



BAKER CITY

ANNUAL FINANCIAL REPORT
AND BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



ON THE HISTORIC
OREGON TRAIL



BAKER CITY
Annual Financial Report
Year Ended June 30, 2022

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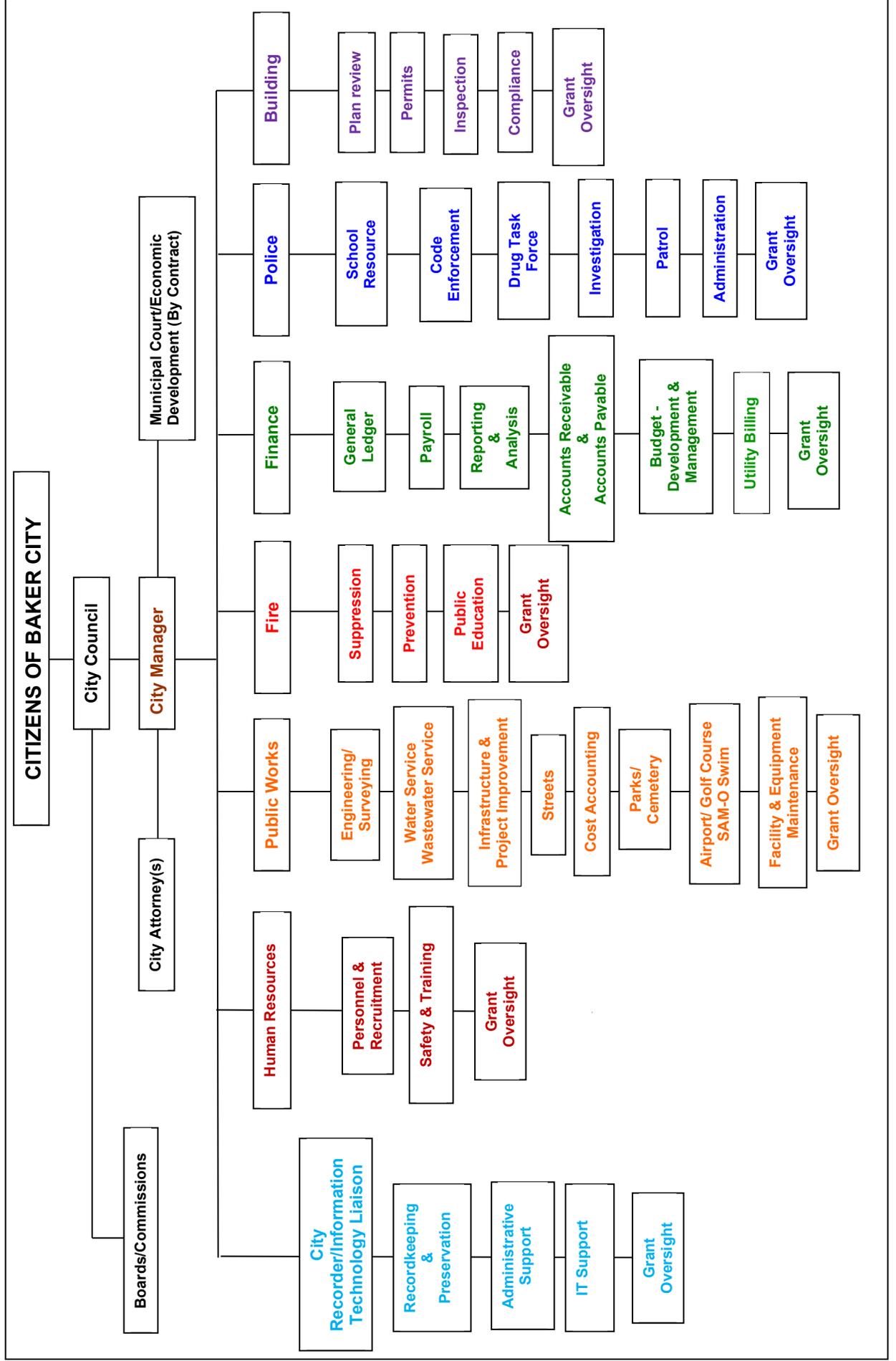
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Baker City



BAKER CITY
Annual Financial Report
Year Ended June 30, 2022

**ELECTED MAYOR AND CITY COUNCIL
AS OF JUNE 30, 2022**

<u>Mayor:</u>	<u>Term Expiration</u>
Kerry McQuisten 490 2nd Street	December 31, 2024
<u>Council Members:</u>	
Joanna Dixon 2545 College Street	December 31, 2022
Johnny Waggoner Sr. 1730 Broadway Street	December 31, 2026
Shane Alderson 850 Park Street	December 31, 2023
Jason Spriet P.O. Box 427	December 31, 2024
Kenyon Damschen 2043 Grove Street	December 31, 2022
Dean Buyer 2925 Grandview	December 31, 2026

**APPOINTED CITY OFFICERS
AS OF JUNE 30, 2022**

<u>City Manager:</u>	Jonathan Cannon
<u>Municipal Judge:</u>	Brent Kerns
<u>City Attorney:</u>	Dan Van Thiel
<u>Public Works Director:</u>	Michelle Owen
<u>Chief of Police:</u>	Ty Duby
<u>Fire Chief:</u>	Sean Lee
<u>Planning:</u>	Holly Kerns
<u>Building Official:</u>	Dawn Kitzmiller
<u>Administrative Services Manager:</u>	Jennifer Spencer



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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P.O. Box 1533
Pendleton, OR 97801
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 11 to the financial statements, in the fiscal year ending June 30, 2022, the City adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

A

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, schedules of the City's Proportionate Share of the Net Pension Liability (Asset) and the City's Contributions to the Oregon Public Employees Retirement System, Schedule of Proportionate Share of Net OPEB Liability (Asset), Schedule of Contributions to the OPERS Retirement Health Insurance Account, Schedule of Changes to the City's OPEB Liability and Related Ratios, and Notes to Required Supplementary Information (as listed in the Table of Contents), be presented to supplement the basic financial statements. Such information is the responsibility of management, and 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 Management's Discussion and Analysis and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the City's Contributions to the Oregon Public Employees Retirement System, Schedule of Proportionate Share of Net OPEB Liability (Asset), Schedule of Contributions to the OPERS Retirement Health Insurance Account, Schedule of Changes in the City's OPEB Liability and Related Ratios, and Notes to 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.

The budget and actual schedules for the General Fund and Special Revenue Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying supplemental information, as listed in the Table of Contents, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Summary of Property Tax Transactions but does not include the basic financial statements and our auditor's opinion thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 14, 2023 on our consideration of Baker City, Oregon's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants
Pendleton, OR

February 14, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Baker City, Oregon (City) presents this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2022. 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. This report provides a comprehensive view of the city's financial position and condition and discusses important financial issues and significant conditions that may affect future operations, including the need to achieve fiscal sustainability over the short, medium, and long term.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following 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 Activities, and Fund Financial Statements.

The Statement of Net Position presents information on all of the assets and liabilities of the City at fiscal 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 City's financial position is improving or deteriorating.

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).

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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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 fourteen governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Street Fund, and State and Federal Grants Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation on these statements.

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.

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 10-41 of this report.

Other statements – Major funds are included within the basic financial statements, where nonmajor funds are presented here as “combining statements”. These statements include balance 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 \$58,881,130 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (70 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:

Summary of Net Position						
	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current and Other Assets	\$ 7,688,093	\$ 9,585,081	\$ 17,273,154	\$ 6,945,505	\$ 8,937,476	\$ 15,882,981
Capital Assets, Net	\$ 20,871,333	\$ 35,758,217	\$ 56,629,550	\$ 21,281,615	\$ 30,865,790	\$ 52,147,405
Total Assets	\$ 28,559,426	\$ 45,343,278	\$ 73,902,704	\$ 28,227,120	\$ 39,803,266	\$ 68,030,386
DEFERRED OUTFLOWS	\$ 2,448,271	\$ 873,905	\$ 3,322,176	\$ 2,305,705	\$ 793,993	\$ 3,099,698
LIABILITIES						
Long-Term Liabilities	\$ 4,197,407	\$ 7,890,287	\$ 12,087,694	\$ 60,798	\$ 3,001,608	\$ 3,062,406
Other Liabilities	\$ 597,052	\$ 1,123,265	\$ 1,720,317	\$ 7,404,172	\$ 3,112,529	\$ 10,516,701
Total Liabilities	\$ 4,794,459	\$ 9,013,552	\$ 13,808,011	\$ 7,464,970	\$ 6,114,137	\$ 13,579,107
DEFERRED INFLOWS	\$ 3,340,785	\$ 1,194,974	\$ 4,535,739	\$ 759,590	\$ 304,264	\$ 1,063,854
NET POSITION						
Invested in Capital Assets, Net of						
Related Debt	\$ 20,880,457	\$ 20,704,222	\$ 41,584,679	\$ 21,220,817	\$ 27,836,447	\$ 49,057,264
Restricted	\$ 1,929,941	\$ 275,000	\$ 2,204,941	\$ 1,400,106	\$ 275,000	\$ 1,675,106
Unrestricted	\$ 62,075	\$ 15,029,435	\$ 15,091,510	\$ (312,658)	\$ 6,067,411	\$ 5,754,753
Total Net Position	\$ 22,872,473	\$ 36,008,657	\$ 58,881,130	\$ 22,308,265	\$ 34,178,858	\$ 56,487,123

An additional portion of the City's net position (3.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,091,510) may be used to meet the City's ongoing obligations to citizens and creditors. Net position for the City as a whole increased by \$2,224,716 during the fiscal year ended June 30, 2022. The following is an analysis of this increase.

