032	-	3,032
Restricted for Cemetery Care	-	274,061	-	-	-	-	-	-	274,061
Restricted for Street Trees	-	-	-	-	-	-	-	31,018	31,018
Committed for Cemetery Care	-	-	-	-	-	505,151	-	-	505,151
Committed for Sidewalks	-	-	-	88,720	-	-	-	-	88,720
Assigned for Street Trees	-	-	4,365	-	-	-	-	-	4,365
Assigned for Fire Equipment	-	-	-	-	73,942	-	-	-	73,942
Unassigned	(17,972)	-	-	-	-	-	-	-	(17,972)
Nonspendable	-	-	-	-	-	888	-	782,954	783,842
<b>Total Fund Balance (Deficit)</b>	<b>(17,972)</b>	<b>274,061</b>	<b>4,365</b>	<b>88,720</b>	<b>73,942</b>	<b>506,039</b>	<b>3,032</b>	<b>813,972</b>	<b>1,746,159</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance (Deficit)</b>	<b>\$ 24,462</b>	<b>\$ 274,061</b>	<b>\$ 4,505</b>	<b>\$ 88,828</b>	<b>\$ 73,942</b>	<b>\$ 506,039</b>	<b>\$ 3,032</b>	<b>\$ 815,921</b>	<b>\$ 1,790,790</b>

