



**City of Baker City, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2019**

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019

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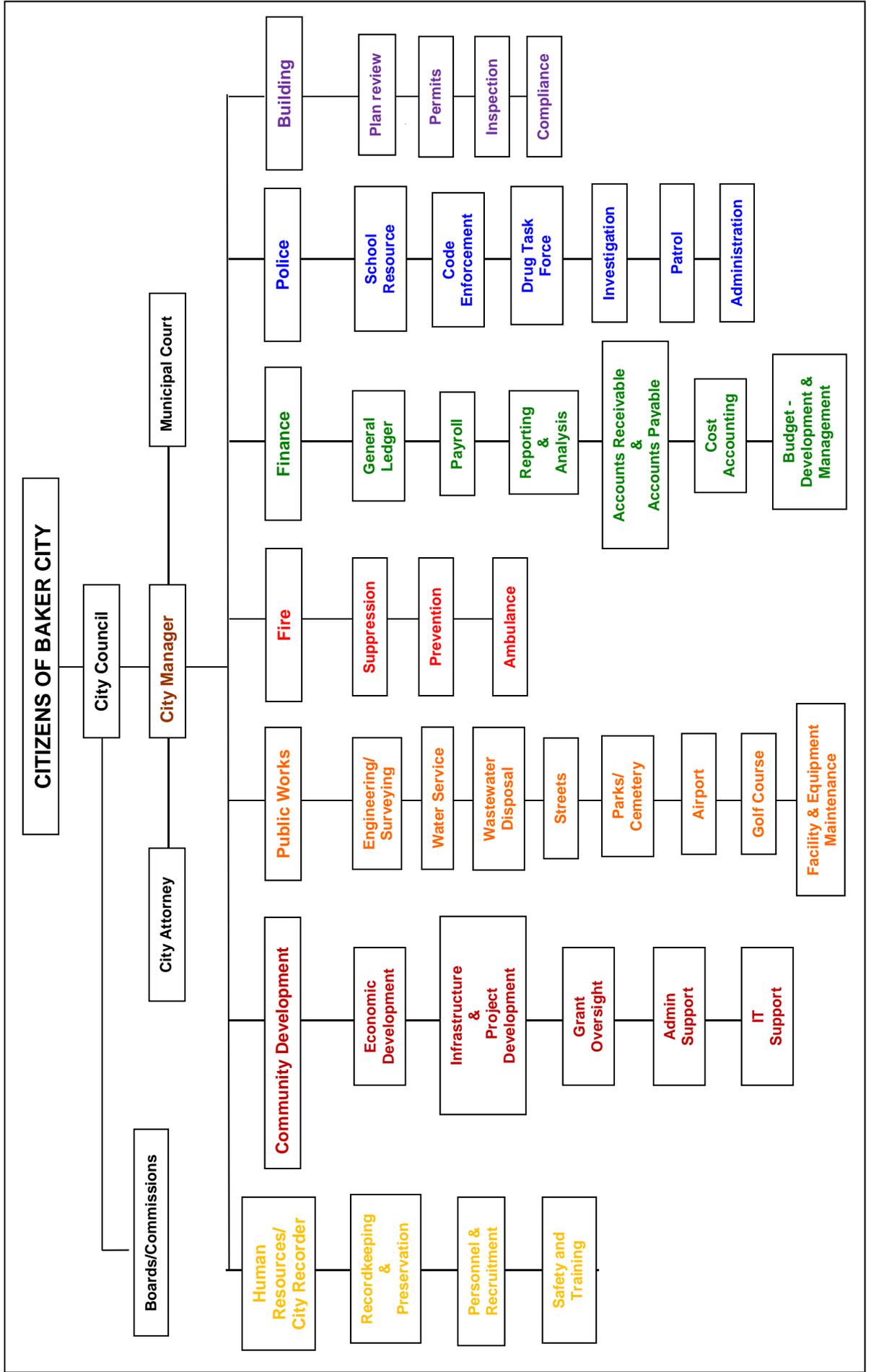
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Introductory Section

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City of Baker City



**BAKER CITY
City Hall
1655 1st Street
Baker City, Oregon 97814**

ELECTED MAYOR AND CITY COUNCIL AT JUNE 30, 2019

<u>Mayor:</u>	<u>Term Expiration</u>
Loran Joseph 2464 Baker Street	December 31, 2020
<u>Council Members:</u>	
Kenneth Gross 1455 Fifteenth Street	December 31, 2022
Lynette Perry 2545 College Street	December 31, 2022
Arvid Andersen 1400 Colorado Avenue	December 31, 2020
Doneita Bruland 1246 Broadway Avenue	December 31, 2020
Michael Downing 923 Walnut Street	December 31, 2020
Randall Schiewe 530 Foothill Drive	December 31, 2020

APPOINTED CITY OFFICERS AS OF JUNE 30, 2018

<u>City Manager:</u>	<u>City Finance Director:</u>
Fredrick Warner, Jr.	Jeanie Dexter
<u>City Attorney:</u>	<u>Municipal Judge:</u>
Dan Van Thiel	Brent Kerns

Financial Section

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GASLIN ACCOUNTING, PC
CERTIFIED PUBLIC ACCOUNTANTS

2550 BROADWAY STREET
BAKER CITY, OR 97814
(541)523-6471

INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–15 and 61–64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City, Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of property tax transactions 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 nonmajor fund financial statements 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 Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 28, 2020, 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.

Gaslin Accounting CPAs

Gaslin Accounting CPAs PC
Baker City, OR
February 28, 2020

By *Robert C Gaslin*

Robert C. Gaslin, CPA

**BAKER CITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019. 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, 2019**

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 thirteen 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 70-77.

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 25-60 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, 2019**

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 \$53,184,137 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (84 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, 2019**

	Governmental Activities		Business-type Activities		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
ASSETS						
Current and Other Assets	\$ 6,636,149	\$ 5,832,708	\$ 9,685,783	\$ 6,967,331	\$ 16,321,932	\$12,800,039
Capital Assets	20,313,875	20,571,388	24,410,988	25,581,281	44,724,863	46,152,669
Total Assets	26,950,024	26,404,096	34,096,771	32,548,612	61,046,795	58,952,708
DEFERRED OUTFLOWS						
Total Assets & Deferred Outflows	\$ 1,976,777	\$ 1,798,292	\$ 653,500	\$ 618,195	\$ 2,630,277	\$ 2,416,487
Total Assets & Deferred Outflows	\$ 28,926,801	\$ 28,202,388	\$ 34,750,271	\$ 33,166,807	\$ 63,677,072	\$ 61,369,195
LIABILITIES						
Long-Term Liabilities	-	-	1,489,245	1,557,639	1,489,245	1,557,639
Other Liabilities	5,765,710	5,604,748	2,139,568	2,312,189	7,905,278	7,916,937
Total Liabilities	5,765,710	5,604,748	3,628,813	3,869,828	9,394,523	9,474,576
DEFERRED INFLOWS						
Total Liab & Deferred Inflows	796,434	338,807	301,978	154,397	1,098,412	493,204
Total Liab & Deferred Inflows	\$ 6,562,144	\$ 5,943,555	\$ 3,930,791	\$ 4,024,225	\$ 10,492,935	\$ 9,967,780
NET POSITION						
Invested in Capital Assets, Net of Related Debt	\$ 20,313,875	\$ 20,571,388	\$ 24,410,988	\$ 23,951,066	\$ 44,724,863	\$ 44,522,454
Restricted	1,109,573	1,092,694	275,000	-	1,384,573	1,092,694
Unrestricted	941,209	594,751	6,133,492	5,191,516	7,074,701	5,786,267
Total Net Position	\$ 22,364,657	\$ 22,258,833	\$ 30,819,480	\$ 29,142,582	\$ 53,184,137	\$ 51,401,415

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

An additional portion of the City's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,074,701) may be used to meet the City's ongoing obligations to citizens and creditors. Net position for the City as a whole increased by \$1,782,722 during the fiscal year ended June 30, 2019. The following is an analysis of this increase.

**City of Baker City
Summary of Changes in Net Position
June 30, 2019**

	Governmental Activities		Business-type Activities		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
REVENUES						
Program Revenues						
Charges for Services	\$ 1,317,362	\$ 1,191,659	\$ 4,871,986	\$ 4,553,276	\$ 6,189,348	\$ 5,165,779
Operating Grants/Contrib.	1,204,885	1,131,398	-	-	1,204,885	742,520
Capital Grants/Contrib.	308,875	1,108,704	-	35,386	308,875	871,322
General Revenues:						
Property Taxes	3,534,573	3,355,997	-	-	3,534,573	3,231,766
Franchise Taxes	912,827	874,599	-	-	912,827	864,235
Investment Earnings	140,048	82,213	157,558	96,108	283,685	107,601
SAIF Refunds	23,739	26,185	-	-	23,739	31,428
Unrestricted Grants/Contrib.	283,685	302,889	-	-	283,685	264,424
Rental Income	32,396	31,765	60,751	49,839	93,147	82,326
Miscellaneous	70,437	59,181	157,457	93,187	227,894	338,335
Total Revenues	\$ 7,798,827	\$ 8,164,590	\$ 5,247,752	\$ 4,827,796	\$ 13,046,579	\$ 12,992,386
EXPENSES						
General Government	\$ 566,833	\$ 413,189	\$ -	\$ -	\$ 566,833	\$ 413,189
Public Safety	4,741,294	4,609,273	-	-	4,741,294	4,609,273
Transportation and Streets	1,524,447	1,496,029	-	-	1,524,447	1,496,029
Culture & Recreation	355,250	342,903	-	-	355,250	342,903
Economic Development	118,194	119,965	-	-	118,194	119,965
Cemetery	153,306	147,493	-	-	153,306	147,493
Airport	220,475	174,819	-	-	220,475	174,819
Hydro-Electric Plant	10,078	7,873	-	-	10,078	7,873
Interest on Long-Term Debt	3,126	3,360	-	-	3,126	3,360
Water	-	-	2,053,994	2,029,880	2,053,994	2,029,880
Wastewater	-	-	1,137,747	1,255,770	1,137,747	1,255,770
Golf Course	-	-	87,700	71,381	87,700	71,381
Building Department	-	-	321,413	325,769	321,413	325,769
Total Expenses	7,693,003	7,314,904	3,600,854	3,682,800	11,293,857	10,997,704
Operating Transfers	(30,000)	(30,000)	30,000	30,000	-	-
Change in Net Position	105,824	819,686	1,676,898	1,174,996	1,782,722	1,994,682
Net Position—Beginning of Year	22,258,833	21,726,909	29,142,582	27,868,917	51,401,415	49,595,826
Restatement of Beg Net Position	-	(287,762)	-	98,669	-	(189,093)
Net Position—End of Year	\$ 22,364,657	\$ 22,258,833	\$ 30,819,480	\$ 29,142,582	\$ 53,184,137	\$ 51,401,415

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Analysis of Changes in Net Position

Governmental activities: During the fiscal year ended June 30, 2019, net position of the governmental activities increased by \$105,824. This increase is mainly due to the State Tax Street Fund which completes major street improvement projects every other year in order to set aside enough funding to complete significant improvement projects. The fiscal year ended June 30, 2019 was a set aside year. In addition, the increase of interest rates and the carrying amount of deposits resulted in over \$55,000 of additional revenue to the governmental activities. The State and Federal Grants Fund also contributed to this increase since the majority of grant funding is required to be used for capital outlay. Assets in capital outlay are depreciated over their useful lives. The State and Federal Grants Fund used approximately \$213,000 of grant funding to purchase airport improvements which will be capitalized and depreciated over their useful lives as they are placed in service.

These increases were partially offset by an increase in PERS expense of \$278,853 due to the requirement of GASB Statement No. 68. GASB 68 requires municipalities to account for the 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 System (PERS).

Business-type activities: During the fiscal year ended June 30, 2019, net position of the business-type activities increased by \$1,676,898. The majority of the increase was in the Water Utility Fund (\$1,093,046) and the Wastewater Utility Fund (\$490,902). The City is currently setting aside funds in order to complete several significant infrastructure projects. Included in the projects are the repair and replacement of transmission and distribution lines for the water system; establishing a secondary water source; and the Department of Environmental Quality's (DEQ) mandatory wastewater storage and effluent disposal project.

The effort to improve infrastructure is demonstrated by the fact that during the fiscal year ended June 30, 2019, the City added capital assets in the business-type activities of \$1,364,907 while depreciation expense totaled only \$773,204. The difference between assets capitalized and current year depreciation expense accounts for \$591,702 of the increase in net position for the business-type activities. The City has set utility rates at a level that will provide enough revenue to pay for operational costs and necessary infrastructure improvements.

Net position in the Building Inspection Fund increased by \$85,140. This increase was due to a concerted effort by City management to build reserves which allow the City to maintain consistent services during the times when building is temporarily slowed down due to changes in the seasons and/or the economy.