Summary of Changes In Net Position						
	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES						
Program Revenues:						
Fines, Fees and Charges for Service	\$ 1,329,174	\$ 5,758,284	\$ 7,087,458	\$ 1,018,771	\$ 5,746,558	\$ 6,765,329
Operating Grants and Contributions	2,178,147		2,178,147	1,797,845		1,797,845
Capital Grants and Contributions	656,608	154,147	810,755	320,097		320,097
General Revenues:						
Property Taxes	3,574,573		3,574,573	3,918,076		3,918,076
Franchise Taxes	1,318,958		1,318,958	967,889		967,889
Investment Earnings	52,362	56,638	109,000	65,950	58,985	124,935
Miscellaneous	31,017		31,017	21,200	31,072	52,272
Operating Transfers	(17,000)	17,000	-	(50,000)	50,000	14,632
Total Revenues	\$ 9,123,839	\$ 5,986,069	\$ 15,109,908	\$ 4,923,115	\$ 140,057	\$ 5,063,172
PROGRAM EXPENSES						
General Government	\$ 943,601		\$ 943,601	\$ 569,394		\$ 569,394
Public Safety	4,726,140		4,726,140	5,635,034		5,635,034
Transportation and Streets	2,110,038		2,110,038	1,875,457		1,875,457
Culture & Recreation	366,663		366,663	404,370		404,370
Economic Development	12,351		12,351	283,965		283,965
Cemetery	187,981		187,981	176,029		176,029
Airport	261,604		261,604	276,291		276,291
Hydro-Electric Plant	11,284		11,284	8,832		8,832
Interest on Long-Term Debt	3,288		3,288	4,524		4,524
Water		2,128,696	2,128,696		2,231,928	2,231,928
Wastewater		1,579,498	1,579,498		1,328,654	1,328,654
Golf Course		38,280	38,280		64,958	64,958
Building Department		515,768	515,768		596,071	596,071
Total Governmental Activities	\$ 8,622,950	\$ 4,262,242	\$ 12,885,192	\$ 9,233,896	\$ 4,221,612	\$ 13,455,508
Change in Net Position	\$ 500,889	\$ 1,723,827	\$ 2,224,716	\$ (1,174,068)	\$ 1,665,003	\$ 490,935
Net Position-Beginning	\$ 22,308,265	\$ 34,178,858	\$ 56,487,123	\$ 23,482,333	\$ 32,513,855	\$ 55,996,188
Prior Period Adjustments	\$ 63,319	\$ 105,972	\$ 169,291			
Net Position-Ending	\$ 22,872,473	\$ 36,008,657	\$ 58,881,130	\$ 22,308,265	\$ 34,178,858	\$ 56,487,123

Analysis of Changes in Net Position

Governmental Activities: During the fiscal year ended June 30, 2022, net position of the governmental activities increased by \$500,889. This increase is mainly due to an increase in the operating grants. The city received \$1,088,750 in COVID related grants under the American Rescue Plan Act that was not received in 2020-2021.

Business-type activities: During the fiscal year ended June 30, 2022, net position of the business-type activities increased by \$1,723,827. The majority of the increase was in the Water Utility Fund (\$1,165,682) and the Wastewater Utility Fund (\$527,043). 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, 2022, the City added capital assets in the business-type activities of \$5,740,904 while depreciation expense totaled only \$933,535. The difference between assets capitalized and current year depreciation expense accounts for \$4,807,369 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 \$36,962. This increase in revenue was due to revenues exceeding the expenses by \$36,962.

FUND ANALYSIS

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

Major Governmental Funds

General Fund: During the fiscal year ended June 30, 2022, the ending fund balance of the General Fund increased by \$368,643. 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. The revenue in the General Fund increased by \$726,205. This was due to a COVID grant of \$1,088,750, and operating expenditures going up \$347,911.

State Tax Street Fund: The ending fund balance of the Street Fund increased \$89,626. This increase was due to the city receiving \$149,493 in COVID-19 funds from Oregon Department of Transportation. The fund's revenue exceeded expenditures by \$89,620. 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 street overlay project completed in the fiscal year that ended June 30, 2022, was recorded as a fixed asset and will be depreciated based on the useful life of the underlying asset.

State and Federal Grants Fund: The ending fund balance of the State and Federal Grants Fund increased by \$91,600. This increase was due to a combination of the carryover of contributions for the railroad quiet zone, unanticipated donations in the LAMP Fund, and decreased spending in both the LAMP Fun and the Skateboard Park Project Fund. The quiet zone is made up of designated funds that are donations received and then passed through to fund construction of quiet zone railroad crossings.

Enterprise Funds

Water Fund: The ending net position of the Water Fund increased from \$23,665,576 to \$24,937,229. 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 transmission lines that bring water into the City from the watershed. The City is also in the process of establishing a secondary water source to meet peak day demand and provide water in the event of wildfire or other natural disasters that may damage the watershed which is the sole source of water for the City.

Wastewater Fund: The ending net position of the Wastewater Fund increased from \$8,273,983 to \$8,801,027. The City is working on raising wastewater rates to a level that will provide funding for infrastructure improvements including construction costs and debt service for the wastewater

storage and effluent disposal project that is required by DEQ, which was under construction at June 30, 2022.

Building Inspections Fund: The Building Department permit activity has steadily increased over the past few years. Even with growing staff requirements, the ending net position for the Building Inspection Fund was an increase of \$36,962.

Golf Fund: The ending net position of the Golf Fund decreased by \$2,300. The golf course is operated by a concessionaire that works closely with City management in a joint effort to make this valuable city asset self-sustaining.

BUDGETARY HIGHLIGHTS

- In the fiscal year ending June 30, 2022, the General Fund revenues totaled \$6,800,137 which was 103% of the amount budgeted. The expenditures were \$6,364,589.
- On August 26, 2021, Baker City received the first tranche totaling \$1,088,750 of the American Rescue Plan Act money provided by the federal government. This unanticipated revenue was allocated for expenditure by the City Council. The unspent funds will carry forward into the fiscal year 2022-2023. The second tranche is anticipated to be received in the fiscal year 2022-2023. It will not be unanticipated revenue for that fiscal year.
- Baker City received HRSA Provider Relief Fund - Phase 4 money for Fire Department totaling \$36,618.
- The State Tax Street Fund had revenues of \$1,894,458. This was 115% of the budgeted amount of \$1,635,245; the expenditures were \$1,804,832, giving the fund an excess of revenues over expenditures by \$89,626.
- Baker City received COVID money from the Oregon Department of Transportation totaling \$149,493. The money was transferred into the street fund and used for capital projects.
- The State and Federal Grants Fund had expenditures that exceeded revenues by \$91,600. This had been anticipated as the city is receiving contributions for a railroad quiet zone.
- The city's Water Utility fund had revenues of \$3,290,816 which was 97% of the budget of \$3,389,781. The expenditures were \$3,267,930 and the fund had a net income of \$22,886. Included in expenditures were \$1,304,780 of capital expenditures invested for the future improvements of the water system.

- The Wastewater Utility Fund had operating revenues of \$2,106,530 which was 106% of the budgeted amount of \$1,974,552. The expenditures were \$5,470,960 which were partially funded by \$3,500,634 of loan proceeds from the DEQ. These loan proceeds have been invested in the city's new wastewater storage facility that will hold 139 million gallons. This will enable the city to be in compliance with state discharge standards.
- The Building Inspections Fund had revenues of \$552,730. This was 146% of the amount budgeted. The fund had expenditures of \$465,489 giving the fund excess of revenues over expenditures of \$87,241.

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year is summarized in the notes to the financial statements. Capital assets are assets that have either been purchased, constructed, or received through contributions during the fiscal year. To summarize, the City added \$679,261 in capital assets in the Governmental activities and, \$5,740,904 in Business-Type Activities, bringing the total to \$6,420,165 in total Capital asset additions during fiscal year 2021-2022.

Debt activity is summarized in the notes to the financial statements. The City made principal payments on the water fund loan payable of \$75,939 and the year end balance was \$1,269,149. The City also drew down an additional \$3,500,634 from the Oregon DEQ loan for the sewer fund and the ending balance was \$5,151,154.

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. The City did not achieve the maximum of three percent increase this year because of the Measure, but did receive an increase because of money held back by the county released in this fiscal year. In addition, Measure 5 limits the combined property tax rates to \$10 for all local governments except schools. The annual increase in property taxes is not enough to keep up with annual salary, health insurance, and PERS benefits cost increases discussed below.
- The City received funds from the American Rescue Plan Act (ARPA) on August 26, 2021, and allocated those fees through Resolution #3894. Several accounts in the general fund as well as Water Fund, Wastewater Fund, and Fire Equipment Reserve Fund received a portion of the ARPA funding. These allocated funds were not all spent before June 30, 2022, and will carry forward into the fiscal year 2022-2023.
- AFSCME (Baker City Employees Association (BCEA)) contract expired on June 30, 2022. This agreement provided a set cost of living adjustment (COLA) for BCEA-represented employees for the fiscal year 2021-2022. They negotiated a successor agreement for a three-year period beginning July 1, 2022. The successor agreement includes a variable COLA connected to inflation and bound with a 3% minimum and 5% maximum. This will allow for continued predictability moving forward with anticipated personnel cost increases.
- The police union's (BCPA) collective bargaining agreement was negotiated for a three-year period beginning July 1, 2020. The collective bargaining agreement has a set COLA increase for salaries allowing for predictability in the budget years affected by the contract. The increases have an effect that increases PERS payments and paid leave totals. A successor agreement will need to be negotiated in the fiscal year 2022-2023, with a beginning date of July 1, 2023.
- The fire union negotiated a contract beginning June 4, 2022, and running through June 30, 2024. Due to the extended time frame for negotiations, the negotiated salary COLA increases were retroactive to July 1, 2021, causing a portion of the increased personnel costs for the department. The extended negotiations created uncertainty in planning the fiscal year 2021-2022 budget. This required the City Council to adjust the budget by Resolution to cover the expenses of the retroactive pay. The negotiated contract provides consistency in planning future budgets.
- On January 25th, 2022, Council adopted Resolution #3901 increasing wages for non-represented employees—which had not seen a pay increase since 2014. Potential COLA increases for non-represented employees are to be reviewed annually during the budget process.