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	Special Revenue			Capital Projects	Permanent Funds			Total Nonmajor Governmental Funds	
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust		Anthony Silvers Street Tree Fund
Revenue:									
Taxes	\$ 87,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,599
Charges for Services	-	-	-	3,812	-	-	-	-	3,812
Interest	150	4,507	72	1,616	1,212	8,419	49	14,699	30,724
Miscellaneous	11,868	-	500	-	3,000	-	-	150	15,518
<b>Total Revenue</b>	<b>99,617</b>	<b>4,507</b>	<b>572</b>	<b>5,428</b>	<b>4,212</b>	<b>8,419</b>	<b>49</b>	<b>14,849</b>	<b>137,653</b>
Expenditures:									
Public Safety	-	-	-	-	5,538	-	-	-	5,538
Community Development	-	-	434	-	-	-	-	4,570	5,004
Sidewalks	-	-	-	22,899	-	-	-	-	22,899
Parks and Recreation	99,443	-	-	-	-	-	-	-	99,443
<b>Total Expenditures</b>	<b>99,443</b>	<b>-</b>	<b>434</b>	<b>22,899</b>	<b>5,538</b>	<b>-</b>	<b>-</b>	<b>4,570</b>	<b>132,884</b>
Excess (Deficit) of Revenues Over Expenditures	174	4,507	138	(17,471)	(1,326)	8,419	49	10,279	4,769
Other Financing Sources (Uses):									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	(4,507)	-	(60,000)	-	(8,491)	-	-	(72,998)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(4,507)</b>	<b>-</b>	<b>(60,000)</b>	<b>-</b>	<b>(8,491)</b>	<b>-</b>	<b>-</b>	<b>(72,998)</b>
Net Change in Fund Balance	174	-	138	(77,471)	(1,326)	(72)	49	10,279	(68,229)
Fund Balance (Deficit), July 1, 2017	(18,146)	274,061	4,227	166,191	75,268	506,111	2,983	803,693	1,814,388
<b>Fund Balance (Deficit), June 30, 2018</b>	<b>\$ (17,972)</b>	<b>\$ 274,061</b>	<b>\$ 4,365</b>	<b>\$ 88,720</b>	<b>\$ 73,942</b>	<b>\$ 506,039</b>	<b>\$ 3,032</b>	<b>\$ 813,972</b>	<b>\$ 1,746,159</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SAMO SWIM MAINTENANCE FUND</b>					
Revenue:					
Taxes	\$ 86,812	\$ 86,812	\$ 87,599	\$ -	\$ 87,599
Interest	250	250	150	-	150
Miscellaneous	12,000	12,000	11,868	-	11,868
Total Revenues	<u>99,062</u>	<u>99,062</u>	<u>99,617</u>	<u>-</u>	<u>99,617</u>
Expenditures:					
Samo Swim Center	\$ 98,477	\$ 98,477	\$ 98,774	\$ -	\$ 98,774
Debt Service	-	-	-	669	669
Operating Contingency	1,494	1,494	-	-	-
Total Expenditures	<u>99,971</u>	<u>99,971</u>	<u>98,774</u>	<u>669</u>	<u>99,443</u>
Excess (Deficit) of Revenues Over Expenditures	(909)	(909)	843	(669)	174
Other Financing Uses:					
Interfund Loan Transfer Out	(8,091)	(8,091)	(8,091)	8,091	-
Net Change in Fund Balance	(9,000)	(9,000)	(7,248)	7,422	174
Fund Balance (Deficit), July 1, 2017	9,000	9,000	20,854	(39,000)	(18,146)
Fund Balance (Deficit), June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,606</u>	<u>\$ (31,578)</u>	<u>\$ (17,972)</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>JOHN SCHMITZ TRUST FUND</b>					
Revenue:					
Interest	\$ 5,000	\$ 5,000	\$ 4,507	\$ -	\$ 4,507
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	(5,000)	(5,000)	(4,507)	-	(4,507)
Total Other Financing Sources	(5,000)	(5,000)	(4,507)	-	(4,507)
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2017	274,061	274,061	274,061	-	274,061
Fund Balance, June 30, 2018	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ -</u>	<u>\$ 274,061</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TREE CITY FUND</b>					
Revenue:					
Interest	\$ 75	\$ 75	\$ 72	\$ -	\$ 72
Miscellaneous	1,000	1,000	500	-	500
Total Revenues	<u>1,075</u>	<u>1,075</u>	<u>572</u>	<u>-</u>	<u>572</u>
Expenditures:					
Community Development	5,375	5,375	434	-	434
Net Change in Fund Balance	(4,300)	(4,300)	138	-	138
Fund Balance, July 1, 2017	4,300	4,300	4,227	-	4,227
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,365</u>	<u>\$ -</u>	<u>\$ 4,365</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SIDEWALK UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ -	\$ -	\$ 3,812	\$ -	\$ 3,812
Interest	1,500	1,500	1,616	-	1,616
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>5,428</u>	<u>-</u>	<u>5,428</u>
Expenditures:					
Sidewalk Grants	43,520	43,520	22,899	-	22,899
Sidewalk Projects	-	-	-	-	-
Operating Contingency	20,000	20,000	-	-	-
Total Expenditures	<u>63,520</u>	<u>63,520</u>	<u>22,899</u>	<u>-</u>	<u>22,899</u>
Other Financing (Uses):					
Transfers Out	(60,000)	(60,000)	(60,000)	-	(60,000)
Total Other Financing Sources	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
Net Change in Fund Balance	(122,020)	(122,020)	(77,471)	-	(77,471)
Fund Balance, July 1, 2017	147,000	147,000	166,191	-	166,191
Fund Balance, June 30, 2018	<u>\$ 24,980</u>	<u>\$ 24,980</u>	<u>\$ 88,720</u>	<u>\$ -</u>	<u>\$ 88,720</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
<b>FIRE EQUIPMENT RESERVE FUND</b>					
Revenue:					
Interest	\$ 800	\$ 800	\$ 1,212	\$ -	\$ 1,212
Intergovernmental	-	-	-	-	-
Miscellaneous	1,000	4,000	3,000	-	3,000
Total Revenues	<u>1,800</u>	<u>4,800</u>	<u>4,212</u>	<u>-</u>	<u>4,212</u>
Expenditures:					
Fire and EMS Equipment	1,000	6,500	5,538	-	5,538
Operating Contingency	79,800	77,300	-	-	-
Total Expenditures	<u>80,800</u>	<u>83,800</u>	<u>5,538</u>	<u>-</u>	<u>5,538</u>
Net Change in Fund Balance	(79,000)	(79,000)	(1,326)	-	(1,326)
Fund Balance, July 1, 2017	<u>79,000</u>	<u>79,000</u>	<u>75,268</u>	<u>-</u>	<u>75,268</u>
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,942</u>	<u>\$ -</u>	<u>\$ 73,942</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>MT HOPE TRUST FUND</b>					
Revenue:					
Interest	\$ 5,300	\$ 5,300	\$ 6,827	\$ 1,592	\$ 8,419
Total Revenues	5,300	5,300	6,827	1,592	8,419
Other Financing Sources (Uses):					
Transfers Out	(8,500)	(8,500)	(8,491)	-	(8,491)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	11,500	11,500	11,509	(20,000)	(8,491)
Net Change in Fund Balance	16,800	16,800	18,336	(18,408)	(72)
Fund Balance, July 1, 2017	416,787	416,787	414,859	91,252	506,111
Fund Balance, June 30, 2018	<u>\$ 433,587</u>	<u>\$ 433,587</u>	<u>\$ 433,195</u>	<u>\$ 72,844</u>	<u>\$ 506,039</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>ONE HUNDRED YEAR TRUST</b>					
Revenue:					
Interest	\$ 30	\$ 30	\$ 49	\$ -	\$ 49
Total Revenues	30	30	49	-	49
Net Change in Fund Balance	30	30	49	-	49
Fund Balance, July 1, 2017	2,980	2,980	2,983	-	2,983
Fund Balance, June 30, 2018	<u>\$ 3,010</u>	<u>\$ 3,010</u>	<u>\$ 3,032</u>	<u>\$ -</u>	<u>\$ 3,032</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>A. SILVERS STREET TREE TRUST</b>					
Revenue:					
Interest	\$ 7,500	\$ 7,500	\$ 11,339	\$ 3,360	\$ 14,699
Miscellaneous	-	-	150	-	150
Total Revenues	7,500	7,500	11,489	3,360	14,849
Expenditures:					
Community Development	18,900	18,900	4,570	-	4,570
Other Financing Sources:					
Interfund Loan Transfers In	33,868	33,868	33,868	(33,868)	-
Total Other Financing Sources	33,868	33,868	33,868	(33,868)	-
Net Change in Fund Balance	22,468	22,468	40,787	(30,508)	10,279
Fund Balance, July 1, 2017	664,500	664,500	666,321	137,372	803,693
Fund Balance, June 30, 2018	<u>\$ 686,968</u>	<u>\$ 686,968</u>	<u>\$ 707,108</u>	<u>\$ 106,864</u>	<u>\$ 813,972</u>

## Major Business-Type Funds

**Enterprise Funds** are proprietary funds that are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

**Water Utility Fund:** This fund accounts for the operation and maintenance of the City's water service and distribution facilities.