FUND ANALYSIS

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

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Major Governmental Funds

General Fund: During the fiscal year ended June 30, 2019, the ending fund balance of the General Fund decreased from \$1,177,736 to \$1,119,183. The General Fund is on the modified accrual basis of accounting where revenue is recognized when both measurable and available. Revenues are determined to be available if they are received within two months of the end of the reporting period. Certain revenue in the General Fund was not received within two months of the end of the fiscal year and was, therefore, not reported in the fiscal year ended June 30, 2019. This included property taxes of \$117,552 not turned-over from Baker County due to a potential refund credit arising from property tax litigation. It also included \$16,041 from Baker County 5J School District for the School Resource Officer contribution; \$69,048 grant disbursement from the SAFER grant; and \$22,000 from Baker County for community development. With the exception of a portion of property taxes still held by Baker County in a potential refund credit, these revenues were all received and will be recorded in the fiscal year ended June 30, 2020. During the fiscal year ended June 30, 2019 the General Fund collected approximately \$168,000 in public safety utility fees in an effort to help offset the rising costs of personnel, technology, equipment and other costs in order to maintain police, fire and emergency medical services in the City at the current service level.

State Tax Street Fund: The ending fund balance of the Street Fund increased from \$1,222,106 to \$1,479,133. This increase was reduced by approximately \$27,500 due to the property taxes held by Baker County in a potential refund credit (explained in the General Fund above). Even with the increase in gas taxes from House Bill 2017, the Street Fund still only has enough funding to do significant street improvement projects every other year. The fiscal year ended June 30, 2019 was the fiscal year when the City is setting aside reserves for the next year's project.

LID Repayment Fund: The deficit ending fund balance of the LID Repayment Fund decreased from (\$80,340) to (\$60,713) 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 (\$6,587) to a fund balance of \$85,374. This increase was due to grant reimbursements from Connect Oregon VI and the FAA for the airport apron reconstruction project that were received.

Enterprise Funds

Water Fund: The ending net position of the Water Fund increased from \$20,711,780 to \$21,804,826. The water utility rates have been set at a level that provides funding for major infrastructure improvements. The City is currently in the process of replacing miles of distribution lines that bring water into the City from the watershed. The City is also in the preliminary stages of establishing a secondary water source to provide water in the event of wildfire or other natural disasters that may damage the watershed, the sole source of water for the City.

Wastewater Fund: The ending net position of the Wastewater Fund increased from \$6,410,754 to \$6,901,656. The City is working on raising wastewater rates to a level that will provide funding for infrastructure improvements including debt service for the future wastewater storage and effluent disposal project that is required by the DEQ to be completed by December 27, 2021.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Golf Fund: The ending net position of the Golf Fund decreased from \$1,139,784 to \$1,136,627. The golf course is operated by a concessionaire that works closely with City management in a joint effort to make this city asset self-sustaining.

Building Inspections Fund: The ending net position of the Building Inspections Fund increased from \$263,194 to \$348,334 even though revenue from commercial and residential permits decreased. Certain building inspections costs such as the State of Oregon surcharge and contracted services for the electrical inspector are based on revenue and will decrease as revenue decreases. Other reductions in expenses were from a reorganization of the department due to the retirement of the Building Official and a part-year building inspector vacancy.

BUDGETARY HIGHLIGHTS

The following are explanations for budget resolutions that were approved by City Council throughout the fiscal year to make changes to the 2018-19 adopted budget:

- The Fire Equipment Reserve Fund received an unanticipated \$13,750 matching grant from the Leo Adler Foundation to purchase a new defibrillator/monitor for the Fire Department and a \$1,000 donation from High Dessert Harley-Davidson/Buell to be used for fire equipment.
- The General Fund received an unanticipated grant estimated at \$2,600 from the Oregon Department of Transportation to reimburse the City for training the School Resource Officer to be a driver's education teacher for the school district.
- Appropriations of \$5,600 were transferred from the General Fund's Administrative Services Department to be used to recertify the City's hydro-electric plant as required by Idaho Power.
- The Fire Equipment Reserve Fund received an unanticipated \$1,500 Northwest Farm Credit Services grant to purchase manual extrication tools.
- The Fire Equipment Reserve Fund incurred \$32,000 for unanticipated repair costs on fire and emergency services equipment.
- Appropriation savings of \$72,000 from vacancies in the General Fund's Police Department were transferred to the General Fund's Fire Department for unanticipated overtime and material and services costs. In addition, \$5,000 was transferred from Contingency to the Fire Department for unanticipated medical supply costs.
- The General Fund transferred \$10,000 from Contingency to the Administrative Services Department for additional personnel costs incurred due to an unplanned retirement. In addition, the General Fund transferred \$15,000 from Contingency to Transfers in order to transfer funds to the Samo Swim Operations Fund to cover unanticipated personnel and repair costs. The \$15,000 transfer was then appropriated in the Samo Swim Fund.
- The Mt. Hope Trust Fund and the John Schmitz Trust Fund received unanticipated interest earnings of \$2,000 and \$500, respectively. These earnings were appropriated to Transfers as required by ordinance to be used to pay for cemetery maintenance costs.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The City's final amended General Fund budget for the fiscal year ended 2018-19 included a contingency of \$70,000 and an unappropriated ending fund balance of \$708,394, for a total of \$778,394. The actual balance carried forward to 2019-20 was \$1,119,182. The difference of \$340,788 between the 2018-19 final revised budget and the 2018-19 actual revenue and expenditures is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations of Significant Differences</u>
REVENUE				
Property Tax Revenue	\$ 2,746,080	\$ 2,567,821	\$(178,259)	Baker County delayed property tax turnovers due to litigation with property tax owners. Of the amount held \$117,552 was related to a potential refund credit but additional turnovers due were not made by the County until November 2019.
Franchise Taxes	888,675	912,827	24,152	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	585,214	503,100	(82,114)	Several intergovernmental revenue sources were received but not within two months of the fiscal year end and therefore, were not subject to accrual – Baker County 5J School District \$16,041, SAFER grant \$69,049 and \$22,000 Baker County community development.
Charges for Services	857,750	992,061	134,311	Received approximately \$119,000 more in ambulance revenue and approximately \$27,000 more in cemetery revenue than anticipated due to conservative budgeting.
Other Revenue	697,075	715,320	18,245	Public safety fee revenue was \$10,000 less than anticipated which was partially offset by an increase in interest of \$20,000.
Total Revenue Decrease			<u>\$(83,665)</u>	
EXPENDITURES				
Personnel Services	4,424,893	4,270,621	(154,272)	Savings in the Admin Department of \$12,000, Police Dept. of \$115,845, Fire Dept. of \$19,500 and other savings in Public Works labor in the General Fund.
Materials and Services	1,371,019	1,337,027	(33,992)	Savings in materials and services in cemetery and parks department due to complexity of estimating burials, irrigation issues, etc.
Capital Outlay	51,500	51,715	215	Minor difference in capital outlay for police vehicles.
Total Expenditure Savings			<u>\$(188,049)</u>	
Operating Transfer In	21,000	20,680	(320)	Received slightly less cemetery trust interest than anticipated.
Operating Transfer Out	(111,000)	(111,000)	-	Interfund transfers were made as budgeted.
Beginning Fund Balance	941,012	1,177,736	236,724	Additional carryover from budgeted amount.
Difference Budget & Actual			<u>\$340,788</u>	

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year ended June 30, 2019 is summarized on pages 37-38 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, 2019:

Elkhorn View Industrial Park Broadband Install (In Process)	\$ 72,761
Elkhorn View Industrial Park Conduit Install (In Process)	72,709
Washington Street Overlay (In Process)	25,547
Washington Street Curbs & Sidewalks (In Process)	38,056
Washington Street Catch Basins	6,918
Washington Street Water Mainline	13,966
D Street Stormwater	81,139
Cured-in-Place Lining for Stormwater System	13,528
Indiana and Story Lane Stormwater System	41,826
2 New Windows in City Hall	16,500
Dodge Charger Police Patrol Vehicle	32,993
Police Building Lobby Remodel	12,520
Defibrillator	26,120
Engine for Ambulance	21,466
Head & Head Gaskets for Ambulance	11,806
ATV Sweeper Broom	5,185
Samo Swim Heat Exchange Valve	5,840
Samo Swim Pool Band & Tile Markings	7,750
Hydro Plant Recertification	5,594
South Taxiway Apron Rehabilitation Project (In Process)	59,691
2019 Ram Truck	27,681
Autocad GIS System Water & Wasterwater (Final Costs)	14,274
Autocad GIS System Stormwater (In Process)	2,427
Volvo 160 Excavator	160,800
Forklift	8,500
Tracks and Rollers for D5H	7,500
Radiator and Improvements to Bearcat Chip Spreader	12,088
Jetter Pump	12,987
Tilt Trailer	26,617
Mountain Line Pipeline System Elk Creek to Forebay (In Process)	356,748
GSI Groundwater Evaluation & Design (In Process)	70,077
8" Water Main Installation at Court Street (In Process)	2,212
Reservoir Water Tank Recoating	90,854
8" Water Main Installation at East Street	38,461
Water Main Installation Clifford and Main	87,995
Water System Enhancements	87,997
Wastewater Pipe Curing	107,547
Wastewater Main at Hughes Lane	23,037
Wastewater System Enhancements	25,138
Effluent Water Storage & Disposal Design (In Process)	328,675
Effluent Water Disposal Land Purchase	8,237
Total	<u>\$ 2,071,767</u>

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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 2019-20 for the third consecutive year from \$106,155 to \$97,115. 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, 2019 Salary Increase	1.5%	1.5%	2.0%	0-2%*
July 1, 2020 Salary Increase	TBD	TBD	2.5%	0-2%*
July 1, 2021 Salary Increase	TBD	TBD	2.5%	0-2%*

*Based on Merit.
TBD – to be determined.

The PERS rates, which are set for a period of two years, continue to increase. Oregon PERS board has published the advisory rates for July 1, 2021 to June 30, 2023. These rates are based on a December 31, 2018 valuation; however, actual rates will be based on a December 31, 2019 actuarial valuation.

	<u>Tier 1 & Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police & Fire</u>
Rates for July 1, 2019 to June 30, 2021	27.21%	18.11%	22.74%
Advisory Rates July 1, 2021 to June 30, 2023	29.05%	22.26%	26.63%

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

- 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 2019 pavement management plan highlighted this need with 40.7% of the City's streets listed as fair condition and 6.91% 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 made several recent increases to water rates, 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 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.

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Basic Financial Statements

BAKER CITY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 4,761,315	\$ 6,993,106	\$ 11,754,421
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	468,914	544,654	1,013,568
Interest Receivable	579	-	579
Prepaid Expenses	830	1,036	1,866
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	533,959	-	533,959
Intergovernmental Receivable	418,501	150	418,651
Contracts and Special Assessments Receivable	334,068	29,555	363,623
Internal Balances	(438,358)	438,358	-
Inventories	289,449	-	289,449
Capital Assets (Net of Accumulated Depreciation):			
Land	2,136,671	1,342,160	3,478,831
Construction in Process	278,414	1,442,266	1,720,680
Buildings	2,123,034	199,943	2,322,977
Improvements Other than Buildings	11,652	48,877	60,529
Machinery and Equipment	1,318,282	401,373	1,719,655
Infrastructure	14,445,822	22,655,293	37,101,115
Other Assets	266,892	-	266,892
Total Assets	\$ 26,950,024	\$ 34,096,771	\$ 61,046,795
DEFERRED OUTFLOWS:			
Deferred Outflows	1,976,777	653,500	2,630,277
Total Assets and Deferred Outflows	28,926,801	34,750,271	63,677,072
LIABILITIES:			
Accounts Payable	\$ 211,728	\$ 214,959	\$ 426,687
Accrued Payroll Taxes and Benefits Payable	296,679	94,482	391,161
Accrued Interest Payable	-	30,840	30,840
Customer Deposits and Other Payables	1,005	48,670	49,675
Notes Payable			
Due within One Year	-	70,821	70,821
Due in More than One Year	-	1,418,424	1,418,424
Compensated Absences Payable	251,147	95,970	347,117
Net Post-Employment Benefits Liability	264,225	87,350	351,575
Net Pension Liability	4,740,926	1,567,297	6,308,223
Total Liabilities	5,765,710	3,628,813	9,394,523
DEFERRED INFLOWS:			
Deferred Inflows	796,434	301,978	1,098,412
Total Liabilities and Deferred Inflows	6,562,144	3,930,791	10,492,935
NET POSITION:			
Net Investment in Capital Assets	20,313,875	25,900,233	46,214,108
Restricted:			
Cemetery Care	274,061	-	274,061
2089 Celebration	3,114	-	3,114
Street Trees	48,087	-	48,087
Car Seats	1,357	-	1,357
Wastewater Debt Reserve	-	275,000	275,000
Nonexpendable	782,954	-	782,954
Unrestricted	941,209	4,644,247	5,585,456
Total Net Position	\$ 22,364,657	\$ 30,819,480	\$ 53,184,137