- The PERS rates, which are set for a period of two years. Oregon PERS board announced the rates for the two-year period beginning July 1, 2021, to June 30, 2023. These rates are based on a December 31, 2019, valuation. The cost of PERS to the city has increased and is expected to increase when the next PERS rate report is published.
- The wastewater capital project was finishing up as of June 30, 2022. Currently, the wastewater treatment facility is operating as designed and we are in the one-year post-construction period. The contracted items are complete and final payment will be issued in December 2022.
- The new well was drilled in the 9th Street right of way adjacent to the city-owned golf course in the previous fiscal year. The retainage on the contract was paid in August of 2022.
- The Water wellhouse was constructed in the summer of 2022. Wellhouse materials and underground piping were funded in the fiscal year ending June 30, 2022. The wellhouse itself was under construction in June of 2022, but the remainder of the building and all of the electrical work will be completed in the fiscal year 2022-2023.
- On March 16, 2022 the city's Warm Storage Building located at the Public Works Shop suffered a catastrophic fire wherein several vehicles were damaged/destroyed, and the City submitted claims to our insurance provider. As of June 30, 2022, the City had received partial payments to purchase destroyed equipment and to begin rebuilding the Warm Storage Building. The remainder of the claim is scheduled to arrive after July 1, 2022.
- On March 22, 2022 City Council agreed to advise Baker County of the City's discontinuation of the ambulance services in the Baker Ambulance Service Area (ASA) as of September 30, 2022. In anticipation of the layoffs set to occur on October 1, 2022, fire department employees began searching for other employment opportunities. Some firefighters resigned before the end of the current fiscal year. The personnel expenditures connected to the firefighters who resigned offset some increased expenditures in overtime. Significant changes will be evident in the fiscal year 2022-2023.
- It was discovered that Baker City was inaccurately applying FLSA overtime requirements to the Baker City public safety employees. Management updated the payroll processes to properly calculate and pay the required overtime according to the FLSA. Furthermore, the city paid all statutorily required back payments to public safety employees. This ensured the city would not be subject to legal complaints or lawsuits related to the payments due.

REQUESTS FOR INFORMATION

The City's financials 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 Administrative Services Manager at PO Box 650, Baker City, OR 97814.

BASIC FINANCIAL STATEMENTS

BAKER CITY
Statement of Net Position
June 30, 2022

<i>Assets</i>	Governmental Activities	Business-type Activities	Total Primary Government
Cash and Cash Equivalents	\$ 4,634,969	\$ 7,944,054	\$ 12,579,023
Receivables:			
Accounts Receivables, Net	597,377	431,730	1,029,107
Taxes Receivable	148,372	-	148,372
Interest	209	-	209
Notes and Assessments	263,711	24,339	288,050
Prepaid Items	65,294	39,310	104,604
Internal Balances	(847,404)	847,404	-
Inventories	429,499	-	429,499
Restricted Assets:			
Temporarily Restricted Cash and Cash Equivalents	1,146,987	275,000	1,421,987
Permanently Restricted Cash and Cash Equivalents	782,954	-	782,954
Other Assets	284,852	-	284,852
Net OPEB Asset	65,063	23,224	88,287
Leased Assets, Net of Amortization	116,210	-	116,210
Capital Assets:			
Land	1,729,655	1,503,077	3,232,732
Assets Available for Sale	403,927	-	403,927
Construction in Progress	335,170	7,124,615	7,459,785
Depreciable Assets, Net of Depreciation	18,402,581	27,130,525	45,533,106
Total Assets	28,559,426	45,343,278	73,902,704
<i>Deferred Outflows of Resources</i>			
Deferred Outflows Related to Pension	2,405,399	858,601	3,264,000
Deferred Outflows Related to OPEB	42,872	15,304	58,176
Total Deferred Outflows of Resources	2,448,271	873,905	3,322,176
<i>Liabilities</i>			
Accounts Payable	151,804	332,181	483,985
Customer Deposits and Other Payables	5	59,175	59,180
Wages, Payroll Taxes and Benefits Payable	135,231	48,463	183,694
Unearned Revenue	-	201,368	201,368
Retainage Payable	10,990	291,606	302,596
Compensated Absences Payable	299,022	132,439	431,461
Accrued Interest Payable	-	58,033	58,033
Long-term Obligations:			
Due Within One Year:			
Long-term Liabilities	43,695	78,635	122,330
Due in More Than One Year:			
Long-term Liabilities	52,401	6,347,668	6,400,069
Net OPEB Liability	371,277	132,514	503,791
Net Pension Liability	3,730,034	1,331,470	5,061,504
Total Liabilities	4,794,459	9,013,552	13,808,011
<i>Deferred Inflows of Resources</i>			
Deferred Inflows Related to Pension	3,297,289	1,176,963	4,474,252
Deferred Inflows Related to OPEB	43,476	18,011	61,487
Total Deferred Inflows of Resources	3,340,765	1,194,974	4,535,739
<i>Net Position</i>			
Net Investment in Capital Assets	20,880,457	20,704,222	41,584,679
Restricted:			
Cemetery Care	274,453	-	274,453
2089 Celebration	3,225	-	3,225
Covid Relief	613	-	613
Street Trees	53,917	-	53,917
Community Development	814,592	-	814,592
Car Seats	187	-	187
Wastewater Debt Reserve	-	275,000	275,000
Street Trees Permanent Trust	782,954	-	782,954
Unrestricted	62,075	15,029,435	15,091,510
Total Net Position	\$ 22,872,473	\$ 36,008,657	\$ 58,881,130

BAKER CITY
Statement of Activities
Year Ended June 30, 2022

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 Primary Government
Governmental Activities							
General Government	\$ 943,601	\$ 154,432	\$ 839,921	\$ 1,525	\$ 52,277	\$ -	\$ 52,277
Public Safety	4,726,140	942,843	274,280	90,047	(3,418,970)	-	(3,418,970)
Highways and Streets	2,110,038	13,160	961,178	228,190	(907,510)	-	(907,510)
Culture and Recreation	366,663	-	12,000	38,949	(315,714)	-	(315,714)
Airport	261,604	54,307	23,037	288,973	104,713	-	104,713
Cemetery	187,981	112,869	-	-	(75,112)	-	(75,112)
Hydro-electric Plant	11,284	51,554	-	-	40,270	-	40,270
Economic and Community Development	12,351	9	67,731	8,924	64,313	-	64,313
Interest on Long Term Debt	3,288	-	-	-	(3,288)	-	(3,288)
Total Governmental Activities	<u>8,622,950</u>	<u>1,329,174</u>	<u>2,178,147</u>	<u>656,608</u>	<u>(4,459,021)</u>	<u>-</u>	<u>(4,459,021)</u>
Business-type Activities							
Water Utility	2,128,696	3,114,418	-	150,000	-	1,135,722	1,135,722
Wastewater Utility	1,579,498	2,088,910	-	4,147	-	513,559	513,559
Golf Operation	38,280	5,500	-	-	-	(32,780)	(32,780)
Building Inspection	515,768	549,456	-	-	-	33,688	33,688
Total Business-type Activities	<u>4,262,242</u>	<u>5,758,284</u>	<u>-</u>	<u>154,147</u>	<u>-</u>	<u>1,650,189</u>	<u>1,650,189</u>
Total Government	<u>\$ 12,885,192</u>	<u>\$ 7,087,458</u>	<u>\$ 2,178,147</u>	<u>\$ 810,755</u>	<u>(4,459,021)</u>	<u>1,650,189</u>	<u>(2,808,832)</u>
General Revenues:							
Property Taxes					3,574,573	-	3,574,573
Franchise and Public Services Taxes					1,318,958	-	1,318,958
Interest on Investments					52,362	56,638	109,000
Miscellaneous					31,017	-	31,017
Transfers					(17,000)	17,000	-
Total General Revenues and Transfers					<u>4,959,910</u>	<u>73,638</u>	<u>5,033,548</u>
Change in Net Position					<u>500,889</u>	<u>1,723,827</u>	<u>2,224,716</u>
Net Position - July 1					22,308,265	34,178,858	56,487,123
Prior Period Adjustments					63,319	105,972	169,291
Net Position - July 1, as Restated					<u>22,371,584</u>	<u>34,284,830</u>	<u>56,656,414</u>
Net Position - June 30					<u>\$ 22,872,473</u>	<u>\$ 36,008,657</u>	<u>\$ 58,881,130</u>

BAKER CITYBalance Sheet
Governmental Funds
June 30, 2022

	General Fund	State Tax Street Fund	State and Federal Grants Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,770,309	\$ 1,981,617	\$ 176,143	\$ 2,110,222	\$ 6,038,291
Accounts Receivable, Net	509,936	79,670	6,348	-	595,954
Interest Receivable	-	-	-	209	209
Prepaid Items	55,642	7,277	-	-	62,919
Taxes Receivable	117,051	27,404	-	3,917	148,372
Notes and Assessments Receivable	-	-	178,336	85,375	263,711
Assets Available for Sale	-	-	-	403,927	403,927
Advances to Other Funds	-	-	-	19,952	19,952
Other Assets	283,963	-	-	889	284,852
Total Assets	\$ 2,736,901	\$ 2,095,968	\$ 360,827	\$ 2,624,491	\$ 7,818,187
Liabilities					
Accounts Payable	\$ 87,949	\$ 13,403	\$ 2,911	\$ 3,147	\$ 107,410
Deposits Payable	5	-	-	-	5
Retainage Payable	-	-	10,990	-	10,990
Wages, Payroll Taxes and Benefits Payable	111,669	18,316	818	496	131,299
Advances from Other Funds	-	-	-	-	-
Total Liabilities	199,623	31,719	14,719	3,643	249,704
Deferred Inflows of Resources					
Unavailable Revenue	682,322	34,205	178,336	89,177	984,040
Fund Balances					
Nonspendable	339,605	-	-	782,954	1,122,559
Restricted	-	-	114,930	1,032,057	1,146,987
Committed	-	-	-	506,984	506,984
Assigned	579,583	2,030,044	57,738	209,676	2,877,041
Unassigned	935,768	-	(4,896)	-	930,872
Total Fund Balances (Deficit)	1,854,956	2,030,044	167,772	2,531,671	6,584,443
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,736,901	\$ 2,095,968	\$ 360,827	\$ 2,624,491	\$ 7,818,187