**Wastewater Utility Fund:** This fund accounts for the operation and maintenance of the City's sewer system including the collection lines and sewage treatment lagoons.

**Reclaimed Water Use Fund:** This fund accounts for the acquisition and construction of major capital projects that will be used for compliance with future Department of Environmental Quality (DEQ) requirements for treated wastewater effluent disposal. It is funded by a portion of wastewater service charges that were designated by Council. While separately budgeted for Oregon budget law purposes it is a division of the wastewater enterprise activity and is combined with the Wastewater Utility Fund in the GAAP presentation of the financial statements.

**Golf Course Operation Fund:** This fund is used to account for the operation and maintenance of the City's 18 hole golf course.

**Golf Course Capital Projects Fund:** This fund accounts for the acquisition of golf course equipment and other golf course capital projects. It is funded by lease payments paid by the golf course concessionaire. While separately budgeted for Oregon budget law purposes it is a division of the golf course enterprise activity and is combined with the Golf Course Operation Fund in the GAAP presentation of the financial statements.

**Building Inspections Fund:** This fund is used to account for the operation of the City's Building Inspections Department. The City performs building inspection services both within the City and throughout Baker County.

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WATER UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 2,721,030	\$ 2,721,030	\$ 2,742,930	\$ -	\$ 2,742,930
Interest	20,000	20,000	58,362	-	58,362
Intergovernmental	-	-	5,429	-	5,429
Miscellaneous	28,500	28,500	17,776	-	17,776
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
<b>Total Revenues</b>	<u>2,782,530</u>	<u>2,782,530</u>	<u>2,837,497</u>	<u>(13,000)</u>	<u>2,824,497</u>
Expenses:					
Maintenance	1,665,261	1,665,261	1,410,967	60,065	1,471,032
Construction	1,544,597	1,544,597	905,887	(905,887)	-
Depreciation	-	-	-	501,645	501,645
Interest Expense	-	-	-	56,273	56,273
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<u>3,409,858</u>	<u>3,409,858</u>	<u>2,316,854</u>	<u>(287,904)</u>	<u>2,028,950</u>
Excess (Deficit) of Revenues Over Expenses	<u>(627,328)</u>	<u>(627,328)</u>	<u>520,643</u>	<u>274,904</u>	<u>795,547</u>
Net Change in Fund Balance	(627,328)	(627,328)	520,643	274,904	795,547
Fund Balance, July 1, 2017	2,364,185	2,364,185	2,900,937	16,871,579	19,772,516
Restatement of Beginning Fund Balance	-	-	193,045	(49,328)	143,717
<b>Fund Balance, June 30, 2018</b>	<u>\$ 1,736,857</u>	<u>\$ 1,736,857</u>	<u>\$ 3,614,625</u>	<u>\$ 17,097,155</u>	<u>\$ 20,711,780</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WASTEWATER UTILITY FUND*</b>					
Revenue:					
Charges for Services	\$ 1,190,483	\$ 1,190,483	\$ 1,252,359	\$ 111,632	\$ 1,363,991
Rental Income	3,782	3,782	3,782	-	3,782
Interest	12,000	12,000	20,605	11,257	31,862
Special Assessments/LID Repayments	840	840	872	(872)	-
Intergovernmental	50,000	50,000	29,957	-	29,957
Miscellaneous	43,500	43,500	75,617	-	75,617
<b>Total Revenues</b>	<b>1,300,605</b>	<b>1,300,605</b>	<b>1,383,192</b>	<b>122,017</b>	<b>1,505,209</b>
Expenses:					
Maintenance	1,117,703	1,117,703	1,006,688	25,465	1,032,153
Construction	595,925	595,925	293,801	(293,801)	-
Depreciation	-	-	-	221,247	221,247
Operating Contingency	100,000	100,000	-	-	-
<b>Total Expenses</b>	<b>1,813,628</b>	<b>1,813,628</b>	<b>1,300,489</b>	<b>(47,089)</b>	<b>1,253,400</b>
Net Change in Fund Balance	(513,023)	(513,023)	82,703	169,106	251,809
Fund Balance, July 1, 2017	972,910	972,910	1,162,469	4,988,886	6,151,355
Restatement of Beginning Fund Balance	-	-	39,762	(32,172)	7,590
Fund Balance, June 30, 2018	<u>\$ 459,887</u>	<u>\$ 459,887</u>	<u>\$ 1,284,934</u>	<u>\$ 5,125,820</u>	<u>\$ 6,410,754</u>
	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>RECLAIMED WATER USE FUND - CAPITAL PROJECTS*</b>					
Revenue:					
Interest	\$ 6,000	\$ 6,000	\$ 10,385	\$ (10,385)	\$ -
Miscellaneous	-	-	-	-	-
Charges for Services	109,825	109,825	111,632	(111,632)	-
<b>Total Revenues</b>	<b>115,825</b>	<b>115,825</b>	<b>122,017</b>	<b>(122,017)</b>	<b>-</b>
Expenditures:					
Maintenance	5,491	6,491	5,565	(5,565)	-
Construction	-	-	-	-	-
Operating Contingency	90,000	89,000	-	-	-
<b>Total Expenses</b>	<b>95,491</b>	<b>95,491</b>	<b>5,565</b>	<b>(5,565)</b>	<b>-</b>
Net Change in Fund Balance	20,334	20,334	116,452	(116,452)	-
Fund Balance, July 1, 2017	546,107	546,107	574,563	(574,563)	-
Restatement of Beginning Fund Balance	-	-	3,552	(3,552)	-
Fund Balance, June 30, 2018	<u>\$ 566,441</u>	<u>\$ 566,441</u>	<u>\$ 694,567</u>	<u>\$ (694,567)</u>	<u>\$ -</u>