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

BAKER CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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
Governmental Activities:							
General Government	\$ 566,833	\$ 55,573	\$ 900	\$ 8,000	\$ (502,360)	\$ -	\$ (502,360)
Public Safety	4,741,294	1,092,950	277,759	30,084	(3,340,501)	-	(3,340,501)
Highways and Streets	1,524,447	19,134	837,726	-	(667,587)	-	(667,587)
Culture and Recreation	355,250	77	500	58,341	(296,332)	-	(296,332)
Airport	220,475	7,098	-	61,979	(151,398)	-	(151,398)
Cemetery	153,306	103,801	-	-	(49,505)	-	(49,505)
Hydro-electric Plant	10,078	38,729	-	-	28,651	-	28,651
Economic and Community Development	118,194	-	88,000	150,471	120,277	-	120,277
Interest on Long Term Debt	3,126	-	-	-	(3,126)	-	(3,126)
Total Governmental Activities	<u>7,693,003</u>	<u>1,317,362</u>	<u>1,204,885</u>	<u>308,875</u>	<u>(4,861,881)</u>	<u>-</u>	<u>(4,861,881)</u>
Business-type Activities:							
Water Utility	2,053,994	2,984,469	-	-	-	930,475	930,475
Wastewater Utility	1,137,747	1,493,147	-	-	-	355,400	355,400
Golf Operation	87,700	-	-	-	-	(87,700)	(87,700)
Building Inspection	321,413	394,370	-	-	-	72,957	72,957
Total Business-type Activities	<u>3,600,854</u>	<u>4,871,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,271,132</u>	<u>1,271,132</u>
Total Government	<u>\$ 11,293,857</u>	<u>\$ 6,189,348</u>	<u>\$ 1,204,885</u>	<u>\$ 308,875</u>	<u>(4,861,881)</u>	<u>1,271,132</u>	<u>(3,590,749)</u>
General Revenues:							
Property Taxes					3,534,573	-	3,534,573
Franchise Taxes					912,827	-	912,827
Grants and Contributions Not Restricted to a Particular Program					283,685	-	283,685
Rental Income					32,396	60,751	93,147
Interest on Investments					140,048	157,558	297,606
SAIF Refund					23,739	-	23,739
Miscellaneous					70,437	157,457	227,894
Transfers:							
Operating					(30,000)	30,000	-
Total General Revenue and Transfers					<u>4,967,705</u>	<u>405,766</u>	<u>5,373,471</u>
Change in Net Position					105,824	1,676,898	1,782,722
Net Position July 1, 2018					<u>22,258,833</u>	<u>29,142,582</u>	<u>51,401,415</u>
Net Position June 30, 2019					<u>\$ 22,364,657</u>	<u>\$ 30,819,480</u>	<u>\$ 53,184,137</u>

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

**BAKER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<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	\$ 1,210,609	\$ 1,460,323	\$ 4,776	\$ 140,517	\$ 1,655,495	\$ 4,471,720
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	417,782	1,467	-	49,271	-	468,520
Interest Receivable	-	-	579	-	-	579
Prepaid Expenses	312	518	-	-	-	830
Taxes Receivable	421,239	98,625	-	-	14,095	533,959
Contracts and Special Assessments Receivable	-	-	155,732	178,336	-	334,068
Due From Other Funds	-	-	-	-	41,282	41,282
Advances to Other Funds	-	-	-	-	78,934	78,934
Intergovernmental Receivable	169,693	66,098	-	182,710	-	418,501
Other Assets	266,004	-	-	-	888	266,892
Total Assets	<u>\$ 2,485,639</u>	<u>\$ 1,627,031</u>	<u>\$ 161,087</u>	<u>\$ 550,834</u>	<u>\$ 1,790,694</u>	<u>\$ 6,615,285</u>
Liabilities:						
Accounts Payable	\$ 61,715	\$ 15,396	\$ -	\$ 92,009	\$ 25,586	\$ 194,706
Customer Deposit	1,000	-	-	-	-	1,000
Wages, Payroll Taxes and Benefits Payable	249,663	36,044	-	373	462	286,542
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	22,662	-	7,783	30,445
Advances from Other Funds	-	-	42,827	-	16,152	58,979
Total Liabilities	<u>312,383</u>	<u>51,440</u>	<u>65,489</u>	<u>92,382</u>	<u>49,983</u>	<u>571,677</u>
Deferred Inflows:						
Deferred Revenue	1,054,074	96,458	156,311	373,078	13,761	1,693,682
Fund Balance (Deficit):						
Nonspendable	266,004	-	-	-	783,842	1,049,846
Restricted for 2089 Celebration	-	-	-	-	3,114	3,114
Restricted for Cemetery Care	-	-	-	-	274,061	274,061
Restricted for Street Trees	-	-	-	-	48,087	48,087
Restricted for Community Development	-	-	-	-	22,338	22,338
Restricted for Car Seat Program	-	-	-	1,357	-	1,357
Committed for Cemetery Care	-	-	-	-	505,151	505,151
Committed for Sidewalks	-	-	-	-	71,529	71,529
Assigned for Street Trees	-	-	-	-	4,483	4,483
Assigned for Big Deal Grants	-	-	-	5,000	-	5,000
Assigned for Wellness	-	-	-	1,449	-	1,449
Assigned for Public Safety	-	-	-	65,371	-	65,371
Assigned for Airport	-	-	-	19,269	-	19,269
Assigned for Skate Park	-	-	-	4,438	-	4,438
Assigned for Fire Equipment	-	-	-	-	40,049	40,049
Assigned for Samo Swim Maintenance	-	-	-	-	-	-
Assigned for Public Art	-	-	-	1,891	-	1,891
Assigned for Parks	-	-	-	79,942	-	79,942
Assigned for Streets	-	1,479,133	-	-	-	1,479,133
Unassigned	853,178	-	(60,713)	(93,343)	(25,704)	673,418
Total Fund Balance (Deficit)	<u>1,119,182</u>	<u>1,479,133</u>	<u>(60,713)</u>	<u>85,374</u>	<u>1,726,950</u>	<u>4,349,926</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 2,485,639</u>	<u>\$ 1,627,031</u>	<u>\$ 161,087</u>	<u>\$ 550,834</u>	<u>\$ 1,790,694</u>	<u>\$ 6,615,285</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, 2019

Fund Balances of Governmental Funds \$ 4,349,926

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. 1,693,682

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value. 19,541,786

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.
- Compensated absences payable (242,022)

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.

- Current assets and interfund receivable	\$ 740,471	
- Capital assets - net	772,089	
- Current liabilities and interfund payable	(29,305)	
- Compensated absences payable	(9,125)	
- Noncurrent liabilities - other post-employment benefits liability	(8,121)	
- Deferred outflows related to other post-employment benefits obligations	1,256	
- Deferred inflows related to other post-employment benefits obligations	(1,292)	
- Noncurrent liabilities - net pension liability	(145,716)	
- Deferred outflows related to pension obligations	59,502	
- Deferred inflows related to pension obligations	(23,186)	
Subtotal	1,356,573	1,356,573

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. (628,037)

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:

- Net OPEB liability	(256,104)	
- Deferred outflows related to OPEB	39,596	
- Deferred inflows related to OPEB	(40,761)	
- Net pension liability	(4,595,210)	
- Deferred outflows related to pensions	1,876,423	
- Deferred inflows related to pensions	(731,195)	
Subtotal	(3,707,251)	(3,707,251)

Net Position of Governmental Activities \$ 22,364,657

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

BAKER CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<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	\$ 2,567,821	\$ 595,371	\$ -	\$ -	\$ 85,020	\$ 3,248,212
Franchise	912,827	-	-	-	-	912,827
Licenses and Permits	8,933	-	-	-	-	8,933
Intergovernmental	503,100	836,975	-	214,488	-	1,554,563
Charges for Services	992,061	26,270	-	782	9,735	1,028,848
Fines and Forfeitures	37,595	-	-	-	-	37,595
Rental Income	33,646	-	-	-	-	33,646
Interest and Dividends	36,946	36,096	6,058	2,060	48,148	129,308
SAIF Refund	23,739	-	-	-	-	23,739
Public Safety Fee	168,260	-	-	-	-	168,260
Miscellaneous	49,267	750	16,780	74,936	38,496	180,229
Total Revenue	<u>5,334,195</u>	<u>1,495,462</u>	<u>22,838</u>	<u>292,266</u>	<u>181,399</u>	<u>7,326,160</u>
Expenditures:						
Current:						
General Government	490,016	-	85	1,404	-	491,505
Public Safety	4,357,154	-	-	22,484	22,507	4,402,145
Highways and Streets	-	1,023,809	-	-	-	1,023,809
Sidewalks	-	-	-	-	19,367	19,367
Parks and Recreation	105,346	-	-	378	94,258	199,982
Airport	55,513	-	-	-	-	55,513
Cemetery	148,377	-	-	-	-	148,377
Hydro-electric Plant	9,865	-	-	-	-	9,865
Economic and Community Development	72,017	-	-	16,879	5,813	94,709
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	3,126	-	-	3,126
Capital Outlay:						
General Government	16,500	-	-	-	-	16,500
Public Safety	42,047	-	-	-	59,392	101,439
Highways and Streets	-	176,570	-	-	-	176,570
Curbs and Sidewalks	-	38,056	-	-	-	38,056
Parks and Recreation	-	-	-	-	13,590	13,590
Airport	-	-	-	59,690	-	59,690
Economic and Community Development	-	-	-	145,470	-	145,470
Hydro-electric Plant	5,594	-	-	-	-	5,594
Total Expenditures:	<u>5,302,429</u>	<u>1,238,435</u>	<u>3,211</u>	<u>246,305</u>	<u>214,927</u>	<u>7,005,307</u>
Excess (Deficit) of Revenues Over Expenditures	<u>31,766</u>	<u>257,027</u>	<u>19,627</u>	<u>45,961</u>	<u>(33,528)</u>	<u>320,853</u>
Other Financing Sources (Uses):						
Transfers In	20,680	-	-	46,000	35,000	101,680
Transfers Out	(111,000)	-	-	-	(20,680)	(131,680)
Total Other Financing Sources (Uses)	<u>(90,320)</u>	<u>-</u>	<u>-</u>	<u>46,000</u>	<u>14,320</u>	<u>(30,000)</u>
Net Change in Fund Balance	(58,554)	257,027	19,627	91,961	(19,208)	290,853
Fund Balance (Deficit), July 1, 2018	<u>1,177,736</u>	<u>1,222,106</u>	<u>(80,340)</u>	<u>(6,587)</u>	<u>1,746,158</u>	<u>4,059,073</u>
Fund Balance (Deficit), June 30, 2019	<u>\$ 1,119,182</u>	<u>\$ 1,479,133</u>	<u>\$ (60,713)</u>	<u>\$ 85,374</u>	<u>\$ 1,726,950</u>	<u>\$ 4,349,926</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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	290,853
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.		487,156
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.		(372,363)
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	\$	(19,993)
- Repayment of long term debt		-
Subtotal		(19,993)
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.		8,586
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.		(10,967)
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.		1,405
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.		(278,853)
Change in Net Position of Governmental Activities	\$	105,824

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

BAKER CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Golf Course Operation	Building Inspections	Totals	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 4,214,466	\$ 2,274,897	\$ 12,023	\$ 491,720	\$ 6,993,106	\$ 289,595
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	388,921	148,977	6,706	50	544,654	394
Prepaid Expenses	518	518	-	-	1,036	-
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	150	150	-
Due From Other Funds	-	-	-	-	-	49,826
Inventories	-	-	-	-	-	289,449
Total Current Assets	4,603,905	2,427,869	18,729	491,920	7,542,423	629,264
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	111,207
Special Assessments Receivable	-	26,078	-	-	26,078	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	1,026,721	415,545	-	-	1,442,266	-
Buildings	293,250	35,037	106,146	-	434,433	58,399
Improvements other than Buildings	-	-	381,790	-	381,790	-
Infrastructure	26,817,457	9,832,021	-	-	36,649,478	-
Machinery, Equipment, and Vehicles	389,335	529,378	318,480	47,766	1,284,959	2,896,861
Less: Accumulated Depreciation	(9,087,585)	(5,776,948)	(553,385)	(27,256)	(15,445,174)	(2,183,171)
Net Capital Assets	19,619,436	5,138,831	1,311,135	20,510	26,089,912	772,089
Total Noncurrent Assets	19,619,436	5,164,909	1,311,135	20,510	26,115,990	883,296
Total Assets	24,223,341	7,592,778	1,329,864	512,430	33,658,413	1,512,560
Deferred Outflows	374,920	234,109	1,230	43,241	653,500	60,758
Total Assets and Deferred Outflows	\$ 24,598,261	\$ 7,826,887	\$ 1,331,094	\$ 555,671	\$ 34,311,913	\$ 1,573,318
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 13,112	\$ 173,588	\$ 982	\$ 27,277	\$ 214,959	\$ 17,022
Customer Deposits	48,670	-	-	-	48,670	-
Due to Other Funds	-	-	58,517	-	58,517	2,146
Wages, Payroll Taxes and Benefits Payable	48,957	35,139	196	10,190	94,482	10,137
Compensated Absences Payable	62,267	29,425	-	4,278	95,970	9,125
Accrued Interest Payable	30,840	-	-	-	30,840	-
Current Portion of Long Term Debt	70,821	-	-	-	70,821	-
Total Current Liabilities	274,667	238,152	59,695	41,745	614,259	38,430
Long-Term Liabilities:						
Notes Payable	1,418,424	-	-	-	1,418,424	-
Advances From Other Funds	-	-	131,162	-	131,162	-
Total Long-Term Liabilities	1,418,424	-	131,162	-	1,549,586	-
Other Liabilities:						
Other Post-Employment Benefits Liability	50,114	31,292	165	5,779	87,350	8,121
Net Pension Liability	899,176	561,466	2,950	103,705	1,567,297	145,716
Total Other Liabilities	949,290	592,758	3,115	109,484	1,654,647	153,837
Total Liabilities	2,642,381	830,910	193,972	151,229	3,818,492	192,267
Deferred Inflows	151,054	94,321	495	56,108	301,978	24,478
Total Liabilities and Deferred Inflows	2,793,435	925,231	194,467	207,337	4,120,470	216,745
Net Position:						
Net Investment in Capital Assets	18,130,191	5,138,831	1,121,456	20,510	24,410,988	772,089
Restricted for Wastewater Debt Reserve	-	275,000	-	-	275,000	-
Unrestricted	3,674,635	1,487,825	15,171	327,824	5,505,455	584,484
Total Net Position	\$ 21,804,826	\$ 6,901,656	\$ 1,136,627	\$ 348,334	30,191,443	\$ 1,356,573
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Position of Business-type Activities					628,037	
Net Position of Business-Type Activities					<u>\$ 30,819,480</u>	