BAKER CITY

Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position June 30, 2022

<i>Total Fund Balances of Governmental Funds</i>	\$ 6,584,443
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.	984,040
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	19,463,606
Lease assets and the related leases payable are not financial resources or payable in the current period and are not reported in the funds.	20,114
Net pension liability and the related deferred outflows and inflows are not due and payable in the current period, and, therefore, are not reported in the fund statements.	(4,450,921)
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(287,871)
Accrued other postemployment benefits and the related deferred outflows and inflows are not due and payable in the current period, and, therefore, are not reported in the fund statements.	(295,144)
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.	1,649,000
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.	<u>(794,794)</u>
Net Position of Governmental Activities	<u><u>\$ 22,872,473</u></u>

BAKER CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	General Fund	State Tax Street Fund	State and Federal Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,953,477	\$ 691,544	\$ -	\$ 98,755	\$ 3,743,776
Franchise	996,345	-	-	-	996,345
Licenses and Permits	7,851	-	-	-	7,851
Intergovernmental	1,459,387	1,188,169	365,785	90,047	3,103,388
Charges for Services	1,229,078	4,161	430	-	1,233,669
Fines and Forfeitures	25,820	-	-	-	25,820
Rental Income	42,786	-	-	-	42,786
Assessments	-	-	-	14,174	14,174
Contributions	-	-	69,257	19,525	88,782
Interest on Investments	9,769	10,584	562	28,219	49,134
Miscellaneous	75,624	-	9	105	75,738
Total Revenues	<u>6,800,137</u>	<u>1,894,458</u>	<u>436,043</u>	<u>250,825</u>	<u>9,381,463</u>
Expenditures:					
Current:					
General Government	946,235	-	-	-	946,235
Public Safety	4,795,454	-	21,552	-	4,817,006
Highways and Streets	-	1,786,151	-	2,141	1,788,292
Culture and Recreation	118,055	-	432	83,353	201,840
Airport	80,790	-	300,363	-	381,153
Cemetery	184,221	-	-	-	184,221
Hydro-electric Plant	8,464	-	-	-	8,464
Economic and Community Development	23,902	-	750	10,091	34,743
Capital Outlay	207,468	18,681	65,346	122,274	413,769
Total Expenditures:	<u>6,364,589</u>	<u>1,804,832</u>	<u>388,443</u>	<u>217,859</u>	<u>8,775,723</u>
Excess (Deficit) of Revenues Over Expenditures	<u>435,548</u>	<u>89,626</u>	<u>47,600</u>	<u>32,966</u>	<u>605,740</u>
Other Financing Sources (Uses):					
Lease Financing	98,442	-	-	-	98,442
Transfers In	6,753	-	44,000	151,100	201,853
Transfers Out	(172,100)	-	-	(46,753)	(218,853)
Total Other Financing Sources (Uses)	<u>(66,905)</u>	<u>-</u>	<u>44,000</u>	<u>104,347</u>	<u>81,442</u>
Net Change in Fund Balance	368,643	89,626	91,600	137,313	687,182
Fund Balances - July 1	<u>1,486,313</u>	<u>1,940,418</u>	<u>76,172</u>	<u>2,394,358</u>	<u>5,897,261</u>
Fund Balances - June 30	<u>\$ 1,854,956</u>	<u>\$ 2,030,044</u>	<u>\$ 167,772</u>	<u>\$ 2,531,671</u>	<u>\$ 6,584,443</u>

BAKER CITY

Reconciliation of the Statement of Revenues and Changes in Fund Balances To the Statement of Activities Year Ended June 30, 2022

<i>Net Change in Fund Balances - Total Governmental Funds</i>		\$ 687,182
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.		(233,544)
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.		
Capital Asset Additions	503,504	
Depreciation Expense	<u>(933,308)</u>	(429,804)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds.		
Change in lease assets and liabilities	20,922	
Change in compensated absences payable	<u>39</u>	20,961
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 are allocated between governmental and business-type activities.		32,166
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.		(11,606)
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.		<u>435,534</u>
Change in Net Position of Governmental Activities		<u><u>\$ 500,889</u></u>

BAKER CITY
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Building Inspections	(Non-Major) Golf Course Operations		
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 4,335,398	\$ 2,878,026	\$ 654,214	\$ 76,416	\$ 7,944,054	\$ 526,619
Accounts Receivable, Net	276,367	155,363	-	-	431,730	1,423
Prepaid Items	20,207	14,362	4,741	-	39,310	2,375
Due From Other Funds	113,924	-	-	-	113,924	-
Inventories	-	-	-	-	-	429,499
Total Current Assets	<u>4,745,896</u>	<u>3,047,751</u>	<u>658,955</u>	<u>76,416</u>	<u>8,529,018</u>	<u>959,916</u>
Noncurrent Assets						
Restricted Cash and Cash Equivalents	-	275,000	-	-	275,000	-
Net OPEB Asset	11,058	8,463	3,682	21	23,224	-
Assessments Receivable	-	24,339	-	-	24,339	2,408
Advances to Other Funds	-	-	-	-	-	41,362
Capital Assets:						
Land	180,258	264,715	-	1,058,104	1,503,077	-
Construction in Progress	1,023,225	6,101,390	-	-	7,124,615	-
Depreciable assets, net of depreciation	21,443,978	5,579,801	12,119	94,627	27,130,525	1,003,800
Total Noncurrent Assets	<u>22,658,519</u>	<u>12,253,708</u>	<u>15,801</u>	<u>1,152,752</u>	<u>36,080,780</u>	<u>1,047,570</u>
Total Assets	<u>27,404,415</u>	<u>15,301,459</u>	<u>674,756</u>	<u>1,229,168</u>	<u>44,609,798</u>	<u>2,007,486</u>
Deferred Outflows of Resources:						
Deferred Outflows Related to Pension	408,831	312,872	136,108	790	858,601	89,010
Deferred Outflows Related to OPEB	7,287	5,578	2,426	13	15,304	1,585
Total Deferred Outflows of Resources	<u>416,118</u>	<u>318,450</u>	<u>138,534</u>	<u>803</u>	<u>873,905</u>	<u>90,595</u>
Liabilities						
Current Liabilities:						
Accounts Payable	149,002	180,088	3,091	-	332,181	44,394
Customer Deposits	59,175	-	-	-	59,175	-
Wages, Payroll Taxes and Benefits Payable	18,776	17,514	12,082	91	48,463	3,932
Unearned Revenue	-	150,000	51,368	-	201,368	-
Retainage Payable	23,165	268,441	-	-	291,606	-
Compensated Absences Payable	72,644	44,442	15,353	-	132,439	11,151
Due to Other Funds	-	-	-	-	-	113,924
Accrued Interest Payable	26,169	31,864	-	-	58,033	-
Current Portion of Long Term Debt	78,635	-	-	-	78,635	-
Total Current Liabilities	<u>427,566</u>	<u>692,349</u>	<u>81,894</u>	<u>91</u>	<u>1,201,900</u>	<u>173,401</u>
Non-Current Liabilities:						
Noncurrent Portion of Long-Term Debt	1,190,514	5,157,154	-	-	6,347,668	-
Advances From Other Funds	-	-	-	61,314	61,314	-
Other Post-Employment Benefits Liability	63,104	48,292	21,009	109	132,514	13,739
Net Pension Liability	633,969	485,214	211,063	1,224	1,331,470	138,028
Total Noncurrent Liabilities	<u>1,887,587</u>	<u>5,690,660</u>	<u>232,072</u>	<u>62,647</u>	<u>1,463,984</u>	<u>151,767</u>
Total Liabilities	<u>2,315,153</u>	<u>6,383,009</u>	<u>313,966</u>	<u>62,738</u>	<u>9,074,866</u>	<u>325,168</u>
Deferred Inflows of Resources:						
Deferred Inflows Related to Pension	560,424	428,883	186,577	1,079	1,176,963	121,985
Deferred Inflows Related to OPEB	7,727	6,990	3,294	-	18,011	1,928
Total Deferred Inflows of Resources	<u>568,151</u>	<u>435,873</u>	<u>189,871</u>	<u>1,079</u>	<u>1,194,974</u>	<u>123,913</u>
Net Position						
Net Investment in Capital Assets	20,174,829	422,647	12,119	94,627	20,704,222	1,003,800
Restricted for Wastewater Debt Reserve	-	275,000	-	-	275,000	-
Unrestricted	4,762,400	8,103,380	297,334	1,071,527	14,234,641	645,200
Total Net Position	<u>\$ 24,937,229</u>	<u>\$ 8,801,027</u>	<u>\$ 309,453</u>	<u>\$ 1,166,154</u>	<u>35,213,863</u>	<u>\$ 1,649,000</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity					794,794	
Net Position of Business-Type Activities					<u>\$ 36,008,657</u>	

BAKER CITY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Building Inspections	(Non-Major) Golf Course Operations		
Operating Revenue						
Charges for Services	\$ 3,007,805	\$ 1,810,537	\$ 549,276	\$ 5,500	\$ 5,373,118	\$ 733,192
Rental Income	4,000	500	-	-	4,500	-
Miscellaneous	102,614	277,873	180	-	380,667	39,891
Total Operating Revenue	3,114,419	2,088,910	549,456	5,500	5,758,285	773,083
Operating Expenses						
Personal Services	791,342	754,177	357,464	-	1,902,983	199,314
Materials and Services	733,749	525,691	155,517	19,830	1,434,787	395,609
Depreciation	646,192	267,755	2,787	16,801	933,535	143,908
Total Operating Expenses	2,171,283	1,547,623	515,768	36,631	4,271,305	738,831
Operating Income (Loss)	943,136	541,287	33,688	(31,131)	1,486,980	34,252
Nonoperating Revenue (Expense)						
Gain (Loss) on Disposal of Capital Assets	92,334	-	-	-	92,334	(8,874)
Interest on Investments	26,397	13,473	3,274	13,495	56,639	3,228
Interest Expense	(46,185)	(31,864)	-	(1,664)	(79,713)	-
Total Nonoperating Revenue (Expense)	72,546	(18,391)	3,274	11,831	69,260	(5,646)
Income (Loss) Before Capital Contributions and Transfers	1,015,682	522,896	36,962	(19,300)	1,556,240	28,606
Capital Contributions						
Intergovernmental	150,000	-	-	-	150,000	-
Assessments	-	4,147	-	-	4,147	-
Transfers						
Transfers In	-	-	-	17,000	17,000	-
Total Capital Contributions and Transfers	150,000	4,147	-	17,000	171,147	-
Change in Net Position	1,165,682	527,043	36,962	(2,300)	1,727,387	28,606
Net Position - Beginning, as restated	23,771,547	8,273,984	272,491	1,168,454		1,620,394
Net Position - Ending	\$ 24,937,229	\$ 8,801,027	\$ 309,453	\$ 1,166,154		\$ 1,649,000
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(3,560)	
Change in Net Position of Business-Type					<u>\$ 1,723,827</u>	