\*The Reclaimed Water Use Fund is a division of the wastewater enterprise activity and is combined with the Wastewater Utility Fund in the GAAP presentation of the financial statements.

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GOLF COURSE OPERATION FUND</b>					
Revenue:					
Interest	\$ -	\$ -	\$ -	\$ 323	\$ 323
Rental Income	-	-	-	43,057	43,057
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,380</u>	<u>43,380</u>
Expenses:					
Maintenance	26,219	26,219	12,733	33	12,766
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	3,941	3,941
Depreciation	-	-	-	54,658	54,658
Operating Contingency	1,281	1,281	-	-	-
Total Expenses	<u>27,500</u>	<u>27,500</u>	<u>12,733</u>	<u>58,632</u>	<u>71,365</u>
Excess (Deficit) of Revenues Over Expenses	<u>(27,500)</u>	<u>(27,500)</u>	<u>(12,733)</u>	<u>(15,252)</u>	<u>(27,985)</u>
Other Financing Sources (Uses):					
Transfers In	30,000	30,000	30,000	-	30,000
Interfund Loan Transfer In	-	-	-	-	-
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>	<u>30,000</u>
Net Change in Fund Balance	(17,500)	(17,500)	(2,733)	4,748	2,015
Fund Balance, July 1, 2017	17,500	17,500	23,332	1,114,463	1,137,795
Restatement of Beginning Net Position	-	-	-	(26)	(26)
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,599</u>	<u>\$ 1,119,185</u>	<u>\$ 1,139,784</u>
<b>GOLF COURSE PROJECTS FUND</b>					
<b>CAPITAL PROJECTS*</b>					
	Budget		Actual		
	Adopted	Budget	Budget Basis	Adjustment	GAAP Basis
Revenue:					
Interest	\$ 100	\$ 100	\$ 323	\$ (323)	\$ -
Rental Income	49,554	49,554	43,057	(43,057)	-
Total Revenues	<u>49,654</u>	<u>49,654</u>	<u>43,380</u>	<u>(43,380)</u>	<u>-</u>
Expenditures:					
Golf Course Equipment	\$ 83,000	\$ 83,000	\$ 76,790	\$ (76,790)	\$ -
Contingency	1,810	1,810	-	-	-
Total Expenses	<u>84,810</u>	<u>84,810</u>	<u>76,790</u>	<u>(76,790)</u>	<u>-</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(35,156)</u>	<u>(35,156)</u>	<u>(33,410)</u>	<u>33,410</u>	<u>-</u>
Other Financing Sources (Uses):					
Interfund Loan Transfer In	71,000	71,000	70,890	(70,890)	-
Transfers Out	<u>(36,744)</u>	<u>(36,744)</u>	<u>(33,554)</u>	<u>33,554</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>34,256</u>	<u>34,256</u>	<u>37,336</u>	<u>(37,336)</u>	<u>-</u>
Net Change in Fund Balance	(900)	(900)	3,926	(3,926)	-
Fund Balance, July 1, 2017	900	900	966	(966)	-
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,892</u>	<u>\$ (4,892)</u>	<u>\$ -</u>

\*The Golf Course Capital Projects Fund is a division of the golf course enterprise activity and is combined with the Golf Course Operation Fund in the GAAP presentation of the financial statements.

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>BUILDING INSPECTIONS FUND</b>					
Revenue:					
Charges for Services	\$ 321,744	\$ 321,744	\$ 446,355	\$ -	\$ 446,355
Interest	2,500	2,500	5,561	-	5,561
Miscellaneous	500	500	2,794	-	2,794
Total Revenues	<u>324,744</u>	<u>324,744</u>	<u>454,710</u>	<u>-</u>	<u>454,710</u>
Expenditures:					
Personnel Services	183,385	183,385	165,371	10,037	175,408
Materials and Services	148,896	148,896	145,798	(162)	145,636
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	4,725	4,725
Operating Contingency	40,000	40,000	-	-	-
Total Expenses	<u>372,281</u>	<u>372,281</u>	<u>311,169</u>	<u>14,600</u>	<u>325,769</u>
Excess (Deficit) of Revenues Over Expenses	<u>(47,537)</u>	<u>(47,537)</u>	<u>143,541</u>	<u>(14,600)</u>	<u>128,941</u>
Fund Balance, July 1, 2017	216,330	216,330	237,025	(50,160)	186,865
Restatement of Beginning Fund Balance	-	-	(44,867)	(7,745)	(52,612)
Fund Balance, June 30, 2018	<u>\$ 168,793</u>	<u>\$ 168,793</u>	<u>\$ 335,699</u>	<u>\$ (80,250)</u>	<u>\$ 263,194</u>

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## **Internal Service Funds**

**Internal Service Funds** are Proprietary Funds that are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis.

**Central Stores Fund:** This fund is used to account for the materials and supplies inventory kept on hand by the City to facilitate repairs and construction of City facilities and infrastructure.