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, 2019

	<u>Business-Type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
Operating Revenue:						
Charges for Sales and Services	\$ 2,984,469	\$ 1,493,147	\$ -	\$ 394,370	\$ 4,871,986	\$ 627,746
Miscellaneous	62,747	93,968	50	692	157,457	2,240
Total Operating Revenue	<u>3,047,216</u>	<u>1,587,115</u>	<u>50</u>	<u>395,062</u>	<u>5,029,443</u>	<u>629,986</u>
Operating Expenses:						
Cost of Sales and Services	1,502,843	926,484	-	318,254	2,747,581	518,738
Depreciation	503,830	215,579	-	3,159	722,568	114,706
Total Operating Expenses	<u>2,006,673</u>	<u>1,142,063</u>	<u>-</u>	<u>321,413</u>	<u>3,470,149</u>	<u>633,444</u>
Operating Income (Loss)	<u>1,040,543</u>	<u>445,052</u>	<u>50</u>	<u>73,649</u>	<u>1,559,294</u>	<u>(3,458)</u>
Nonoperating Revenue (Expense):						
Gain (Loss) on Property and Equipment Sale	-	-	-	-	-	1,305
Investment Earnings	103,383	42,068	616	11,491	157,558	10,740
Rental Income	3,000	3,782	53,969	-	60,751	-
Depreciation and Expenses - Rental Property	-	-	(81,486)	-	(81,486)	-
Interest Expense	(53,880)	-	(6,306)	-	(60,186)	-
Total Nonoperating Revenue (Expense)	<u>52,503</u>	<u>45,850</u>	<u>(33,207)</u>	<u>11,491</u>	<u>76,637</u>	<u>12,045</u>
Income (Loss) Before Transfers	<u>1,093,046</u>	<u>490,902</u>	<u>(33,157)</u>	<u>85,140</u>	<u>1,635,931</u>	<u>8,587</u>
Other Financing Sources (Uses):						
Transfers In	-	275,000	30,000	-	305,000	-
Transfers Out	-	(275,000)	-	-	(275,000)	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Change in Net Position	1,093,046	490,902	(3,157)	85,140	1,665,931	8,587
Net Position, July 1, 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>
Net Position, June 30, 2019	<u>\$ 21,804,826</u>	<u>\$ 6,901,656</u>	<u>\$ 1,136,627</u>	<u>\$ 348,334</u>		<u>\$ 1,356,573</u>
					10,967	
					<u>\$ 1,676,898</u>	

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds
Change in Net Position of Business-Type Activities

BAKER CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 2,965,537	\$ 1,499,810	\$ -	\$ 397,814	\$ 4,863,161	\$ 827
Receipts from Interfund Services Provided	-	-	-	-	-	626,919
Other Receipts	62,747	93,968	50	-	156,765	2,154
Payments to Suppliers	(265,231)	(161,984)	-	(117,802)	(545,017)	(321,970)
Payments to Employees	(828,332)	(521,298)	-	(191,082)	(1,540,712)	(178,318)
Payments for Interfund Services Used	(373,240)	(236,933)	-	(21,754)	(631,927)	(2)
Net Cash Provided (Used) by Operating Activities	1,561,481	673,563	50	67,176	2,302,270	129,610
Cash Flows From Non Capital Financing Activities:						
Advances from (to) Other Funds	-	-	72,845	-	72,845	-
Advances and Transfers from (to) Other Funds	-	-	30,000	-	30,000	-
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	-	-	-	-	-	47,000
Net Cash Provided (Used) by Noncapital Financing Activities	-	3,477	102,845	-	106,322	47,000
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	-	-	-	-	-	1,305
Acquisition/Construction of Capital Assets	(810,026)	(494,996)	(70,890)	-	(1,375,912)	(220,306)
Other Receipts	-	-	-	-	-	-
Principal Paid on Long Term or Interfund Debt	(68,393)	-	(130,320)	-	(198,713)	-
Interest Paid on Long Term or Interfund Debt	(55,296)	-	(6,306)	-	(61,602)	-
Net Cash Provided (Used) by Capital Financing Activities	(933,715)	(494,996)	(207,516)	-	(1,636,227)	(219,001)
Cash Flows From Investing Activities:						
Rental Income	3,250	3,782	47,263	-	54,295	-
Expenses Rental Property	-	-	(29,161)	-	(29,161)	-
Principal Received on Notes Receivable	-	-	-	-	-	-
Interest on Investments	103,383	42,068	616	11,491	157,558	10,740
Net Cash Provided (Used) by Investing Activities	106,633	45,850	18,718	11,491	182,692	10,740
Net Increase (Decrease) in Cash and Cash Equivalents	734,399	227,894	(85,903)	78,667	955,057	(31,651)
Cash and Cash Equivalents, July 1, 2018	3,480,067	2,047,003	97,926	413,053	6,038,049	321,246
Cash and Cash Equivalents, June 30, 2019	\$ 4,214,466	\$ 2,274,897	\$ 12,023	\$ 491,720	\$ 6,993,106	\$ 289,595
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 1,040,543	\$ 445,052	\$ 50	\$ 73,649	\$ 1,559,294	\$ (3,458)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	503,830	215,579	-	3,159	722,568	114,706
(Increase) Decrease in Accounts Receivable Related to Operating Activities (Net of Allowance for Uncollectible Accounts)**	(23,777)	6,663	-	1,992	(15,122)	(86)
(Increase) Decrease in Prepaid Expenses	1,036	1,036	-	-	2,072	-
(Increase) Decrease in Inventories	-	-	-	-	-	(271)
Increase (Decrease) in Customer Deposits	4,845	-	-	-	4,845	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	(11)	186	-	3,577	3,752	4,794
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	(15,181)	1,200	-	869	(13,112)	1,008
Increase (Decrease) in Compensated Absences Asset/Liability	(5,393)	775	-	(4,321)	(8,939)	3,507
Increase (Decrease) in Deferred Inflows Related to Building Permits	-	-	-	760	760	-
Net Change in Other Post-Employment Benefits Liab.	(177)	(2,497)	-	(1,448)	(4,122)	1
Net Change in Pension Asset/Liabilities	55,766	5,569	-	(11,061)	50,274	9,409
Total Adjustments	520,938	228,511	-	(6,473)	742,976	133,068
Net Cash Provided (Used) by Operating Activities	\$ 1,561,481	\$ 673,563	\$ 50	\$ 67,176	\$ 2,302,270	\$ 129,610

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 (\$27,962); Wastewater Fund \$4,775;
Golf Course Operations Fund (\$70,890).

**Equipment & Vehicle Fund - a \$9,250 non-cash deposit was applied towards the purchase of capital assets in the year ended June 30, 2019.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2019

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, 2019

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, revenues dedicated to cemetery operation and improvements and revenues dedicated to economic and community development.

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 and inventory 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 debt service reserve fund was established to meet the Oregon Department of Environmental Quality's (DEQ) Clean Water State Revolving Fund loan requirements. These loan proceeds will be used for the City's wastewater treatment and effluent disposal improvement project that is currently in process.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 2019

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, 2019

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:

Assets	Years
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, 2019

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, 2019 are considered deferred inflows if building inspections required by those permits are still outstanding at June 30, 2019. 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, 2019

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, 2019

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, 2019

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, 2019, the LID Repayment Fund and the Samo Swim Maintenance Fund had deficit fund balances of \$60,713 and \$25,704, respectively. These deficits were funded through interfund loans. On the budgetary basis of accounting, the LID Repayment Fund did not have a deficit fund balance but the Samo Swim Maintenance Fund did have a deficit fund balance of \$1,768. The \$1,768 deficit was due to a delay in Baker County property tax turnovers due to a potential refund tax credit on property in Baker County.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At June 30, 2019, the City's carrying amount of deposits was \$327,424 and the bank balance was \$620,974. In addition, the City had \$15,041 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, 2019 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 351,236
Uninsured and uncollateralized	269,738
Total	<u>\$ 620,974</u>

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

At June 30, 2019, the City had an investment of \$11,411,956 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	\$ -	\$ -	\$ 579	\$ -	\$ -	\$ 579
Property Taxes	421,239	98,625	-	-	14,095	533,959
Franchise Taxes	36,098	-	-	-	-	36,098
Trade Accounts	630,688	5,881	-	49,271	-	685,840
Special Assessments	-	-	-	178,336	-	178,336
LID Receivables	-	-	155,732	-	-	155,732
Intergovernmental	169,693	66,098	-	182,710	-	418,501
Gross Receivables	1,257,718	170,604	156,311	410,317	14,095	2,009,045
Less: Allowance for Uncollectibles	(249,004)	(4,414)	-	-	-	(253,418)
Total Receivables	\$ 1,008,714	\$ 166,190	\$ 156,311	\$ 410,317	\$ 14,095	\$ 1,755,627

Internal Service Funds have trade account receivables at year-end of \$394 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	\$ 390,787	\$ 149,757	\$ 50	\$ 6,706	\$ 547,450
Special Assessments	-	29,555	-	-	29,555
Intergovernmental	-	-	150	-	-
Gross Receivables	390,787	179,312	200	6,706	577,005
Less: Allowance for Uncollectibles	(1,866)	(780)	-	-	(2,646)
Total Receivables	\$ 388,921	\$ 178,532	\$ 200	\$ 6,706	\$ 574,359

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

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	\$ 319,163
Intergovernmental Receivable	252,561
Delinquent Property Taxes Receivable	521,307
Special Assessments Not Due	178,336
Local Improvement District Receivables Not Due	155,732
Interest Receivable	579
Oregon Trail Electric Cooperative Capital Credits	266,004
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,693,682

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$266,004 special assessments receivable in the amount of \$178,336 and the local improvement district receivables of \$155,732 are not expected to be collected within one year.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increase/ Transfer	Decrease/ Transfer	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 7,223	\$ 271,191	\$ -	\$ 278,414
Land	2,150,002	-	(13,331)	2,136,671
Total capital assets, not being depreciated	2,157,225	271,191	(13,331)	2,415,085
Capital assets, being depreciated:				
Buildings	5,603,789	36,770	-	5,640,559
Improvements other than buildings	119,151	-	-	119,151
Machinery and equipment	5,439,101	338,560	(99,398)	5,678,263
Infrastructure	38,581,778	143,411	-	38,725,189
Total capital assets being depreciated	49,743,819	518,741	(99,398)	50,163,162
Less accumulated depreciation for:				
Buildings	(3,384,993)	(132,531)	-	(3,517,524)
Improvements other than buildings	(106,023)	(1,476)	-	(107,499)
Machinery and equipment	(4,248,477)	(210,904)	99,398	(4,359,983)
Infrastructure	(23,590,163)	(689,203)	-	(24,279,366)
Total accumulated depreciation	(31,329,656)	(1,034,114)	99,398	(32,264,372)
Total capital assets, being depreciated, net	18,414,163	(515,373)	-	17,898,790
Governmental activities capital assets, net	\$ 20,571,388	\$ (244,182)	\$ (13,331)	\$ 20,313,875

As of June 30, 2019, construction in process for governmental activities of \$278,414 is comprised of the following projects: the taxiway apron rehabilitation project in process \$62,891; the AutoCAD GIS project of \$6,450; the Elkhorn View Industrial Park broadband and conduit installation project \$145,470 and the Washington Street curbs, sidewalks and overlay project \$63,603.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 720,695	\$ 792,279	\$ (70,708)	\$ 1,442,266
Land	1,342,160	-	-	1,342,160
Total capital assets, not being depreciated	2,062,855	792,279	(70,708)	2,784,426
Capital assets, being depreciated:				
Buildings	434,433	-	-	434,433
Machinery and equipment	1,258,342	26,617	-	1,284,959
Improvements other than buildings	381,790	-	-	381,790
Infrastructure	36,115,831	546,010	(12,364)	36,649,477
Total capital assets, being depreciated	38,190,396	572,628	(12,364)	38,750,659
Less accumulated depreciation for:				
Buildings	(224,251)	(10,238)	-	(234,489)
Machinery and equipment	(816,633)	(66,953)	-	(883,586)
Improvements other than buildings	(320,377)	(12,536)	-	(332,913)
Infrastructure	(13,310,708)	(683,477)	-	(13,994,185)
Total accumulated depreciation	(14,671,969)	(773,204)	-	(15,445,173)
Total capital assets, being depreciated, net	23,518,427	(200,577)	(12,364)	23,305,486
Business-type activities capital assets, net	<u>\$ 25,581,282</u>	<u>\$ 591,702</u>	<u>\$ (83,072)</u>	<u>\$ 26,089,912</u>

As of June 30, 2019, construction in process for business-type activities of \$1,442,266 is comprised of \$415,545 for the wastewater effluent disposal project; \$118,323 for the groundwater evaluation and design project; \$16,178 for mainline improvement projects; \$11,935 for the water management and conservation plan; and \$880,285 for the Mountain line improvement project.