BAKER CITY
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Building Inspections	(Non-Major) Golf Course Operation		
Cash From Operating Activities						
Receipts from Customers and Users	\$ 3,209,893	\$ 2,105,745	\$ 549,456	\$ 5,500	\$ 5,870,594	\$ 39,891
Receipts from Interfund Services Provided	13,000	-	-	-	13,000	731,769
Payments to Suppliers	(632,440)	(511,638)	(241,552)	(18,592)	(1,404,222)	(561,182)
Payments to Employees	(572,517)	(441,563)	(189,764)	(1,118)	(1,204,962)	(124,725)
Payments for Interfund Services Used	(505,580)	(425,441)	(34,900)	(2,603)	(968,524)	-
Net Cash Provided (Used) by Operating Activities	<u>1,512,356</u>	<u>727,103</u>	<u>83,240</u>	<u>(16,813)</u>	<u>2,305,886</u>	<u>85,753</u>
Cash Flows From Non Capital Financing Activities						
Advances from (to) Other Funds	(113,924)	-	-	-	(113,924)	113,924
Repayments from (to) Other Funds	-	-	-	-	-	69,502
Transfers In	-	-	-	17,000	17,000	-
Net Cash Provided (Used) by Non Capital Financing Activities	<u>(113,924)</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>(96,924)</u>	<u>183,426</u>
Cash Flows From Capital and Related Financing Activities						
Proceeds from Intergovernmental Revenue	150,000	150,000	-	-	300,000	-
Assessment Collections	-	4,147	-	-	4,147	-
Receipts from the Sale of Capital Assets	92,334	-	-	-	92,334	-
Purchase of Capital Assets	(1,480,630)	(4,052,875)	-	-	(5,533,505)	(175,757)
Proceeds from Issuance of Debt	-	3,500,634	-	-	3,500,634	-
Principal Paid on Long Term or Interfund Debt	(75,939)	-	-	(61,485)	(137,424)	-
Interest Paid on Long Term or Interfund Debt	(47,751)	-	-	(1,664)	(49,415)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(1,361,986)</u>	<u>(398,094)</u>	<u>-</u>	<u>(63,149)</u>	<u>(1,823,229)</u>	<u>(175,757)</u>
Cash Flows From Investing Activities						
Interest on Investments	26,397	13,473	3,274	13,495	56,639	3,228
Net Cash Provided (Used) by Investing Activities	<u>26,397</u>	<u>13,473</u>	<u>3,274</u>	<u>13,495</u>	<u>56,639</u>	<u>3,228</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,843	342,482	86,514	(49,467)	442,372	96,650
Cash and Cash Equivalents - Beginning	4,272,555	2,810,544	567,700	125,883	7,776,682	429,969
Cash and Cash Equivalents - Ending	<u>\$ 4,335,398</u>	<u>\$ 3,153,026</u>	<u>\$ 654,214</u>	<u>\$ 76,416</u>	<u>\$ 8,219,054</u>	<u>\$ 526,619</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating Income	\$ 943,136	\$ 541,287	\$ 33,688	\$ (31,131)	\$ 1,486,980	\$ 34,252
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	646,192	267,755	2,787	16,801	933,535	143,908
(Increase) Decrease in:						
Accounts Receivable, net	101,198	16,835	-	-	118,033	(1,423)
Prepaid Items	(11,736)	(10,126)	(341)	-	(22,203)	449
Inventories	-	-	-	-	-	(118,232)
Deferred Outflows Related to Pension	1,389	(48,733)	(32,941)	831	(79,454)	(9,677)
Deferred Outflows Related to OPEB	529	(545)	(460)	18	(458)	(73)
Increase (Decrease) in:						
Accounts Payable	(65,019)	(125,817)	(15,978)	(310)	(207,124)	32,198
Customer Deposits	7,276	-	-	-	7,276	-
Wages, Payroll Taxes and Benefits Payable	6,663	6,150	6,917	26	19,756	3,406
Unearned Revenue	-	-	8,675	-	8,675	-
Compensated Absences	5,128	5,747	8,828	-	19,703	(6,111)
Other Post-Employment Benefits	(2,389)	4,778	3,637	(127)	5,899	804
Net Pension Liability	(550,445)	(277,426)	(86,808)	(3,456)	(918,135)	(91,028)
Deferred Inflows Related to Pension	429,362	344,493	153,616	564	928,035	120,698
Deferred Inflows Related to OPEB	1,072	2,705	1,620	(29)	5,368	(23,418)
Net Cash Provided by Operating Activities	<u>\$ 1,512,356</u>	<u>\$ 727,103</u>	<u>\$ 83,240</u>	<u>\$ (16,813)</u>	<u>\$ 2,305,886</u>	<u>\$ 85,753</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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 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 four permanent funds: the One Hundred Year Trust Fund, the Mt. Hope Trust Fund, the John Schmitz Memorial 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 John Schmitz Memorial Trust Fund accounts for monies left to the City to be used for cemetery operations. 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 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.
- The LID Repayment Fund is used to track the payments and outstanding balances of local improvement district receivables.
- The non-major proprietary fund accounts for the revenues and expenses from the lease of the City's golf course.

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.

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.

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 uncollectible accounts. The allowance for uncollectible accounts 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 and Prepaid Expenses

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

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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 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.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives: Buildings & Improvements, 25-40 years; Land Improvements, 10-20 years; Machinery & Equipment, 5-10 years; Vehicles, 5-10 years; Utility Systems, 25-40 years; Infrastructure, 20-40 years.

Lease Assets

Lease assets are assets which the City leases for a term of more than one year. The value of leases is determined by the net present value of the leases at the City's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

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.

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.

Leases Payable

In the government-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position 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. Investments are reported at fair value.

Government-Wide Statements

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.

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. 2662 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, car seats, and other purposes 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.

Defining Operating Revenues and Expenses

The City's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of City's water, wastewater, and building inspection operations consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's carrying amount of demand deposits were \$204,566 and the bank balances totaled \$525,001. In addition, the City had \$475 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 the 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, 2022 the City's bank deposit balance was categorized by custodial credit risk as follows: Insured by FDIC, \$304,170; collateralized under ORS 295, \$289,488; total, \$593,658.

The City has an investment 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.

A reconciliation of cash and cash investments as presented in the government-wide statement of net position as follows:

Cash on hand	\$ 475
Carrying amounts of deposits	204,566
Local Government Investment Pool	<u>14,578,923</u>
Total cash and cash equivalents	<u>\$ 14,783,964</u>
Funds:	
<u>Governmental Activities</u>	
General	\$ 1,770,309
State Tax Street	1,981,617
State and Federal Grants	176,143
Other governmental funds	2,110,222
Internal Service funds	<u>526,619</u>
Total Governmental Activities	<u>6,564,910</u>
<u>Business-Type Activities</u>	
Water Utility	4,335,398
Wastewater Utility (\$275,000 Restricted)	3,153,026
Building Inspections	654,214
Golf Course (Non-major)	<u>76,416</u>
Total Business-Type Activities	<u>8,219,054</u>
Total cash and cash equivalents	<u>\$ 14,783,964</u>
Difference	\$ -

NOTE 3 - 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:

Governmental Activities

	General Fund	Street Fund	State and Federal Grants Fund	Non-Major and Other Funds	Total
Trade Accounts	\$ 652,526	\$ 12,769	\$ -	\$ -	\$ 665,295
Property Taxes	117,051	27,404	-	3,917	148,372
Franchise Taxes	71,009	-	-	-	71,009
Intergovernmental	82,837	70,036	6,348	-	159,221
Notes	-	-	178,336	-	178,336
LID Receivables	-	-	-	85,375	85,375
Interest	-	-	-	209	209
Totals	<u>923,423</u>	<u>110,209</u>	<u>184,684</u>	<u>89,501</u>	<u>1,307,817</u>
Allowance for Uncollectibles	<u>(296,436)</u>	<u>(3,135)</u>	<u>-</u>	<u>-</u>	<u>(299,571)</u>
Total Receivables	<u>\$ 626,987</u>	<u>\$ 107,074</u>	<u>\$ 184,684</u>	<u>\$ 89,501</u>	<u>\$ 1,008,246</u>

Internal Service Funds had a trade account receivables balance of \$1,423 at year-end.