**Equipment and Vehicle Fund:** This fund accounts for the acquisition, maintenance and operation of City owned vehicles and equipment. This fund provides for this equipment to be used by other funds on a cost reimbursement basis.

**BAKER CITY**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2018**

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 321,246	\$ 321,246
Deposit on Equipment Purchase	-	9,250	9,250
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	308	308
Due From Other Funds	-	54,421	54,421
Inventories	289,178	-	289,178
Total Current Assets	<u>289,178</u>	<u>385,225</u>	<u>674,403</u>
Noncurrent Assets:			
Advances to Other Funds	-	158,308	158,308
Capital Assets:			
Buildings	-	58,399	58,399
Equipment and Vehicles	-	2,695,868	2,695,868
Less: Accumulated Depreciation	-	(2,097,028)	(2,097,028)
Total Capital Assets	<u>-</u>	<u>657,239</u>	<u>657,239</u>
Total Noncurrent Assets	<u>-</u>	<u>815,547</u>	<u>815,547</u>
Total Assets	<u>289,178</u>	<u>1,200,772</u>	<u>1,489,950</u>
Deferred Outflows	<u>-</u>	<u>54,971</u>	<u>54,971</u>
Total Assets and Deferred Outflows	<u>\$ 289,178</u>	<u>\$ 1,255,743</u>	<u>\$ 1,544,921</u>
Current Liabilities:			
Accounts Payable	\$ 1,170	\$ 11,058	\$ 12,228
Due to Other Funds	6,842	-	6,842
Accrued Payroll Taxes and Benefits Payable	-	9,129	9,129
Compensated Absences Payable	-	5,618	5,618
Total Current Liabilities	<u>8,012</u>	<u>25,805</u>	<u>33,817</u>
Other Liabilities:			
Other Post-Employment Benefits Liability	-	8,864	8,864
Net Pension Liability	-	143,898	143,898
Total Other Liabilities	<u>-</u>	<u>152,762</u>	<u>152,762</u>
Total Liabilities	<u>8,012</u>	<u>178,567</u>	<u>186,579</u>
Deferred Inflows	<u>-</u>	<u>10,356</u>	<u>10,356</u>
Total Liabilities and Deferred Inflows	<u>8,012</u>	<u>188,923</u>	<u>196,935</u>
Net Position:			
Invested in Capital Assets	-	657,239	657,239
Unrestricted	281,166	409,581	690,747
Total Net Position	<u>\$ 281,166</u>	<u>\$ 1,066,820</u>	<u>\$ 1,347,986</u>

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Operating Revenue:			
Charges for Sales and Services	\$ 133,469	\$ 464,456	\$ 597,925
Miscellaneous Income	-	367	367
Total Revenue	<u>133,469</u>	<u>464,823</u>	<u>598,292</u>
Operating Expenses:			
Cost of Sales and Services	129,575	403,153	532,728
Depreciation	-	129,081	129,081
Total Expenses	<u>129,575</u>	<u>532,234</u>	<u>661,809</u>
Operating Income (Loss)	3,894	(67,411)	(63,517)
Nonoperating Revenue (Expense):			
Interest Income	-	8,457	8,457
Gain on Equipment Sale	-	22,455	22,455
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>30,912</u>	<u>30,912</u>
Change in Net Position	3,894	(36,499)	(32,605)
Net Position July 1, 2017	277,272	1,108,697	1,385,969
Restatement of Beginning Net Position	-	(5,378)	(5,378)
Net Position June 30, 2018	<u>\$ 281,166</u>	<u>\$ 1,066,820</u>	<u>\$ 1,347,986</u>