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

Governmental activities:

General government	\$ 46,521
Public safety	107,048
Highway and streets, including depreciation of general infrastructure assets	438,165
Culture and recreation	154,510
Economic and Community Development	4,670
Airport	164,600
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	114,706

Total depreciation expense - governmental activities

\$ 1,034,114

Business-type activities:

Water utility	\$ 503,830
Wastewater utility	215,579
Building inspections	3,159
Golf operation	50,636

Total depreciation expense-business-type activities

\$ 773,204

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	Golf Course Operations	\$ 39,897
Anthony Silvers Street Tree Trust	LID Repayment	22,662
Mt Hope Trust	Golf Course Operations	18,620
Equipment and Vehicle	Samo Swim Maintenance	7,783
Equipment and Vehicle	Central Stores	2,146
Total		<u>\$ 91,108</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	\$ 95,055
Anthony Silvers Street Tree Trust	LID Repayment	42,827
Mt. Hope Trust	Golf Course Operations	36,107
Equipment and Vehicle	Samo Swim Maintenance	16,152
Total		<u>\$ 190,141</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, 2019 are as follows:

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>S&F Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Transfer from:						
General Fund	\$ -	\$ -	\$ 46,000	\$ 35,000	\$ 30,000	\$ 111,000
Non Major Governmental Funds	20,680	-	-	-	-	20,680
Total Transfers	<u>\$ 20,680</u>	<u>\$ -</u>	<u>\$ 46,000</u>	<u>\$ 35,000</u>	<u>\$ 30,000</u>	<u>\$ 131,680</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, 2019

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, 2019:

	Business-Type Activities Long-Term Obligations
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.	\$ 1,489,245
Total Business-Type Long-Term Liabilities	\$ 1,489,245

The following is a summary of maturities of the governmental activity long-term liability as of June 30, 2019:

Fiscal Year	Principal	Interest	Totals
2019-2020	\$ 70,821	\$ 52,868	\$ 123,689
2020-2021	73,336	50,354	123,690
2021-2022	75,939	47,750	123,689
2022-2023	78,635	45,055	123,690
2023-2024	81,427	42,263	123,690
2024-2029	452,599	165,849	618,448
2029-2034	538,845	79,603	618,448
2034-2035	117,643	4,176	121,819
Total	\$ 1,489,245	\$ 487,918	\$ 1,977,163

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 227,647	\$ 311,275	\$ (287,775)	\$ 251,147	\$ 251,147

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

Contracts, Notes and Capital Lease Obligations

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Compensated absences	\$ 104,909	\$ 108,571	\$ (117,509)	\$ 95,971	\$ 95,971
Note payable – OR IFA	1,557,639	-	(68,394)	1,489,245	70,821
Business-type activity					
Long-term liabilities	<u>\$ 1,662,548</u>	<u>\$ 108,571</u>	<u>\$ (185,903)</u>	<u>\$ 1,585,216</u>	<u>\$ 166,792</u>

The compensated absences liability for the Internal Service Funds is \$9,125 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 \$77,308 for the plan year ended June 30, 2019 and \$82,798 for the plan year ended June 30, 2018. 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, 2017 and prior of \$196,673, 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, 2019

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 are as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset (Liability)	\$ -	\$ 40,706	\$ 40,706
Deferred Outflows of Resources			
Contributions after the Measurement Date	23,050	17,278	40,328
Total OPEB Liability	392,281	-	392,281
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	-	2,307	2,307
Net Difference Between Projected and Actual Earnings on Investments	-	8,776	8,776
Changes in Proportionate Share	-	377	377
Change in Assumptions	(44,367)	129	(44,238)
OPEB Expense (Credit)*	38,813	(4,023)	34,790

*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, 2019

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	3
Active employees	63
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 \$392,281 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2018. For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$38,813. 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, 2019 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
OPEB - Implicit Rate Subsidy Plan		
Differences between expected and actual experience	\$ 14,029	\$ -
Changes of assumptions or inputs	-	(44,367)
Changes in proportionate share	-	-
Total (prior to post-MD contributions)	14,029	(44,367)
Contributions subsequent to the MD	23,050	N/A
Total as of June 30, 2019	\$ 37,079	\$ (44,367)

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. OTHER INFORMATION (Continued)

Post-Employment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy Plan (Continued)

Deferred outflows of resources related to OPEB of \$23,050 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, 2020. Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Implicit Rate Subsidy Plan	
<u>Deferred Inflows/Outflows</u>	
Amortization Period	
FY2020	\$ (3,612)
FY2021	(3,612)
FY2022	(3,612)
FY2023	(3,612)
FY2024	(3,612)
Thereafter	<u>(12,278)</u>
Total	<u>\$ (30,338)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Implicit Rate Subsidy Plan

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Healthcare Cost Trend Rate	Medical and vision: 6.75% per year decreasing to 4.75%. Based on a model circulated by the Society of Actuaries.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

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, 2019

4. OTHER INFORMATION (Continued)

Post-Employment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy Plan (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	\$ 404,513
Changes for the year:	
Service cost	27,730
Interest on Total OPEB Liability	14,695
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	15,475
Effect of assumptions changes or inputs	(26,213)
Benefit payments	(43,919)
Balance as of June 30, 2019	\$ 392,281

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 3.58% to 3.87%.

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 (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate	Implicit Rate Subsidy Plan		
	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 429,352	\$ 392,281	\$ 358,196

Healthcare Cost Trend	Implicit Rate Subsidy Plan		
	1% Decrease (5.75% decreasing to 3.75%)	Current Healthcare Trend Rate (6.75% decreasing to 4.75%)	1% Increase (7.75% decreasing to 5.75%)
Total OPEB Liability	\$ 346,188	\$ 392,281	\$ 446,621

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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/2019-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, 2016 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, 2019 were \$17,278.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2019, the City reported an asset of \$40,706 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportionate share was 0.03647%, an increase from its proportion of 0.0356% as of June 30, 2017. For the year ended June 30, 2019, the City recognized an OPEB expense credit of \$4,023. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan as follows:

OPEB - PERS RHIA	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,307
Changes of assumptions	-	129
Net difference between projected and actual earnings on investments	-	8,776
Changes in proportionate share		377
Differences between employer contributions and proportionate share of system contributions	-	-
Total (prior to post-MD contributions)	-	11,589
Contributions subsequent to the MD	17,278	N/A
Total as of June 30, 2019	\$ 17,278	\$ 11,589

Deferred outflows of resources related to OPEB of \$17,278 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

PERS Retirement Health Insurance	
Deferred Inflows	
Amortization Period	
FY2020	\$ (3,896)
FY2021	(3,851)
FY2022	(2,970)
FY2023	(872)
FY2024	-
Total	\$ (11,589)

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: 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>
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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 7.2%, 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 (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

	PERS Retirement Health Insurance		
Discount Rate	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
Net OPEB Liability (Asset)	\$ (23,701)	\$ (40,706)	\$ (55,180)

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/2019-CAFR.pdf>

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

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, 2019

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, 2019

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, 2019

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, 2016 actuarial valuation which became effective July 1, 2018. Employer contributions for the year ended June 30, 2019 were \$703,176, excluding amounts to fund employer specific liabilities. Additional contributions of \$227,779 were made to the OPSRP IAP for the year ended June 30, 2019.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Contributions (Continued)

The rates in effect for the fiscal year ended June 30, 2019 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, 2019, the City reported a liability of \$6,308,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportion was 0.04164206 percent, which was decreased from its proportion of 0.0469267 percent measured as of June 30, 2017.

For the year ended June 30, 2019, the City's recognized pension expense (income) of \$340,450. At June 30, 2019, 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	\$ 214,587	\$ -
Changes of assumptions	1,466,650	-
Net difference between projected and actual earnings on investments	-	280,121
Changes in proportionate share		684,490
Differences between employer contributions and proportionate share of system contributions	191,507	39,160
Total (prior to post-MD contributions)	1,872,744	1,003,771
Contributions subsequent to the MD	703,176	-
Total	\$ 2,575,920	\$ 1,003,771

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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		
FY2020	\$	634,501	FY2020	\$	25,098
FY2021		616,920	FY2021		217,188
FY2022		357,636	FY2022		517,498
FY2023		221,861	FY2023		223,188
FY2024		41,826	FY2024		20,799
Total	\$	1,872,744	Total	\$	1,003,771

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Actuarial Assumptions (Continued)

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.20 percent
Discount Rate	7.20 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>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 2016 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	13.5%	21.5%	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, 2019

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%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
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, 2019

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 7.20 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, 2019**

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 7.20 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 (6.20 percent) or 1-percent higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 10,542,233	\$ 6,308,224	\$ 2,813,395

Pension Plan Fiduciary Net Position

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

Commitments, Contingencies and Subsequent Events

Accrued liabilities do not include sick leave of approximately \$699,344 which was earned as of June 30, 2019, 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.

As of February 15, 2017, the City entered into a Mutual Agreement and Order (MAO) with the Department of Environmental Quality (DEQ) to maintain compliance with regards to the discharge of its adequately treated wastewaters into the Powder River. This MAO requires the City to complete an alternate method of disposal of its treated wastewater, as approved by DEQ, prior to December 27, 2021. The City's current timeline to complete its DEQ approved wastewater storage and effluent disposal project will meet the DEQ's required date of completion. In the event the City does not meet the deadline or obtain an appropriate extension of time, the MOA sets the fines at \$1,600 per day for each day of non-compliance after the deadline date.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. OTHER INFORMATION (Continued)

Commitments, Contingencies and Subsequent Events (Continued)

As part of the DEQ approved wastewater storage and effluent disposal project, the City entered a non-binding agreement prior to June 30, 2019 to pursue in good faith the purchase of property from Bert and Terri Siddoway to be used for land application of the treated wastewater. On September 30, 2019 the City purchased this property from Bert and Terri Siddoway for \$123,017.

As of September 10, 2019, the City entered into three long-term vehicle leases with The Bancorp Bank. The first lease was for a 2019 Chevrolet Tahoe that will be used by the Police Department for its Drug Dog Program. This lease includes an annual base payment of \$20,969.82 for three years with an option to purchase the vehicle for \$1.00 at the end of the lease. The next two leases were for 2019 Dodge Charger Police vehicles. These leases both require an annual base payment of \$10,932.50 for four years with an option to purchase the vehicles for \$1.00 each at the end of the lease.

**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, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GENERAL FUND					
Revenue:					
Property Taxes	\$ 2,746,080	\$ 2,746,080	\$ 2,567,821	\$ -	\$ 2,567,821
Franchise Taxes	888,675	888,675	912,827	-	912,827
Licenses and Permits	8,825	8,825	8,933	-	8,933
Intergovernmental	582,614	585,214	503,100	-	503,100
Charges for Services	857,750	857,750	992,061	-	992,061
Fines and Forfeitures	36,750	36,750	37,595	-	37,595
Rental Income	34,400	34,400	33,646	-	33,646
Interest and Dividends	16,000	16,000	36,946	-	36,946
SAIF Refund	-	-	23,739	-	23,739
Public Safety Fee	178,000	178,000	168,260	-	168,260
Miscellaneous	43,100	43,100	49,267	-	49,267
Overhead Charges to Other Funds	380,000	380,000	356,934	(356,934)	-
Total Revenues	5,772,194	5,774,794	5,691,129	(356,934)	5,334,195
Expenditures:					
General Government:					
Administration	1,156,520	1,160,920	1,152,680	(706,934)	445,746
Planning	61,500	61,500	60,770	-	60,770
Total General Government	1,218,020	1,222,420	1,213,450	(706,934)	506,516
Public Safety:					
Police	2,227,880	2,158,480	2,022,921	350,000	2,372,921
Fire	1,956,486	2,033,486	2,026,280	-	2,026,280
Total Public Safety	4,184,366	4,191,966	4,049,201	350,000	4,399,201
Parks	116,489	116,489	105,346	-	105,346
Airport	58,694	58,694	55,513	-	55,513
Cemetery	167,759	167,759	148,377	-	148,377
Hydro Electric Plant	9,772	15,372	15,459	-	15,459
Community Development	74,712	74,712	72,017	-	72,017
Operating Contingency	100,000	70,000	-	-	-
Total Expenditures	5,929,812	5,917,412	5,659,363	(356,934)	5,302,429
Excess (Deficit) of Revenues Over Expenditures	(157,618)	(142,618)	31,766	-	31,766
Other Financing Sources (Uses):					
Transfers In	18,500	21,000	20,680	-	20,680
Transfers Out	(96,000)	(111,000)	(111,000)	-	(111,000)
Total Other Financing Sources (Uses)	(77,500)	(90,000)	(90,320)	-	(90,320)
Net Change in Fund Balance	(235,118)	(232,618)	(58,554)	-	(58,554)
Fund Balance, July 1, 2018	941,012	941,012	1,177,736	-	1,177,736
Fund Balance, June 30, 2019	\$ 705,894	\$ 708,394	\$ 1,119,182	\$ -	\$ 1,119,182