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

Business-Type Activities

	Water Utility Fund	Wastewater Utility Fund	Building Inspection Fund	Golf Course Operation Fund	Total
Trade Accounts	\$ 287,667	\$ 162,413	\$ -	\$ -	\$ 450,080
Special Assessments	-	24,339	-	-	24,339
Totals	<u>287,667</u>	<u>186,752</u>	<u>-</u>	<u>-</u>	<u>474,419</u>
Allowance for Uncollectibles	<u>(11,300)</u>	<u>(7,050)</u>	<u>-</u>	<u>-</u>	<u>(18,350)</u>
Total Receivables	<u>\$ 276,367</u>	<u>\$ 179,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,069</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

Governmental Activities

	July 1			June 30
	Balance			
<i>Capital Assets, Not Being Depreciated:</i>	As Restated	Increases	Decreases	Balance
Construction in Process	\$ 34,807	\$ 300,363	\$ -	\$ 335,170
Land	1,729,655	-	-	1,729,655
Land Held for Resale	420,727	-	(16,800)	403,927
Total Capital Assets, Not Being Depreciated	<u>2,185,189</u>	<u>300,363</u>	<u>(16,800)</u>	<u>2,468,752</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	5,653,160	99,236	-	5,752,396
Improvements Other Than Buildings	430,416	-	-	430,416
Machinery and Equipment	4,141,120	218,879	(100,365)	4,259,634
Vehicles	2,188,454	60,783	(37,552)	2,211,685
Infrastructure	40,829,115	-	-	40,829,115
Total Capital Assets, Being Depreciated	<u>53,242,265</u>	<u>378,898</u>	<u>(137,917)</u>	<u>53,483,246</u>
 <i>Less Accumulated Depreciated For:</i>				
Buildings	3,751,413	105,509	-	3,856,922
Improvements Other Than Buildings	126,687	17,156	-	143,843
Machinery and Equipment	2,694,984	217,697	(91,491)	2,821,190
Vehicles	1,882,638	48,321	(37,552)	1,893,407
Infrastructure	25,676,770	688,533	-	26,365,303
Total Accumulated Depreciation	<u>34,160,409</u>	<u>1,077,216</u>	<u>(129,043)</u>	<u>35,080,665</u>
Net Capital Assets, Being Depreciated	<u>19,221,852</u>	<u>(698,318)</u>	<u>(8,874)</u>	<u>18,402,581</u>
Net Capital Assets - Governmental Activities	<u>\$ 21,281,615</u>	<u>\$ (397,955)</u>	<u>\$ (25,674)</u>	<u>\$ 20,871,333</u>

Business-Type Activities

	July 1			June 30
	Balance			
<i>Capital Assets, Not Being Depreciated:</i>	As Restated	Increases	Decreases	Balance
Construction in Process	\$ 2,547,387	\$ 4,577,228	\$ -	\$ 7,124,615
Land	1,503,077	-	-	1,503,077
Total Capital Assets, Not Being Depreciated	<u>4,050,464</u>	<u>4,577,228</u>	<u>-</u>	<u>8,627,692</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	457,124	163,971	-	621,095
Improvements Other Than Buildings	361,790	-	-	361,790
Machinery and Equipment	1,279,479	119,583	-	1,399,062
Infrastructure	41,881,451	880,122	-	42,761,573
Total Capital Assets, Being Depreciated	<u>43,979,844</u>	<u>1,163,676</u>	<u>-</u>	<u>45,143,520</u>
 <i>Less Accumulated Depreciated For:</i>				
Buildings	255,462	10,998	-	266,460
Improvements Other Than Buildings	353,888	12,085	-	365,973
Machinery and Equipment	972,767	32,755	-	1,005,522
Infrastructure	15,497,343	877,697	-	16,375,040
Total Accumulated Depreciation	<u>17,079,460</u>	<u>933,535</u>	<u>-</u>	<u>18,012,995</u>
Net Capital Assets, Being Depreciated	<u>26,900,384</u>	<u>230,141</u>	<u>-</u>	<u>27,130,525</u>
Net Capital Assets - Business-Type Activities	<u>\$ 30,950,848</u>	<u>\$ 4,807,369</u>	<u>\$ -</u>	<u>\$ 35,758,217</u>

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

Governmental Activities	
General Government	\$ 34,704
Hydro-Electric Plant	2,820
Public Safety	123,035
Highway and Streets, Including General Infrastructure Assets	412,998
Culture and Recreation	169,664
Economic and Community Development	5,494
Airport	180,831
Cemetery	3,762
Internal Service Funds (Charged to Function Based on Usage)	143,908
Total Depreciation	<u>\$ 1,077,216</u>

Business-Type Activities	
Water Utility	\$ 646,192
Wastewater Utility	267,755
Building Inspections	2,787
Golf Operations	16,801
Total Depreciation	<u>\$ 933,535</u>

NOTE 5 - LEASE ASSETS

Lease activities for the year ended June 30, 2022 was as follows:

	Governmental Activities			
	July 1 Balance	Increases	Decreases	June 30 Balance
<i>Leased Assets:</i>				
Leased Vehicles	\$ 139,996	\$ 91,816	\$ -	\$ 231,812
Leased Equipment	2,621	6,625	-	9,246
Lease Amortization	(80,005)	(44,843)		(124,848)
<i>Total Leased Assets, Net</i>	<u>\$ 62,612</u>	<u>\$ 53,598</u>	<u>\$ -</u>	<u>\$ 116,210</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at year-end is as follows:

Receivable	Payable	Amount
Water Utility Fund	Central Stores Fund	\$ 113,924
		<u>\$ 113,924</u>

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

Advances From	Advances To	Amount
Equipment and Vehicle Fund	Golf Course Operations Fund	\$ 19,952
Mt Hope Trust	Golf Course Operations Fund	41,362
		<u>\$ 61,314</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 are as follows:

Transferred From	Transferred To	Purpose	Amount
General Fund	Fire Equipment Reserve Fund	Operations	\$ 141,100
General Fund	Golf Course Operations Fund	Operations	17,000
General Fund	State & Federal Grants Fund	Operations	14,000
Mt Hope Trust Fund	General Fund	Operations	5,000
John Schmitz Trust Fund	General Fund	Operations	1,753
Elkhorn Park Fund	State & Federal Grants Fund	Operations	40,000
			<u>\$ 218,853</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.

NOTE 7 - DEBT

Governmental Activities

Governmental activities compensated absences liability is \$299,022. Included in this balance is \$11,151 for Internal Service Funds.

Business-Type Activities

Business-type activities compensated absences liability was \$132,439.

Business-type long-term liability activity for the year was as follows:

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<i>Governmental Loans from Direct Borrowings:</i>					
Business Oregon (Water Fund)	\$ 1,345,088	\$ -	\$ (75,939)	\$ 1,269,149	\$ 78,635
Oregon DEQ (Sewer Fund)	1,656,520	3,500,634	-	5,157,154	-
Totals	<u>\$ 3,001,608</u>	<u>\$ 3,500,634</u>	<u>\$ (75,939)</u>	<u>\$ 6,426,303</u>	<u>\$ 78,635</u>

Water Fund

Note payable to Business Oregon for \$1,750,000 dated May, 2014 for the construction of the U.V. Treatment Facility, the first annual installment of \$130,940 began December, 2015 with annual installments of \$123,690 due each December 1, thereafter, including interest at 3.55%. The agreement 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.

The following is a summary of the scheduled debt maturities of the Water Fund debt:

Debt Maturities					
<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>	<u>June 30 Balance</u>	
2022-23	\$ 45,055	\$ 78,635	\$ 123,690	\$ 1,190,514	
2023-24	42,264	81,426	123,690	1,109,088	
2024-25	39,373	84,317	123,690	1,024,771	
2025-26	36,379	87,310	123,689	937,461	
2026-27	33,280	90,410	123,690	847,051	
2028-2032	115,916	502,532	618,448	344,519	
2033-2035	24,680	344,519	369,199	-	
Totals	<u>\$ 336,947</u>	<u>\$ 1,269,149</u>	<u>\$ 1,606,096</u>		

Wastewater Fund

Note payable to Oregon Department of Environmental Quality (Clean Water State Revolving Fund) for \$8,000,000 dated November, 2020 for the sewer treatment facility improvements. At year-end, the City had drawn \$5,157,154 of the total funds available. Completion of the improvement project is project to be late in calendar year 2023. Repayment terms call for 60 semi-annual payments (30 years) of \$153,809 in February including interest at 0.86 percent, and the same principal and interest payment each August, plus an annual 0.05 percent service fee of the remaining balance. The agreement 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 sewer system after payment of operation and maintenance costs of the system.

The following is a summary of the preliminary scheduled debt maturities of the Sewer Fund debt (fully funded):

Debt Maturities`					
<u>Year</u>	<u>Interest</u>	<u>Annual Fee</u>	<u>Principal</u>	<u>Total Payment</u>	<u>June 30 Balance</u>
2022-23	\$ -	\$ -	\$ -	\$ -	\$ 8,000,000
2023-24	36,280	-	-	36,280	8,000,000
2024-25	68,287	40,000	239,331	347,618	7,760,669
2025-26	66,224	38,803	241,394	346,421	7,519,275
2027-2031	299,553	175,703	1,238,537	1,713,793	6,280,738
2032-2036	245,251	144,202	1,292,839	1,682,292	4,987,899
2037-2041	188,573	111,318	1,349,517	1,649,408	3,638,382
2042-2046	129,406	76,993	1,408,684	1,615,083	2,229,698
2047-2051	67,648	41,163	1,470,442	1,579,253	759,256
2052-2054	9,822	6,850	759,256	775,928	-
Totals	<u>\$ 1,111,044</u>	<u>\$ 635,032</u>	<u>\$ 8,000,000</u>	<u>\$ 9,746,076</u>	

NOTE 8 - LEASES PAYABLE

Leases payable transactions for the year ended June 30, 2022 are as follows:

Governmental Activities					
	July 1			June 30	Due Within
	Balance	Increases	Decreases	Balance	One Year
<i>Lease Liabilities</i>					
Leased Vehicles	\$ 60,799	\$ 91,817	\$ (64,728)	\$ 87,888	\$ 41,892
Leased Equipment	2,621	6,625	(1,038)	8,208	1,803
<i>Total</i>	<u>\$ 63,420</u>	<u>\$ 98,442</u>	<u>\$ (65,766)</u>	<u>\$ 96,096</u>	<u>\$ 43,695</u>

Future maturities are as follows:

Future Maturities			
Year ending June 30,	Principal	Interest	Total
2023	\$ 43,695	\$ 5,213	\$ 48,908
2024	24,187	2,873	27,060
2025	25,551	1,415	26,966
2026	1,847	44	1,891
2027	816	7	823
	<u>\$ 96,096</u>	<u>\$ 9,552</u>	<u>\$ 105,648</u>

NOTE 9 - 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.

NOTE 10 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Accrued liabilities do not include sick leave that was earned as of June 30, 2022, 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. 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.