**BAKER CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Cash from Operating Activities:			
Receipts from Customers and Users	\$ 1,019	\$ -	\$ 1,019
Receipts from Interfund Services Provided	132,763	464,456	597,219
Other Receipts	-	3,967	3,967
Payments to Suppliers	(135,693)	(172,085)	(307,778)
Payments to/for Employees	-	(180,893)	(180,893)
Payments for Interfund Services Used	-	(110)	(110)
Net Cash Provided (Used) by Operating Activities	<u>(1,911)</u>	<u>115,335</u>	<u>113,424</u>
Cash Flows from Non Capital Financing Activities:			
Advances from (to) Other Funds	6,842	(77,732)	(70,890)
Repayments from (to) Other Funds	(4,931)	38,627	33,696
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,911</u>	<u>(39,105)</u>	<u>(37,194)</u>
Receipts on Sale of Capital Assets			
Deposit on Capital Assets	-	56,305	56,305
Purchases of Capital Assets	-	(9,250)	(9,250)
Purchases of Capital Assets	-	(205,191)	(205,191)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(158,136)</u>	<u>(158,136)</u>
Cash Flows from Investing Activities:			
Interest on Investments	-	8,457	8,457
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>8,457</u>	<u>8,457</u>
Net Increase (Decrease) in Cash and Cash Equivalents			
	-	(73,449)	(73,449)
Cash and Cash Equivalents, July 1, 2017	<u>-</u>	<u>394,695</u>	<u>394,695</u>
Cash and Cash Equivalents, June 30, 2018	<u>\$ -</u>	<u>\$ 321,246</u>	<u>\$ 321,246</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	<u>\$ 3,894</u>	<u>\$ (67,411)</u>	<u>\$ (63,517)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	129,081	129,081
(Increase) Decrease in Accounts Receivable Related to Operating Activities (Net of Allowance for Uncollectible Accounts)**	313	3,600	3,913
(Increase) Decrease in Inventories	25,578	-	25,578
Increase (Decrease) in Accounts Payable Related to Operating* Activities	(31,696)	2,254	(29,442)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	1,252	1,252
Increase (Decrease) in Compensated Absences Payable	-	(1,778)	(1,778)
Net Change in Other Post-Employment Benefits Liabilities	-	2,778	2,778
Net Change in Pension Assets/Liabilities	-	45,559	45,559
Total Adjustments	<u>(5,805)</u>	<u>182,746</u>	<u>176,941</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,911)</u>	<u>\$ 115,335</u>	<u>\$ 113,424</u>

\*Decrease in accounts payable related to the prior year acquisition/construction of capital assets is as follows: Equipment & Vehicle Fund \$325.

\*\*Decrease in accounts receivable related to the prior year sale of fixed assets as follows: Equipment & Vehicle Fund \$33,850.

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>CENTRAL STORES FUND</b>					
Revenue:					
Charges for Services	\$ 167,400	\$ 167,400	\$ 133,469	\$ -	\$ 133,469
Interest	-	-	-	-	-
Total Revenues	167,400	167,400	133,469	-	133,469
Expenses:					
Cost of Inventory Sold	150,000	150,000	129,575	-	129,575
Operating Contingency	50,000	50,000	-	-	-
Total Expenses	200,000	200,000	129,575	-	129,575
Net Change in Fund Balance	(32,600)	(32,600)	3,894	-	3,894
Fund Balance, July 1, 2017	255,000	255,000	277,272	-	277,272
Fund Balance, June 30, 2018	\$ 222,400	\$ 222,400	\$ 281,166	\$ -	\$ 281,166

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>EQUIPMENT &amp; VEHICLE FUND</b>					
Revenue:					
Charges for Services	\$ 655,374	\$ 655,374	\$ 464,456	\$ -	\$ 464,456
Interest	5,000	5,000	5,439	3,018	8,457
Miscellaneous	5,000	5,000	22,822	(22,455)	367
Gain on Equipment Sale	-	-	-	22,455	22,455
Total Revenues	665,374	665,374	492,717	3,018	495,735
Expenses:					
Equipment Operations	390,904	375,904	354,816	48,337	403,153
Equipment Purchases	190,000	205,000	204,866	(204,866)	-
Depreciation	-	-	-	129,081	129,081
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	780,904	780,904	559,682	(27,448)	532,234
Excess (Deficit) of Revenues Over Expenses	(115,530)	(115,530)	(66,965)	30,466	(36,499)
Other Financing Sources:					
Interfund Loan Transfer Out	(71,000)	(71,000)	(70,890)	70,890	-
Interfund Loan Transfers In	44,835	44,835	41,645	(41,645)	-
Total Other Financing Sources	(26,165)	(26,165)	(29,245)	29,245	-
Net Change in Fund Balance	(141,695)	(141,695)	(96,210)	59,711	(36,499)
Fund Balance, July 1, 2017	347,000	347,000	408,054	700,643	1,108,697
Restatement of Beginning Net Position	-	-	-	(5,378)	(5,378)
Fund Balance, June 30, 2018	\$ 205,305	\$ 205,305	\$ 311,844	\$ 754,976	\$ 1,066,820

# **Summary of Property Tax Transactions**

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**BAKER CITY  
SUMMARY OF PROPERTY TAX TRANSACTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Tax Year</b>	<b>Taxes Receivable June 30, 2017</b>	<b>2017-2018 Tax Levy as Extended by the County</b>	<b>Less Discounts</b>	<b>Plus Interest</b>	<b>Adjustments</b>	<b>Less Collections</b>	<b>Taxes Receivable June 30, 2018</b>
2017-18		\$ 3,429,636	\$ (87,656)	\$ 888	\$ (5,233)	\$ (3,223,932)	\$ 113,703
2016-17	\$ 90,593			2,595	(569)	(48,451)	44,168
2015-16	61,101			3,087	(555)	(25,942)	37,691
2014-15	41,101			4,079	(547)	(23,499)	21,134
2013-14	18,717			2,153	(535)	(10,765)	9,569
Prior	25,918			765	(1,417)	(2,557)	22,710
	<u>\$ 237,430</u>	<u>\$ 3,429,636</u>	<u>\$ (87,656)</u>	<u>\$ 13,567</u>	<u>\$ (8,856)</u>	<u>\$ (3,335,146)</u>	<u>\$ 248,975</u>