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE TAX STREET FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE TAX STREET FUND					
Revenue:					
Taxes	\$ 612,069	\$ 612,069	\$ 595,371	\$ -	\$ 595,371
Intergovernmental	841,539	841,539	836,975	-	836,975
Charges for Services	13,000	13,000	26,270	-	26,270
Interest	15,000	15,000	36,096	-	36,096
Miscellaneous	891	891	750	-	750
Total Revenues	<u>1,482,499</u>	<u>1,482,499</u>	<u>1,495,462</u>	<u>-</u>	<u>1,495,462</u>
Expenditures:					
Maintenance	1,025,880	1,025,880	685,315	-	685,315
Storm Water Maintenance	206,706	206,706	153,746	-	153,746
Preventative Maintenance	489,039	489,039	249,565	-	249,565
Street Lighting	101,809	101,809	94,462	-	94,462
Snow and Ice Control	100,714	100,714	55,171	-	55,171
Street Construction	6,506	6,506	176	-	176
Operating Contingency	150,000	150,000	-	-	-
Total Expenditures	<u>2,080,654</u>	<u>2,080,654</u>	<u>1,238,435</u>	<u>-</u>	<u>1,238,435</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(598,155)</u>	<u>(598,155)</u>	<u>257,027</u>	<u>-</u>	<u>257,027</u>
Net Change in Fund Balance	(598,155)	(598,155)	257,027	-	257,027
Fund Balance, July 1, 2018	<u>1,093,668</u>	<u>1,093,668</u>	<u>1,222,106</u>	<u>-</u>	<u>1,222,106</u>
Fund Balance, June 30, 2019	<u>\$ 495,513</u>	<u>\$ 495,513</u>	<u>\$ 1,479,133</u>	<u>\$ -</u>	<u>\$ 1,479,133</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LID REPAYMENT FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
LID REPAYMENT FUND					
Revenue:					
Interest	\$ 5,720	\$ 5,720	\$ 366	\$ 5,692	\$ 6,058
Special Assessments/LID Repayments	14,680	14,680	22,472	(5,692)	16,780
Total Revenues	<u>20,400</u>	<u>20,400</u>	<u>22,838</u>	<u>-</u>	<u>22,838</u>
Expenditures:					
Administration	900	900	85	-	85
Debt Service	-	-	-	3,126	3,126
Total Expenditures	<u>900</u>	<u>900</u>	<u>85</u>	<u>3,126</u>	<u>3,211</u>
Excess (Deficit) of Revenues Over Expenditures	19,500	19,500	22,753	(3,126)	19,627
Other Financing Sources and (Uses):					
Interfund Loan Transfers Out	(44,500)	(44,500)	(44,500)	44,500	-
Total Other Financing Uses	<u>(44,500)</u>	<u>(44,500)</u>	<u>(44,500)</u>	<u>44,500</u>	<u>-</u>
Net Change in Fund Balance	(25,000)	(25,000)	(21,747)	41,374	19,627
Fund Balance (Deficit), July 1, 2018	<u>25,000</u>	<u>25,000</u>	<u>26,524</u>	<u>(106,864)</u>	<u>(80,340)</u>
Fund Balance (Deficit), June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,777</u>	<u>\$ (65,490)</u>	<u>\$ (60,713)</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, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE & FEDERAL GRANTS FUND					
Revenue:					
Intergovernmental	\$ 834,324	\$ 834,324	\$ 214,488	\$ -	\$ 214,488
Charges for Services	1,100	1,100	782	-	782
Interest	945	945	2,060	-	2,060
Miscellaneous	26,700	26,700	74,936	-	74,936
Total Revenues	863,069	863,069	292,266	-	292,266
Expenditures:					
Administration	2,125	2,125	1,404	-	1,404
Public Safety	55,814	55,814	22,484	-	22,484
Transportation and Streets	500,000	500,000	59,690	-	59,690
Parks and Recreation	68,195	68,195	378	-	378
Economic/Community Development	328,700	328,700	162,349	-	162,349
Operating Contingency	28,000	28,000	-	-	-
Total Expenditures	982,834	982,834	246,305	-	246,305
Excess (Deficit) of Revenues Over Expenditures	(119,765)	(119,765)	45,961	-	45,961
Other Financing Sources:					
Transfers In	46,000	46,000	46,000	-	46,000
Total Other Financing Sources	46,000	46,000	46,000	-	46,000
Net Change in Fund Balance	(73,765)	(73,765)	91,961	-	91,961
Fund Balance, July 1, 2018	114,065	114,065	(6,587)	-	(6,587)
Fund Balance, June 30, 2019	\$ 40,300	\$ 40,300	\$ 85,374	\$ -	\$ 85,374

BAKER CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Six 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
2019	0.04164206%	\$ 6,308,224	\$ 3,763,135	167.63%	80.20%
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 Six 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
2019	\$ 703,176	\$ 703,176	\$ -	\$ 3,796,321	18.52%
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*

Total OPEB Liability	Fiscal Years Ending June 30		
	2019	2018	2017
Service cost	\$ 27,730	\$ 29,752	Not Available*
Interest on total OPEB liability	14,695	12,445	Not Available*
Effect of changes to benefit terms	-	-	Not Available*
Effect of economic/demographic gains or (losses)	15,475	-	Not Available*
Effect of assumption changes or inputs	(26,213)	(25,820)	Not Available*
Benefit payments	(43,919)	(37,321)	Not Available*
Net change in OPEB liability	(12,232)	(20,944)	Not Available*
Total OPEB Liability - beginning	404,513	425,457	Not Available*
Total OPEB Liability - ending	\$ 392,281	\$ 404,513	\$ 425,457
 City's covered payroll	 \$ 3,763,135	 \$ 3,611,905	 \$ 3,557,881
Total OPEB Liability as a % of covered payroll	10.42%	11.20%	11.96%

The amounts presented were actuarially determined at July 1, 2016 and July 1, 2018 valuations 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 and for fiscal year 2019 is July 1, 2018.

*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 Three Fiscal Years*

	Fiscal Years Ending June 30		
	2019	2018	2017
City's proportion of the net OPEB liability (asset)	0.0365%	0.0356%	0.0376%
City's proportionate share of the net OPEB liability (asset)	\$ (40,706)	\$ (14,860)	\$ 10,200
City's covered payroll	\$ 3,763,135	\$ 3,611,905	\$ 3,557,881
City's proportionate share of the net OPEB liability (asset) as a percentage of it's covered payroll	-1.0817%	-0.4114%	0.2867%
Plan fiduciary net position as a percentage of the total OPEB liability	124.0%	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 2019 is July 1, 2016 to June 30, 2018.

*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, 2019

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	\$ (58,554)	\$ 257,027	\$ (21,747)	\$ 91,961
<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.	(356,934)	-	-	-
<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.	356,934	-	-	-
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.	-	-	41,374	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$400,000 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ (58,554)</u>	<u>\$ 257,027</u>	<u>\$ 19,627</u>	<u>\$ 91,961</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.

Elkhorn View Industrial Park Economic and Community Development Fund: This fund was created by City Council Resolution No. 3829 effective January 8, 2019. It is used to account for proceeds from the sale of property in the Elkhorn View Industrial Park which are designated by City Council Resolution No. 3823 to be used for economic and community development projects in the City of Baker City.

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, 2019**

	Special Revenue				Elkhorn	Capital	Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance Fund	John Schmitz Trust Fund	Tree City Fund	Sidewalk Utility Fund	View Ind Park Econ & Comm. Dev. Fund	Fire Equipment Reserve Fund	Mount Hope Trust Fund	One Hundred Year Trust Fund	Anthony Silvers Street Tree Trust Fund	
Assets:										
Cash and Cash Equivalents	\$ 1,075	\$ 274,061	\$ 4,483	\$ 71,958	\$ 22,338	\$ 62,016	\$ 450,424	\$ 3,114	\$ 766,026	\$ 1,655,495
Taxes Receivable	14,095	-	-	-	-	-	-	-	-	14,095
Due from Other Funds	-	-	-	-	-	-	18,620	-	22,662	41,282
Advances to Other Funds	-	-	-	-	-	-	36,107	-	42,827	78,934
Other Investments	-	-	-	-	-	-	888	-	-	888
Total Assets	\$ 15,170	\$ 274,061	\$ 4,483	\$ 71,958	\$ 22,338	\$ 62,016	\$ 506,039	\$ 3,114	\$ 831,515	\$ 1,790,694
Liabilities:										
Accounts Payable	\$ 3,145	\$ -	\$ -	\$ -	\$ -	\$ 21,967	\$ -	\$ -	\$ 474	\$ 25,586
Due to Other Funds	7,783	-	-	-	-	-	-	-	-	7,783
Advances from Other Funds	16,152	-	-	-	-	-	-	-	-	16,152
Accrued Payroll Taxes	33	-	-	429	-	-	-	-	-	462
Total Liabilities	27,113	-	-	429	-	21,967	-	-	474	49,983
Deferred Inflows:										
Deferred Revenue	13,761	-	-	-	-	-	-	-	-	13,761
Fund Balance:										
Restricted for 2089 Celebration	-	-	-	-	-	-	-	3,114	-	3,114
Restricted for Cemetery Care	-	274,061	-	-	-	-	-	-	-	274,061
Restricted for Street Trees	-	-	-	-	-	-	-	-	48,087	48,087
Restricted for Econ. & Community Dev.	-	-	-	-	22,338	-	-	-	-	22,338
Committed for Cemetery Care	-	-	-	-	-	-	505,151	-	-	505,151
Committed for Sidewalks	-	-	-	71,529	-	-	-	-	-	71,529
Assigned for Street Trees	-	-	4,483	-	-	-	-	-	-	4,483
Assigned for Fire Equipment	-	-	-	-	-	40,049	-	-	-	40,049
Unassigned	(25,704)	-	-	-	-	-	-	-	-	(25,704)
Nonspendable	-	-	-	-	-	-	888	-	782,954	783,842
Total Fund Balance (Deficit)	(25,704)	274,061	4,483	71,529	22,338	40,049	506,039	3,114	831,041	1,726,950
Total Liabilities, Deferred Inflows and Fund Balance (Deficit)	\$ 15,170	\$ 274,061	\$ 4,483	\$ 71,958	\$ 22,338	\$ 62,016	\$ 506,039	\$ 3,114	\$ 831,515	\$ 1,790,694

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue				Elkhorn View Ind	Capital Projects	Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance Fund	John Schmitz Trust Fund	Tree City Fund	Sidewalk Utility Fund	Park Econ & Comm. Dev. Fund	Fire Equipment Reserve Fund	Mount Hope Trust Fund	One Hundred Year Trust Fund	Anthony Silvers Street Tree Fund	
Revenue:										
Taxes	\$ 85,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,020
Intergovernmental	-	-	-	-	-	9,735	-	-	-	9,735
Charges for Services	-	-	-	-	-	-	-	-	-	-
Interest	77	7,284	118	2,177	261	2,021	13,396	82	22,732	48,148
Miscellaneous	19	-	-	-	22,077	16,250	-	-	150	38,496
Total Revenue	85,116	7,284	118	2,177	22,338	28,006	13,396	82	22,882	181,399
Expenditures:										
Public Safety	-	-	-	-	-	81,899	-	-	-	81,899
Community Development	-	-	-	-	-	-	-	-	5,813	5,813
Sidewalks	-	-	-	19,367	-	-	-	-	-	19,367
Parks and Recreation	107,848	-	-	-	-	-	-	-	-	107,848
Total Expenditures	107,848	-	-	19,367	-	81,899	-	-	5,813	214,927
Excess (Deficit) of Revenues Over Expenditures	(22,732)	7,284	118	(17,190)	22,338	(53,893)	13,396	82	17,069	(33,528)
Other Financing Sources (Uses):										
Transfers In	15,000	-	-	-	-	20,000	-	-	-	35,000
Transfers Out	-	(7,284)	-	-	-	-	(13,396)	-	-	(20,680)
Total Other Financing Sources (Uses)	15,000	(7,284)	-	-	-	20,000	(13,396)	-	-	14,320
Net Change in Fund Balance	(7,732)	-	118	(17,190)	22,338	(33,893)	-	82	17,069	(19,208)
Fund Balance (Deficit), July 1, 2018	(17,972)	274,061	4,365	88,719	-	73,942	506,039	3,032	813,972	1,746,158
Fund Balance (Deficit), June 30, 2019	\$ (25,704)	\$ 274,061	\$ 4,483	\$ 71,529	\$ 22,338	\$ 40,049	\$ 506,039	\$ 3,114	\$ 831,041	\$ 1,726,950