On March 22, 2022, City Council agreed to advise Baker County of the City's discontinuation of the ambulance services in the Baker Ambulance Service Area (ASA) as of September 30, 2022.

The City received a second round of ARPA funding in August 2022 for \$789,363.

NOTE 11 – GASB PRONOUNCEMENTS

It is the City's policy to implement new GASB pronouncements no later than the required effective date. Pronouncements which may have an effect on the City are listed below:

GASB Statement No. 87, Leases. This Statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of government's financial statements. Under this Statement, a lessee is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 was implemented by the City for fiscal year ending June 30, 2022. On implementation, lease assets were recorded for \$62,612 for governmental activities, net of depreciation, and accumulated depreciation was increased by \$51,280. Lease liabilities were recorded for \$63,420. Implementation resulted in a net restatement for the City of \$51,280.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement was issued May 2020 to establish a definition for SBITAs, provide uniform guidance for accounting and financial reporting for transactions that meet the definition, and result in greater consistency in practice. This Statement establishes that a SBITA results in a right-to-use subscription intangible asset with a corresponding subscription liability and provides criteria for the capitalization of outlays including implementation costs. GASB No. 96 will be effective for the City for fiscal year ending June 30, 2023.

NOTE 12 – CONSTRUCTION IN PROGRESS

The City is performing runway improvements at the airport. Costs through June 30, 2022 were \$335,170 and total project costs are estimated at \$385,000. The project is approximately 87% complete.

The City is working on wastewater effluent disposal improvements. Costs through June 30, 2022 were \$6,101,390 and total project costs are estimated at \$8,000,000. The project is approximately 76% complete.

The City is making improvements to the water system. Costs through June 30, 2022 were \$1,023,225 and total project costs are estimated at \$1,673,328. The project is approximately 61% complete.

NOTE 13– PRIOR PERIOD ADJUSTMENTS

The City recorded a prior period adjustment on the government-wide basis on implementation of GASB 87, which included restatement of depreciation on assets previously being depreciated as capital assets. The net restatement was to reduce net position by \$52,088.

The main funding source for the Elkhorn Industrial Park Economic and Community Development Fund is from land purchased for resale, which has previously been recorded as a capital asset. A prior period adjustment was recorded on a governmental fund level to report land available for sale on the fund basis and increasing fund balance by \$420,407. Governmental activities included \$295,301 as a capital asset in the prior year, so the net restatement for governmental activities was \$125,106.

Prior year receivables and deferred revenue related to airport projects in the State and Federal Grants Funds were restated resulting in an increase in fund balance of \$25,108. At the full accrual level, net position was decreased by \$9,699. In addition, the Playground and Park Improvement Fund was budgeted and reported as a separate non-major fund and beginning fund balance of \$18,013 was reclassified to the new fund.

The City recorded a prior period adjustment for unbilled utilities receivables in the Water Utility Fund. The net restatement was to increase business-type activities net position by \$105,971.

NOTE 14 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has deferred amounts related to pensions and other post-employment benefits (OPEB) that are recognized as outflows of resources in the period when the City recognizes expense/expenditures. Governmental activities reported on the government-wide Statement of Net Position related to pensions is \$2,405,399 and related to OPEB is \$42,872. Deferred outflows of resources for business-type activities related to pensions is \$858,601 and related to OPEB is \$15,304.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred amounts related to pensions and OPEB. These amounts are deferred and recognized as inflows of resources in the period when the City recognizes income. Unavailable revenues from property taxes, accounts receivable, franchise fees, intergovernmental receivables, special assessments and capital credits are reported in the governmental funds balance sheet and are deferred and recognized as an inflow of resources in the period that amounts become available. Deferred inflows are included in the government-wide Statement of Net Position.

At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

Governmental Funds

	General	State Tax Street	State and Federal Grants	Non-Major Governmental	Totals
Property taxes	\$ 107,412	\$ 25,148	\$ -	\$ 3,593	\$ 136,153
Accounts	290,947	9,057	-	-	300,004
Notes	-	-	178,336	-	178,336
Special Assessments	-	-	-	85,375	85,375
Interest	-	-	-	209	209
OTEC Capital Credits	283,963	-	-	-	283,963
	<u>\$ 682,322</u>	<u>\$ 34,205</u>	<u>\$ 178,336</u>	<u>\$ 89,177</u>	<u>\$ 984,040</u>

NOTE 15– FUND BALANCES

Fund balance classification detail is as follows:

	General Fund	State Tax Street Fund	State and Federal Grants Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable (Not in Spendable Form)	\$ 339,605	\$ -	\$ -	\$ -	\$ 339,605
Nonspendable (Legal or Contractual)	-	-	-	782,954	782,954
Total Nonspendable Fund Balances	<u>339,605</u>	<u>-</u>	<u>-</u>	<u>782,954</u>	<u>1,122,559</u>
Restricted for:					
2089 Celebration	-	-	-	3,225	3,225
Cemetery Care	-	-	-	274,453	274,453
Street Trees	-	-	-	53,917	53,917
Community Development	-	-	114,130	700,462	814,592
Car Seat Program	-	-	187	-	187
COVID Relief	-	-	613	-	613
Total Restricted Fund Balances	<u>-</u>	<u>-</u>	<u>114,930</u>	<u>1,032,057</u>	<u>1,146,987</u>
Committed for:					
Cemetery Care	-	-	-	506,973	506,973
Sidewalks	-	-	-	11	11
Total Committed Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>506,984</u>	<u>506,984</u>
Assigned for:					
Street Trees	-	-	-	5,327	5,327
Big Deal Grants	-	-	3,000	-	3,000
Wellness	-	-	791	-	791
Public Safety	-	-	11,284	-	11,284
Skate Park	-	-	30,478	-	30,478
Fire Equipment	-	-	-	151,569	151,569
Public Art	-	-	12,185	-	12,185
ARPA Funds	579,583	-	-	-	579,583
Samo Swim Maintenance	-	-	-	52,780	52,780
Streets	-	2,030,044	-	-	2,030,044
Total Assigned Fund Balances	<u>579,583</u>	<u>2,030,044</u>	<u>57,738</u>	<u>209,676</u>	<u>2,877,041</u>
Unassigned	<u>935,768</u>	<u>-</u>	<u>(4,896)</u>	<u>-</u>	<u>930,872</u>
Total Fund Balances	<u>\$ 1,854,956</u>	<u>\$ 2,030,044</u>	<u>\$ 167,772</u>	<u>\$ 2,531,671</u>	<u>\$ 6,584,443</u>

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing, multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/emp/Pages/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 either a formula plus annuity (for members who were contributing before August 21, 1981), or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$197,730 in 2021 and will be indexed with inflation in later years.

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.

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 After Retirement

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.

2. 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:

- **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.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$197,730 in 2021 and will be indexed with inflation in later years.

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.

Death 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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

3. OPSRP Pension Program (OPSRP IAP)

Pension Benefits

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400.

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was 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. The accounts fall under Internal Revenue Code Section 401(a).

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. Installment amounts vary with market returns, as the account remains invested while in distribution. 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

Employer 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, 2019 actuarial valuation which became effective July 1, 2021. Effective January 1, 2020,

Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Employer contributions for the year ended June 30, 2022 were \$1,028,308, excluding amounts to fund the retirement health insurance account (RHIA). The net rates in effect for the fiscal year ended June 30, 2022, excluding the RHIA rate of .05% for Tier One/Tier Two and Members and .00% for OPSRP, were 26.75% for Tier One/Tier Two Members, 20.33% for OPSRP Pension Program General Service Members, 24.69% for OPSRP Pension Program Police and Fire Members, and 6% for OPSRP Individual Account Program.

Employee Contributions

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. Contributions of \$190,292 were made to the ORSRP IAP for the year ended June 30, 2022.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$2,535 per month on January 1, 2021), 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

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

At June 30, 2022, the City reported a liability of \$5,061,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. 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, 2021, the City's proportion was 0.04229696%, which was increased from its proportionate share of 0.04024266%, measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense (income) of \$604,834. At June 30, 2022, 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	\$ 473,785	\$ -
Changes of assumptions	1,267,035	13,321
Net difference between projected and actual earnings on investments	-	3,746,958
Changes in proportionate share	461,904	570,215
Differences between employer contributions and employers proportionate share of system contributions	<u>32,967.00</u>	<u>143,792</u>
Total (prior to post-MD contributions)	2,235,691	4,474,286
Contributions subsequent to the measurement date	<u>1,028,308</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u><u>\$ 3,263,999</u></u>	<u><u>\$ 4,474,286</u></u>

\$1,028,308 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2023	\$ (438,496)
2024	(416,782)
2025	(617,792)
2026	(900,088)
2027	134,564
Thereafter	-
Total	<u><u>\$ (2,238,594)</u></u>

Actuarial Assumptions

The employer contribution rates effective July 1, 2021 through June 30, 2023, 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 actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Assumptions:	
Actuarial Cost Assumption	Entry Age Normal
Inflation Rate	2.40 percent
Investment Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable retiree, sex-distinct, generational with Unisex, Social Security Data Scale with job category adjustments and set-backs as described in the valuation.</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 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team 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.

Asset Class/Strategy	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Portfolio	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	5.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrat	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Total	100%	
Assumed Inflation - Mean		2.40%

Depletion Date Projection

GASB 68 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 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 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) 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 that plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate 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 the independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 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 6.90 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.

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 6.90 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 (5.90 percent) or 1-percent higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,939,491	\$ 5,061,457	\$ 980,313

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The City reports payables in the amount of \$32,609 to the pension plan.

Changes in Plan Provisions During the Measurement Period

A legislative change that occurred during the measurement period affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age. For GASB 67 and 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 111 was reflected in the June 30, 2021 Total Pension Liability.

Changes in Plan Provisions Subsequent to the Measurement Date

There were no changes subsequent to the June 30, 2021 measurement period that require disclosure, except that the discount rate decreased from 7.20% to 6.90%.

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions in the fiscal year ended June 30, 2018. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans*.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The OPEB for the City combines two separate plans. The City provides an implicit rate subsidy for retiree Health Insurance Continuation (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan Retirement Health Insurance Account.