**Taxes Receivable June 30, 2018 by Fund**

<b>Tax Year</b>	<b>General Fund</b>	<b>State Tax Street Fund</b>	<b>Sam-O Swim Maintenance Fund</b>
2017-18	\$ 89,702	\$ 21,000	\$ 3,001
2016-17	34,844	8,158	1,166
2015-16	29,734	6,963	995
2014-15	16,673	3,903	558
2013-14	7,549	1,767	253
Prior	17,916	4,195	599
	<u>\$ 196,418</u>	<u>\$ 45,986</u>	<u>\$ 6,571</u>

**Collections by Fund**

	<b>Total</b>	<b>General Fund</b>	<b>State Tax Street Fund</b>	<b>Sam-O Swim Maintenance Fund</b>
<b>Current Year</b>				
Levy	\$ 3,223,044	\$ 2,542,692	\$ 595,328	\$ 85,024
Interest	888	700	164	23
Total	<u>\$ 3,223,932</u>	<u>\$ 2,543,392</u>	<u>\$ 595,492</u>	<u>\$ 85,048</u>
<b>Prior Years</b>				
Taxes & Interest	<u>\$ 111,215</u>	<u>\$ 87,739</u>	<u>\$ 20,542</u>	<u>\$ 2,934</u>

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# **Audit Comments**

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**Independent Auditor's Report  
Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Baker City, Oregon, as of and for the year ended June 30, 2018, and have issued our report thereon dated April 17, 2019. We conducted our audit in accordance with *Government Auditing Standards* and auditing standards generally accepted in the United States of America.

**Compliance**

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

1. Budget Compliance

Except as noted below the City appears to have complied with Local Budget Law (ORS 294.305 to 294.565) in preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2018 and the preparation and adoption of its budget and tax levy for the year ended June 30, 2019. A description of the budgeting process is included in the Notes to the Basic Financial Statements.

a. Over-Expenditures of Appropriations:

On an overall basis, the City's fiscal 2017-2018 expenditures were not in excess of appropriations. However, the following over-expenditures of budget resolution categories in violation of statutory requirements occurred:

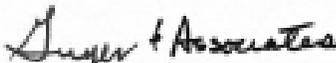
Fund	Category	Over-Expenditure Amount
General Fund	Police department	10,884
Samo Swim Maintenance Fund	Swimming pool operations	297
Fire Equipment Reserve Fund ** Expenditures were made prior to appropriation by Council Resolution #3809	Fire & Emergency Equipment Purchases	4,538

These expenditures are at variance with ORS 294.456, which states, an expenditure of public money may not be made for any purpose in an amount greater than the amount appropriated.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City of Baker City, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baker City, Oregon's internal control over financial reporting. Our report on internal control over financial reporting in accordance with *Government Auditing Standards* can be found on pages 92-93 of this reporting package. We have included our comments on internal control in a separate letter to the City Council dated April 17, 2019.

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

  
Guyer & Associates

Certified Public Accountants

A Professional Corporation

Baker City, Oregon

April 17, 2019

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# Single Audit

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Scott A. Martin  
Jacob J. Collier

Megan R. Adams  
Michael J. Rudi

Randell C. Guyer, Jr.  
Kent J. Bailey  
Kara J. Bond

David F. Lindley  
Linda L. Cyr  
Emily J. Bechtold

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor  
And the Members of the City Council  
City of Baker City, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Baker City, Oregon's basic financial statements, and have issued our report thereon dated April 17, 2019.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany schedule of finding and questioned costs that we consider to be a significant deficiency (Finding 2018-001).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Baker City, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

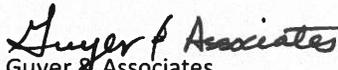
We noted certain other matters that we reported to the management of Baker City, Oregon in a separate letter dated April 17, 2019.

**City of Baker City, Oregon's Response to Findings**

Baker City, Oregon's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Baker City, Oregon's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Guyer & Associates  
Certified Public Accountants  
A Professional Corporation  
Baker City, Oregon

April 17, 2019



Scott A. Martin  
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Emily J. Becktold

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor  
And the Members of the City Council  
City of Baker City, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited the City of Baker City, Oregon's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Baker City, Oregon's major federal programs for the year ended June 30, 2018. The City of Baker City, Oregon's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Baker City, Oregon's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baker City, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Baker City, Oregon's compliance.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Opinion on the Major Federal Program**

In our opinion, the City of Baker City, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

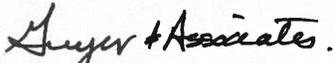
#### **Report on Internal Control over Compliance**

Management of the City of Baker City, Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Baker City, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City, Oregon's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Guyer & Associates  
Certified Public Accountants  
A Professional Corporation  
Baker City, Oregon