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SAMO SWIM MAINTENANCE FUND					
Revenue:					
Taxes	\$ 91,059	\$ 91,059	\$ 85,020	\$ -	\$ 85,020
Interest	250	250	77	-	77
Miscellaneous	-	-	19	-	19
Total Revenues	<u>91,309</u>	<u>91,309</u>	<u>85,116</u>	<u>-</u>	<u>85,116</u>
Expenditures:					
Samo Swim Center	\$ 95,503	\$ 110,503	\$ 107,184	\$ -	\$ 107,184
Debt Service	-	-	-	664	664
Total Expenditures	<u>95,503</u>	<u>110,503</u>	<u>107,184</u>	<u>664</u>	<u>107,848</u>
Excess (Deficit) of Revenues Over Expenditures	(4,194)	(19,194)	(22,068)	(664)	(22,732)
Other Financing Uses:					
Transfers In	-	15,000	15,000	-	15,000
Interfund Loan Transfer Out	(8,306)	(8,306)	(8,306)	8,306	-
Total Other Financing Sources (Uses)	<u>(8,306)</u>	<u>6,694</u>	<u>6,694</u>	<u>8,306</u>	<u>15,000</u>
Net Change in Fund Balance	(12,500)	(12,500)	(15,374)	7,642	(7,732)
Fund Balance (Deficit), July 1, 2018	<u>12,500</u>	<u>12,500</u>	<u>13,606</u>	<u>(31,578)</u>	<u>(17,972)</u>
Fund Balance (Deficit), June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,768)</u>	<u>\$ (23,936)</u>	<u>\$ (25,704)</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
JOHN SCHMITZ TRUST FUND					
Revenue:					
Interest	\$ 7,000	\$ 7,500	\$ 7,284	\$ -	\$ 7,284
Other Financing Uses:					
Transfers Out	(7,000)	(7,500)	(7,284)	-	(7,284)
Total Other Financing Uses	<u>(7,000)</u>	<u>(7,500)</u>	<u>(7,284)</u>	<u>-</u>	<u>(7,284)</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2018	<u>274,061</u>	<u>274,061</u>	<u>274,061</u>	<u>-</u>	<u>274,061</u>
Fund Balance, June 30, 2019	<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, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
TREE CITY FUND					
Revenue:					
Interest	\$ 55	\$ 55	\$ 118	\$ -	\$ 118
Miscellaneous	1,000	1,000	-	-	-
Total Revenues	<u>1,055</u>	<u>1,055</u>	<u>118</u>	<u>-</u>	<u>118</u>
Expenditures:					
Community Development	<u>3,555</u>	<u>3,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,500)	(2,500)	118	-	118
Fund Balance, July 1, 2018	<u>2,500</u>	<u>2,500</u>	<u>4,365</u>	<u>-</u>	<u>4,365</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,483</u>	<u>\$ -</u>	<u>\$ 4,483</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SIDEWALK UTILITY FUND					
Revenue:					
Interest	\$ 1,000	\$ 1,000	\$ 2,177	\$ -	\$ 2,177
Expenditures:					
Sidewalk Grants	35,628	35,628	19,367	-	19,367
Sidewalk Projects	15,000	15,000	-	-	-
Operating Contingency	<u>18,372</u>	<u>18,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>69,000</u>	<u>69,000</u>	<u>19,367</u>	<u>-</u>	<u>19,367</u>
Net Change in Fund Balance	(68,000)	(68,000)	(17,190)	-	(17,190)
Fund Balance, July 1, 2018	<u>68,000</u>	<u>68,000</u>	<u>88,719</u>	<u>-</u>	<u>88,719</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,529</u>	<u>\$ -</u>	<u>\$ 71,529</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, 2019

	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ELKHORN VIEW INDUSTRIAL PARK					
ECONOMIC & COMMUNITY DEVELOPMENT FUND					
Revenue:					
Interest	\$ -	\$ -	\$ 261	\$ -	\$ 261
Industrial Park Land Sale	-	-	22,077	-	22,077
Total Revenues	-	-	22,338	-	22,338
Expenditures:					
Economic and Community Development	\$ -	\$ -	-	-	-
Excess (Deficit) of Revenues Over Expenditures	-	-	22,338	-	22,338
Net Change in Fund Balance	-	-	22,338	-	22,338
Fund Balance, July 1, 2018	-	-	-	-	-
Fund Balance, June 30, 2019	\$ -	\$ -	\$ 22,338	\$ -	\$ 22,338

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
FIRE EQUIPMENT RESERVE FUND					
Revenue:					
Interest	\$ 1,200	\$ 1,200	\$ 2,021	\$ -	\$ 2,021
Intergovernmental	9,735	9,735	9,735	-	9,735
Miscellaneous	1,000	17,250	16,250	-	16,250
Total Revenues	<u>11,935</u>	<u>28,185</u>	<u>28,006</u>	<u>-</u>	<u>28,006</u>
Expenditures:					
Fire and EMS Equipment	30,735	92,735	81,899	-	81,899
Operating Contingency	75,200	29,450	-	-	-
Total Expenditures	<u>105,935</u>	<u>122,185</u>	<u>81,899</u>	<u>-</u>	<u>81,899</u>
Excess (Deficit) of Revenues Over Expenditures	(94,000)	(94,000)	(53,893)	-	(53,893)
Other Financing Sources (Uses):					
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	(74,000)	(74,000)	(33,893)	-	(33,893)
Fund Balance, July 1, 2018	<u>74,000</u>	<u>74,000</u>	<u>73,942</u>	<u>-</u>	<u>73,942</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,049</u>	<u>\$ -</u>	<u>\$ 40,049</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
MT HOPE TRUST FUND					
Revenue:					
Interest	\$ 9,950	\$ 11,950	\$ 11,513	\$ 1,883	\$ 13,396
Total Revenues	9,950	11,950	11,513	1,883	13,396
Other Financing Sources (Uses):					
Transfers Out	(11,500)	(13,500)	(13,396)	-	(13,396)
Interfund Loan Transfers In	93,000	93,000	92,845	(92,845)	-
Interfund Loan Transfers Out	(73,000)	(73,000)	(72,845)	72,845	-
Total Other Financing Sources (Uses)	8,500	6,500	6,604	(20,000)	(13,396)
Net Change in Fund Balance	18,450	18,450	18,117	(18,117)	-
Fund Balance, July 1, 2018	433,200	433,200	433,195	72,844	506,039
Fund Balance, June 30, 2019	<u>\$ 451,650</u>	<u>\$ 451,650</u>	<u>\$ 451,312</u>	<u>\$ 54,727</u>	<u>\$ 506,039</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ONE HUNDRED YEAR TRUST					
Revenue:					
Interest	\$ 60	\$ 60	\$ 82	\$ -	\$ 82
Total Revenues	60	60	82	-	82
Net Change in Fund Balance	60	60	82	-	82
Fund Balance, July 1, 2018	3,030	3,030	3,032	-	3,032
Fund Balance, June 30, 2019	<u>\$ 3,090</u>	<u>\$ 3,090</u>	<u>\$ 3,114</u>	<u>\$ -</u>	<u>\$ 3,114</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
A. SILVERS STREET TREE TRUST					
Revenue:					
Interest	\$ 15,000	\$ 15,000	\$ 19,606	\$ 3,126	\$ 22,732
Miscellaneous	-	-	150	-	150
Total Revenues	15,000	15,000	19,756	3,126	22,882
Expenditures:					
Community Development	27,500	27,500	5,813	-	5,813
Other Financing Sources:					
Interfund Loan Transfers In	44,500	44,500	44,500	(44,500)	-
Total Other Financing Sources	44,500	44,500	44,500	(44,500)	-
Net Change in Fund Balance	32,000	32,000	58,443	(41,374)	17,069
Fund Balance, July 1, 2018	703,000	703,000	707,108	106,864	813,972
Fund Balance, June 30, 2019	<u>\$ 735,000</u>	<u>\$ 735,000</u>	<u>\$ 765,551</u>	<u>\$ 65,490</u>	<u>\$ 831,041</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: Effective July 1, 2018, this fund was abolished by City Council Resolution No. 3818. As stated by the resolution, the fund balance was transferred in part to a newly created Wastewater Debt Service Reserve Fund in the amount estimated to be reserved as required by DEQ loan covenants and next to the Wastewater Utility Fund to be used to pay for the wastewater effluent disposal project. Although this fund was budgeted separately for Oregon budget law purposes it was a division of the wastewater enterprise activity and was combined with the Wastewater Utility Fund in the GAAP presentation of the financial statements.

Wastewater Debt Service Reserve Fund: Effective July 1, 2018, this fund was created by City Council Resolution No. 3818. This fund was created due to the requirements of the Oregon Department of Environmental Quality's Clean Water State Revolving Fund that requires an amount equivalent to one annual payment be established in a debt service fund. Although this fund was budgeted separately 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, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WATER UTILITY FUND					
Revenue:					
Charges for Services	\$ 2,993,133	\$ 2,993,133	\$ 2,984,469	\$ -	\$ 2,984,469
Interest	30,000	30,000	103,383	-	103,383
Miscellaneous	28,500	28,500	65,747	-	65,747
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
Total Revenues	3,064,633	3,064,633	3,166,599	(13,000)	3,153,599
Expenses:					
Maintenance	1,764,724	1,764,724	1,467,391	35,452	1,502,843
Construction	1,248,350	1,248,350	898,617	(898,617)	-
Depreciation	-	-	-	503,830	503,830
Interest Expense	-	-	-	53,880	53,880
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	3,213,074	3,213,074	2,366,008	(305,455)	2,060,553
Excess (Deficit) of Revenues Over Expenses	(148,441)	(148,441)	800,591	292,455	1,093,046
Net Change in Fund Balance	(148,441)	(148,441)	800,591	292,455	1,093,046
Fund Balance, July 1, 2018	3,127,308	3,127,308	3,614,625	17,097,155	20,711,780
Fund Balance, June 30, 2019	<u>\$ 2,978,867</u>	<u>\$ 2,978,867</u>	<u>\$ 4,415,216</u>	<u>\$ 17,389,610</u>	<u>\$ 21,804,826</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WASTEWATER UTILITY FUND*					
Revenue:					
Charges for Services	\$ 1,450,356	\$ 1,450,356	\$ 1,493,147	\$ -	\$ 1,493,147
Rental Income	3,782	3,782	3,782	-	3,782
Interest	25,000	25,000	40,992	1,076	42,068
Special Assessments/LID Repayments	900	900	1,076	(1,076)	-
Miscellaneous	45,000	45,000	93,968	-	93,968
Total Revenues	<u>1,525,038</u>	<u>1,525,038</u>	<u>1,632,965</u>	<u>-</u>	<u>1,632,965</u>
Expenses:					
Maintenance	1,157,081	1,157,081	930,548	(4,064)	926,484
Construction	1,559,493	1,559,493	492,634	(492,634)	-
Depreciation	-	-	-	215,579	215,579
Operating Contingency	100,000	100,000	-	-	-
Total Expenses	<u>2,816,574</u>	<u>2,816,574</u>	<u>1,423,182</u>	<u>(281,119)</u>	<u>1,142,063</u>
Other Financing Sources (Uses):					
Transfers In	250,000	250,000	419,567	(144,567)	275,000
Transfers Out	-	-	-	(275,000)	(275,000)
Loan Proceeds	500,000	500,000	-	-	-
Total Other Financing Sources	<u>750,000</u>	<u>750,000</u>	<u>419,567</u>	<u>(419,567)</u>	<u>-</u>
Net Change in Fund Balance	(541,536)	(541,536)	629,350	(138,448)	490,902
Fund Balance, July 1, 2018	<u>1,103,067</u>	<u>1,103,067</u>	<u>1,284,934</u>	<u>5,125,820</u>	<u>6,410,754</u>
Fund Balance, June 30, 2019	<u>\$ 561,531</u>	<u>\$ 561,531</u>	<u>\$ 1,914,284</u>	<u>\$ 4,987,372</u>	<u>\$ 6,901,656</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
RECLAIMED WATER USE FUND - CAPITAL PROJECTS*					
Other Financing Uses:					
Transfers Out	(700,000)	(700,000)	(694,567)	694,567	-
Net Change in Fund Balance	(700,000)	(700,000)	(694,567)	694,567	-
Fund Balance, July 1, 2018	<u>700,000</u>	<u>700,000</u>	<u>694,567</u>	<u>(694,567)</u>	<u>-</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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.