April 17, 2019

**CITY OF BAKER CITY**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

FEDERAL GRANTOR – PASS THROUGH GRANTOR – PROGRAM TITLE	Federal CFDA Number	Pass-Through Entity identifying Number	Federal Expenditures
FEDERAL DEPARTMENT OF INTERIOR			
PASSED THROUGH THE STATE OF OREGON HERITAGE			
DEPARTMENT:			
Certified Local Government Grant	15.904	-	4,000
DEPARTMENT OF JUSTICE			
Public Safety Partnership and Community Policing Grants	16.710		27,084
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	3-41-0005-014-2016	749,305
State and Community Highway Safety	20.600	SC18-35-15 AAA	6,043
Driving Under Influence of intoxicants	20.608	164AL-78-14-36	4,882
National Priority Safety Programs	20.616	M3DA-17-54-08 AAA	42,341
National Priority Safety Programs	20.616	FESX-18-20-15 AAA	981
National Priority Safety Programs	20.616	MICPS-18-45-15 AAA	292
DEPARTMENT OF HOMELAND SECURITY			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2016-FH-00205	49,618
Total Expenditures of Federal Awards			<u>\$884,546</u>

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

**CITY OF BAKER CITY**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Baker City, Oregon under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Baker City, Oregon, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Baker City, Oregon.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The reported expenditures were incurred during the year ended June 30, 2018. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Baker City, Oregon has elected not to use the 10% de minimus indirect cost rate.

**CITY OF BAKER CITY**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

**SUMMARY OF AUDITOR'S REPORT**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Baker City.
2. A deficiency in internal control over financial reporting was disclosed during the audit of the City of Baker City, Oregon's financial statements, which was considered to be a significant deficiency.
3. No instances of noncompliance material to the financial statements of the City of Baker City which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. The auditor's report on internal control over compliance over major programs in accordance with the Uniform Guidance does not disclose any significant deficiencies in internal control over compliance.
5. The auditor's report on compliance for the major federal award programs (listed below) for the City of Baker City expresses an unqualified opinion on its major federal program.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this schedule.
7. The program tested as a major program is:  
Federal Aviation Administration:
  1. Airport Improvement Program CFDA # 20.106
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City of Baker City, Oregon, was determined to be a high-risk auditee.

**CITY OF BAKER CITY**  
Schedule of Findings and Questioned Costs, Continued  
Year Ended June 30, 2018

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

FINDING 2018-001: Significant Deficiency – Financial Close and Reporting Process:

Criteria: The City should have accounting staff with the necessary skills, knowledge, and expertise to facilitate timely preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The City's financial reporting process is heavily dependent on the Finance Director, who we believe has the requisite skills, knowledge and expertise to prepare the City's financial statements. However, the financial reporting environment has become much more complex, and proper compliance has become more difficult and time consuming. Additional trained personnel are necessary to ensure timely and accurate preparation of financial information in the current environment.

Effect: As a result of the above finding, our audit process resulted in significant adjustments to the City's draft financial statements for the years ended June 30, 2017 and 2018. In addition, the City was not able to file its annual audited financial statements for the year ended June 30, 2018 in accordance with the March 31, 2019 deadline as required by the Uniform Guidance.

Cause: The City has not hired additional accounting staff with the necessary skills, knowledge and expertise to provide a means of collaboration to help ensure proper application of generally accepted accounting principles (GAAP), to assist with year-end closing procedures, and provide backup for the Finance Director.

Identification of a repeat finding: This is a repeat finding from the immediately prior audit, Finding 2017-001.

Recommendation: We recommend the City hire additional experienced accounting staff in an effort to provide an opportunity for delegation of financial reporting duties, and promote discussion as to how to implement new or current accounting policies that adhere to GAAP. In addition, there is a significant amount of work that goes into both the monthly and annual financial reporting process that could not be performed by anyone other than the Finance Director at this time. Hiring additional staff with the necessary accounting skill and experience will provide a backup source for the City's vital financial reporting knowledge and for the Finance Director. In addition to understanding GAAP, the role of Finance Director requires a thorough understanding of all the City's activities and computer systems. We believe it would be advisable for the City to ensure such knowledge is vested in more than one person.

Views of responsible officials and planned corrective actions: The City's response and corrective action plan is outlined on page 100 of this report.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No findings to report.

**CITY OF BAKER CITY**  
Corrective Action Plan  
Year Ended June 30, 2018

**FINDING 2018-001: Significant Deficiency – Financial Close and Reporting Process**

**Management Response and Corrective Action Plan:** As of February 28, 2018, the date of the last audit report, the City was anticipating the April 1, 2018 retirement of the Accounting Technician. However, the Accounting Technician chose to delay their retirement until April 30, 2019. The City recently hired an Accounting Technician with an Associates in Business Administration including a full year of college-level accounting courses. The Finance Director believes that between the new Accounting Technician’s prior education and experience they will be able to provide the necessary assistance to the Finance Director with a minor amount of additional training. If more advanced technical assistance is required, the Finance Director has the support of the City Manager to contract with an accounting firm other than the City’s auditor to provide that assistance.

**Responsible contact person:** Jeanie Dexter, Finance Director

**Anticipated completion date:** Hiring is complete and training is estimated to be completed by June 30, 2019.