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WASTEWATER DEBT SERVICE RESERVE FUND					
Other Financing Sources:					
Transfers In	450,000	450,000	275,000	(275,000)	-
Net Change in Fund Balance	450,000	450,000	275,000	(275,000)	-
Fund Balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2019	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ -</u>

*The Wastewater Debt Service Reserve 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, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE OPERATION FUND					
Revenue:					
Interest	\$ -	\$ -	\$ -	\$ 616	\$ 616
Miscellaneous	-	-	50	-	50
Rental Income	-	-	-	53,969	53,969
Total Revenues	<u>-</u>	<u>-</u>	<u>50</u>	<u>54,585</u>	<u>54,635</u>
Expenses:					
Maintenance	23,000	23,000	22,648	8,202	30,850
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	6,306	6,306
Depreciation	-	-	-	50,636	50,636
Total Expenses	<u>23,000</u>	<u>23,000</u>	<u>22,648</u>	<u>65,144</u>	<u>87,792</u>
Excess (Deficit) of Revenues Over Expenses	<u>(23,000)</u>	<u>(23,000)</u>	<u>(22,598)</u>	<u>(10,559)</u>	<u>(33,157)</u>
Other Financing Sources (Uses):					
Interfund Loan Transfer In	73,000	73,000	72,845	(72,845)	-
Transfers In	30,000	30,000	30,000	-	30,000
Transfers Out	(93,000)	(93,000)	(92,845)	92,845	-
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	(13,000)	(13,000)	(12,598)	9,441	(3,157)
Fund Balance, July 1, 2018	<u>13,000</u>	<u>13,000</u>	<u>20,599</u>	<u>1,119,185</u>	<u>1,139,784</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,001</u>	<u>\$ 1,128,626</u>	<u>\$ 1,136,627</u>

	Budget		Actual		
	Adopted	Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE PROJECTS FUND					
CAPITAL PROJECTS*					
Revenue:					
Interest	\$ 120	\$ 120	\$ 616	\$ (616)	\$ -
Rental Income	50,411	50,411	53,969	(53,969)	-
Total Revenues	<u>50,531</u>	<u>50,531</u>	<u>54,585</u>	<u>(54,585)</u>	<u>-</u>
Expenditures:					
Golf Course Equipment	\$ 12,000	\$ 12,000	\$ -	\$ -	\$ -
Maintenance	-	-	6,148	(6,148)	-
Contingency	-	-	-	-	-
Total Expenses	<u>12,000</u>	<u>12,000</u>	<u>6,148</u>	<u>(6,148)</u>	<u>-</u>
Excess (Deficit) of Revenues Over Expenditures	38,531	38,531	48,437	(48,437)	-
Other Financing Sources (Uses):					
Interfund Loan Transfers Out	(43,781)	(43,781)	(43,781)	43,781	-
Total Other Financing Sources (Uses)	<u>(43,781)</u>	<u>(43,781)</u>	<u>(43,781)</u>	<u>43,781</u>	<u>-</u>
Net Change in Fund Balance	(5,250)	(5,250)	4,656	(4,656)	-
Fund Balance, July 1, 2018	<u>5,250</u>	<u>5,250</u>	<u>4,892</u>	<u>(4,892)</u>	<u>-</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,548</u>	<u>\$ (9,548)</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, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
BUILDING INSPECTIONS FUND					
Revenue:					
Charges for Services	\$ 319,132	\$ 319,132	\$ 394,370	\$ -	\$ 394,370
Interest	6,000	6,000	11,491	-	11,491
Miscellaneous	500	500	692	-	692
Total Revenues	<u>325,632</u>	<u>325,632</u>	<u>406,553</u>	<u>-</u>	<u>406,553</u>
Expenditures:					
Personnel Services	206,503	206,503	187,630	(12,509)	175,121
Materials and Services	144,478	144,478	143,133	-	143,133
Depreciation	-	-	-	3,159	3,159
Operating Contingency	80,000	80,000	-	-	-
Total Expenses	430,981	430,981	330,763	(9,350)	321,413
Excess (Deficit) of Revenues Over Expenses	<u>(105,349)</u>	<u>(105,349)</u>	<u>75,790</u>	<u>9,350</u>	<u>85,140</u>
Fund Balance, July 1, 2018	<u>335,847</u>	<u>335,847</u>	<u>335,699</u>	<u>(72,505)</u>	<u>263,194</u>
Fund Balance, June 30, 2019	<u>\$ 230,498</u>	<u>\$ 230,498</u>	<u>\$ 411,489</u>	<u>\$ (63,155)</u>	<u>\$ 348,334</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, 2019

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 289,595	\$ 289,595
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	394	394
Due From Other Funds	-	49,826	49,826
Inventories	289,449	-	289,449
Total Current Assets	289,449	339,815	629,264
Noncurrent Assets:			
Advances to Other Funds	-	111,207	111,207
Capital Assets:			
Buildings	-	58,399	58,399
Equipment and Vehicles	-	2,896,861	2,896,861
Less: Accumulated Depreciation	-	(2,183,171)	(2,183,171)
Total Capital Assets	-	772,089	772,089
Total Noncurrent Assets	-	883,296	883,296
Total Assets	289,449	1,223,111	1,512,560
Deferred Outflows	-	60,758	60,758
Total Assets and Deferred Outflows	\$ 289,449	\$ 1,283,869	\$ 1,573,318
Current Liabilities:			
Accounts Payable	\$ 345	\$ 16,677	\$ 17,022
Due to Other Funds	2,146	-	2,146
Accrued Payroll Taxes and Benefits Payable	-	10,137	10,137
Compensated Absences Payable	-	9,125	9,125
Total Current Liabilities	2,491	35,939	38,430
Other Liabilities:			
Other Post-Employment Benefits Liability	-	8,121	8,121
Net Pension Liability	-	145,716	145,716
Total Other Liabilities	-	153,837	153,837
Total Liabilities	2,491	189,776	192,267
Deferred Inflows	-	24,478	24,478
Total Liabilities and Deferred Inflows	2,491	214,254	216,745
Net Position:			
Invested in Capital Assets	-	772,089	772,089
Unrestricted	286,958	297,526	584,484
Total Net Position	\$ 286,958	\$ 1,069,615	\$ 1,356,573

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Operating Revenue:			
Charges for Sales and Services	\$ 156,131	\$ 471,615	\$ 627,746
Miscellaneous Income	-	2,240	2,240
Total Revenue	<u>156,131</u>	<u>473,855</u>	<u>629,986</u>
Operating Expenses:			
Cost of Sales and Services	150,339	368,399	518,738
Depreciation	-	114,706	114,706
Total Expenses	<u>150,339</u>	<u>483,105</u>	<u>633,444</u>
Operating Income (Loss)	5,792	(9,250)	(3,458)
Nonoperating Revenue (Expense):			
Interest Income	-	10,740	10,740
Gain on Equipment Sale	-	1,305	1,305
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>12,045</u>	<u>12,045</u>
Change in Net Position	5,792	2,795	8,587
Net Position July 1, 2018	<u>281,166</u>	<u>1,066,820</u>	<u>1,347,986</u>
Net Position June 30, 2019	<u>\$ 286,958</u>	<u>\$ 1,069,615</u>	<u>\$ 1,356,573</u>

BAKER CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Cash from Operating Activities:			
Receipts from Customers and Users	\$ 827	\$ -	\$ 827
Receipts from Interfund Services Provided	155,304	471,615	626,919
Other Receipts	-	2,154	2,154
Payments to Suppliers	(151,435)	(170,535)	(321,970)
Payments to/for Employees	-	(178,318)	(178,318)
Payments for Interfund Services Used	-	(2)	(2)
Net Cash Provided (Used) by Operating Activities	<u>4,696</u>	<u>124,914</u>	<u>129,610</u>
Cash Flows from Non Capital Financing Activities:			
Advances from (to) Other Funds	2,146	(2,146)	-
Repayments from (to) Other Funds	(6,842)	53,842	47,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(4,696)</u>	<u>51,696</u>	<u>47,000</u>
Receipts on Sale of Capital Assets			
Purchases of Capital Assets	-	1,305	1,305
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(220,306)</u>	<u>(220,306)</u>
Cash Flows from Investing Activities:			
Interest on Investments	-	10,740	10,740
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>10,740</u>	<u>10,740</u>
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents, July 1, 2018	-	(31,651)	(31,651)
Cash and Cash Equivalents, June 30, 2019	<u>-</u>	<u>321,246</u>	<u>321,246</u>
Cash and Cash Equivalents, June 30, 2019	<u>\$ -</u>	<u>\$ 289,595</u>	<u>\$ 289,595</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	<u>\$ 5,792</u>	<u>\$ (9,250)</u>	<u>\$ (3,458)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	114,706	114,706
(Increase) Decrease in Accounts Receivable Related to Operating Activities (Net of Allowance for Uncollectible Accounts)**	-	(86)	(86)
(Increase) Decrease in Inventories	(271)	-	(271)
Increase (Decrease) in Accounts Payable Related to Operating* Activities	(825)	5,619	4,794
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	1,008	1,008
Increase (Decrease) in Compensated Absences Payable	-	3,507	3,507
Net Change in Other Post-Employment Benefits Liabilities	-	1	1
Net Change in Pension Assets/Liabilities	-	9,409	9,409
Total Adjustments	<u>(1,096)</u>	<u>134,164</u>	<u>133,068</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,696</u>	<u>\$ 124,914</u>	<u>\$ 129,610</u>

*Equipment & Vehicle Fund - a \$9,250 non-cash deposit was applied towards the purchase of capital assets in the year ended June 30, 2019.

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
CENTRAL STORES FUND					
Revenue:					
Charges for Services	\$ 173,100	\$ 173,100	\$ 156,131	\$ -	\$ 156,131
Total Revenues	<u>173,100</u>	<u>173,100</u>	<u>156,131</u>	<u>-</u>	<u>156,131</u>
Expenses:					
Cost of Inventory Sold	150,000	150,000	150,339	-	150,339
Operating Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>200,000</u>	<u>200,000</u>	<u>150,339</u>	<u>-</u>	<u>150,339</u>
Net Change in Fund Balance	(26,900)	(26,900)	5,792	-	5,792
Fund Balance, July 1, 2018	<u>255,000</u>	<u>255,000</u>	<u>281,166</u>	<u>-</u>	<u>281,166</u>
Fund Balance, June 30, 2019	<u>\$ 228,100</u>	<u>\$ 228,100</u>	<u>\$ 286,958</u>	<u>\$ -</u>	<u>\$ 286,958</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
EQUIPMENT & VEHICLE FUND					
Revenue:					
Charges for Services	\$ 687,621	\$ 687,621	\$ 471,615	\$ -	\$ 471,615
Interest	6,000	6,000	5,653	5,087	10,740
Miscellaneous	5,000	5,000	3,545	(1,305)	2,240
Gain on Equipment Sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>	<u>1,305</u>
Total Revenues	<u>698,621</u>	<u>698,621</u>	<u>480,813</u>	<u>5,087</u>	<u>485,900</u>
Expenses:					
Equipment Operations	396,327	396,327	383,203	(14,804)	368,399
Equipment Purchases	203,000	203,000	196,092	(196,092)	-
Depreciation	-	-	-	114,706	114,706
Operating Contingency	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>799,327</u>	<u>799,327</u>	<u>579,295</u>	<u>(96,190)</u>	<u>483,105</u>
Excess (Deficit) of Revenues Over Expenses	<u>(100,706)</u>	<u>(100,706)</u>	<u>(98,482)</u>	<u>101,277</u>	<u>2,795</u>
Other Financing Sources:					
Interfund Loan Transfers In	<u>52,087</u>	<u>52,087</u>	<u>52,087</u>	<u>(52,087)</u>	<u>-</u>
Total Other Financing Sources	<u>52,087</u>	<u>52,087</u>	<u>52,087</u>	<u>(52,087)</u>	<u>-</u>
Net Change in Fund Balance	(48,619)	(48,619)	(46,395)	49,190	2,795
Fund Balance, July 1, 2018	<u>280,000</u>	<u>280,000</u>	<u>311,844</u>	<u>754,976</u>	<u>1,066,820</u>
Fund Balance, June 30, 2019	<u>\$ 231,381</u>	<u>\$ 231,381</u>	<u>\$ 265,449</u>	<u>\$ 804,166</u>	<u>\$ 1,069,615</u>

Summary of Property Tax Transactions

BAKER CITY
SUMMARY OF PROPERTY TAX TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Tax Year	Taxes Receivable June 30, 2018	2018-2019 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2019
2018-19		\$ 3,593,964	\$ (83,795)	\$ 433	\$ (1,749)	\$ (3,119,607)	\$ 389,246
2017-18	\$ 113,703			3,785	(239)	(67,974)	49,275
2016-17	44,168			2,272	(160)	(18,735)	27,545
2015-16	37,691			3,222	(127)	(18,059)	22,727
2014-15	21,134			1,841	(125)	(8,862)	13,987
Prior	32,279			273	(180)	(1,194)	31,179
	<u>\$ 248,975</u>	<u>\$ 3,593,964</u>	<u>\$ (83,795)</u>	<u>\$ 11,826</u>	<u>\$ (2,580)</u>	<u>\$ (3,234,431)</u>	<u>\$ 533,959</u>

Taxes Receivable June 30, 2019 by Fund

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2018-19	\$ 307,075	\$ 71,896	\$ 10,276
2017-18	38,873	9,101	1,301
2016-17	21,730	5,088	727
2015-16	17,930	4,198	600
2014-15	11,035	2,583	369
Prior	24,596	5,759	822
	<u>\$ 421,239</u>	<u>\$ 98,625</u>	<u>\$ 14,095</u>

Collections by Fund

	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Current Year				
Levy	\$ 3,119,174	\$ 2,460,718	\$ 576,110	\$ 82,346
Interest	433	342	80	11
Total	<u>\$ 3,119,607</u>	<u>\$ 2,461,060</u>	<u>\$ 576,190</u>	<u>\$ 82,357</u>
Prior Years				
Taxes & Interest	\$ 114,824	\$ 90,585	\$ 21,208	\$ 3,031

Audit Comments



GASLIN ACCOUNTING, PC
 CERTIFIED PUBLIC ACCOUNTANTS

2550 BROADWAY STREET
 BAKER CITY, OR 97814
 (541)523-6471

INDEPENDENT AUDITOR’S REPORT
REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of City of Baker City, Oregon (the City) as of and for the year ended June 30, 2019, and have issued our report thereon dated February 28, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether City’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 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 for two budget violations. The General fund had a budget appropriation of \$15,372 for Hydro Electric Plant and actual expenses were \$15,459, an over expenditure of \$87. The Central Stores fund had a budget appropriation of \$150,000 for Cost of Inventory Sold and actual expenses were \$150,339, an over expenditure of \$339.

OAR 162-10-0230 Internal Control

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

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

Gaslin Accounting CPA’s PC

By: Robert Gaslin CPA
 February 28, 2020