Baker City Retiree Health Plan

Plan Description. The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees, which is considered a single employer plan. Although the City does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the City for this implicit rate subsidy.

This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. A separate, audited GAAP-basis postemployment benefit plan report is not available for this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of statement 75. The City had 2 retired members and 64 active members in its plan on July 1, 2020, the date of its most recent actuarial valuation.

Outline of Plan Provisions

There are certain provisions that must be met in order for OPEB benefits to be eligible to retirees which are listed below:

- I. The retiree must be eligible to receive benefits from Oregon PERS
- II. Eligibility requirements for earliest retirement under Oregon PERS are:
 - a. The earlier of age 55, or any age with 30 years of service for Tier 1 or Tier 2 employees and;
 - b. Age 55 with 5 years of service for OPSRP employees.
- III. All classes of employee are eligible to continue medical benefit coverage upon retirement.
- IV. Qualified spouse, domestic partner, and children may qualify for coverage.
- V. Coverage for retirees and eligible dependents continues until Medical eligibility for each individual (or until dependent children become ineligible).
- VI. The retirees will contribute the full health plan premiums.
- VII. There is an implicit rate subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than they would be if the retirees were in a separately rated health plan.

Total OPEB Liability

The City’s total OPEB liability measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation rate	2.5 percent per year
Discount rate	2.16 percent, based on a 20-year general obligation bond yield index published by The Bond Buyer
Projected salary increases	3.5 percent per year
Health Cost Trend	Medical and vision: 2020-3.75%, 2021-5.75%, 2022-5.25% and between 4% and 5% for the subsequent 40+ years. Dental: -1.25% for 2020, 4% per year thereafter
Cost of living adjustment (COLA)	3.5 percent per year, based on general inflation and the likelihood of raises throughout participant careers
Health mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with one-year setback for male general service employees and female safety employees

Changes in the Total OPEB Liability

Implicit Rate Subsidy Plan	
	Total OPEB Liability
Balance, Beginning	\$ 467,456
Changes for the Year:	
Service Cost	37,495
Interest on Total OPEB Liability	11,003
Effect of Changes to Benefit Terms	-
Effect of Economic/Demographic Gains or Losses	-
Effect of Assumptions Changes or Inputs	2,083
Benefit Payments	(14,246)
Balance, Ending	<u>\$ 503,791</u>

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 (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

<u>Discount Rate</u>	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 547,791	\$ 503,791	\$ 462,707

The following present's the City's total OPEB liability, as well as what the liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

<u>Healthcare Cost Trend</u>	1% Decrease	Healthcare Current Trend Rate	1% Increase
Total OPEB Liability	\$ 444,302	\$ 503,791	\$ 573,948

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$46,855. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Implicit Rate Subsidy Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 9,691	\$ (4,601)
Changes of Assumptions	20,280	(29,193)
Total (prior to post MD contributions)	29,971	(33,794)
Employer Contributions Subsequent to the Measurement Date	17,126	-
Net deferred (inflows) outflows of resources	<u>\$ 47,097</u>	<u>\$ (33,794)</u>

\$17,126 reported as deferred inflows of resources is related to OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Implicit Rate Subsidy Plan	
Year Ended	
June 30	Amount
2023	\$ (1,643)
2024	(1,643)
2025	(1,643)
2026	(1,643)
2027	(1,383)
Thereafter	4,132
Total	<u>\$ (3,823)</u>

Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the 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 OPERS. 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 after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy

Because RHIA was created 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. The plan was closed to new entrants hired after August 29, 2003. 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.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.05% of annual covered payroll for Tier 1 and Tier 2 employees and 0.00% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over

a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2022, 2021, and 2020, were \$711, \$688, and \$2,237, respectively.

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

At June 30, 2022, the City reported an asset of \$88,287 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportionate share was 0.02570970%, a decrease from its proportional share of 0.03132268% as of June 30, 2020. For the year ended June 30, 2022, the City recognized an OPEB income of \$8,090. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PERS RHIA Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (2,456)
Changes of Assumptions	1,737	(1,313)
Net Difference Between Projected and Actual Earnings	-	(23,924)
Changes in Proportionate Share	8,631	-
Total (prior to post measurement date contributions)	10,368	(27,693)
Employer Contributions Subsequent to the Measurement Date	711	-
Totals	<u>\$ 11,079</u>	<u>\$ (27,693)</u>

\$711 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

PERS RHIA Plan	
Year Ended	Amount
June 30	
2023	\$ (1,564)
2024	(1,398)
2025	(4,790)
2026	(6,628)
2027	-
Thereafter	-
Total	<u>\$ (14,380)</u>

Actuarial Assumptions

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, the disclosure of healthcare cost trend is not applicable. Other significant actuarial assumptions are as follows:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.4 percent
Long-Term Expected Rate of Return	6.9 percent
Discount Rate	6.9 percent
Projected Salary Increases	3.4 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25/0.15%) in accordance with Moro decision; blend based on service
Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation</p> <p>Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation</p>

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team 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 forward-looking capital market economic model.

Asset Class/Strategy	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Portfolio	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	5.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			<u>100.0%</u>

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrat	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Total	100%	
Assumed Inflation - Mean		2.40%

Discount Rate

The discount rate used to measure the total OPEB asset was 6.90 percent. 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB asset/liability. 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. The actuary's opinion is that the plan's fiduciary net position is projected to be sufficient to cover benefit payments and administrative expenses.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 6.90%, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1- percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	PERS RHIA Plan		
	1%	Current	1%
	Decrease (5.90%)	Discount Rate (6.90%)	Increase (7.90%)
City's Proportionate Share of the Net OPEB Liability (Asset)	\$ (78,077)	\$ (88,287)	\$ (97,009)

OPEB Plan Fiduciary Net Position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2021 measurement period that require disclosure, except that the discount rate decreased from 7.20% to 6.90%.

Changes in Plan Provisions Subsequent to Measurement Date

We are not aware of any changes subsequent to the June 30, 2021 measurement date that meet this requirement and thus require a brief description under the GASB standard.

Aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows

The aggregate Net OPEB Asset/Liability was reported as a net liability in the financial statements. A summary of the aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows for the two plans is as follows:

	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (Income) Expense
Health Insurance Continuation	\$ 503,791	\$ 47,097	\$ 33,794	\$ 46,855
Retirement Health Insurance Account (RHIA)	(88,287)	11,079	24,751	(8,090)
Aggregate amounts related to OPEB	<u>\$ 415,504</u>	<u>\$ 58,176</u>	<u>\$ 58,545</u>	<u>\$ 38,765</u>



REQUIRED SUPPLEMENTARY INFORMATION

BAKER CITY
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2022

GENERAL FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Property Taxes	\$ 3,058,263	\$ 3,058,263	\$ 2,953,477	\$ -	\$ 2,953,477
Franchise Taxes	959,417	959,417	996,345	-	996,345
Licenses and Permits	7,500	7,500	7,851	-	7,851
Intergovernmental	590,377	1,414,127	1,459,387	-	1,459,387
Charges for Services	1,038,100	1,038,100	1,229,078	-	1,229,078
Fines and Forfeitures	39,200	39,200	25,820	-	25,820
Rental Income	31,300	31,300	42,786	-	42,786
Interest on Investments	10,000	10,000	9,769	-	9,769
Miscellaneous	48,100	48,100	75,624	-	75,624
Overhead Charges to Other Funds	415,000	415,000	458,570	(458,570)	-
Total Revenues	6,197,257	7,021,007	7,258,707	(458,570)	6,800,137
Expenditures:					
<u>General Government:</u>					
Administration	1,348,831	1,528,831	1,338,292	(451,945)	886,347
Planning	72,500	72,500	78,513	-	78,513
Total General Government	1,421,331	1,601,331	1,416,805	(451,945)	964,860
<u>Public Safety:</u>					
Police	2,564,213	2,764,213	2,511,896	91,817	2,603,713
Fire	2,326,397	2,611,397	2,380,584	-	2,380,584
Total Public Safety	4,890,610	5,375,610	4,892,480	91,817	4,984,297
<u>Other Departments:</u>					
Parks	124,011	124,011	118,055	-	118,055
Airport	89,228	89,228	80,790	-	80,790
Cemetery	191,406	191,406	184,221	-	184,221
Hydro Electric Plant	9,776	9,776	8,464	-	8,464
Community Development	46,824	46,824	23,902	-	23,902
Total Other Departments	461,245	461,245	415,432	-	415,432
Total Expenditures	6,773,186	7,438,186	6,724,717	(360,128)	6,364,589
Excess (Deficit) of Revenues Over Expenditures	(575,929)	(417,179)	533,990	(98,442)	435,548
Other Financing Sources (Uses):					
Lease Financing	-	-	-	98,442	98,442
Transfers In	8,000	8,000	6,753	-	6,753
Transfers Out	(97,100)	(172,100)	(172,100)	-	(172,100)
Operating Contingency	(110,000)	(193,750)	-	-	-
Total Other Financing Sources (Uses)	(199,100)	(357,850)	(165,347)	98,442	(66,905)
Net Change in Fund Balance	(775,029)	(775,029)	368,643	-	368,643
Fund Balance, July 1	1,629,614	1,629,614	1,486,313	-	1,486,313
Fund Balance, June 30	\$ 854,585	\$ 854,585	\$ 1,854,956	\$ -	\$ 1,854,956

BAKER CITY
 Budgetary Comparison Schedule - State Tax Street Fund
 Year Ended June 30, 2022

STATE TAX STREET FUND

	Budget		Actual		
	Budget as	Revised	Budget Basis	Adjustment	GAAP Basis
	Adopted	Budget			
Revenues:					
Property Taxes	\$ 715,924	\$ 715,924	\$ 691,544	\$ -	\$ 691,544
Intergovernmental	894,121	894,121	1,188,169	-	1,188,169
Charges for Services	15,000	15,000	4,161	-	4,161
Interest on Investments	10,000	10,000	10,584	-	10,584
Miscellaneous	200	200	-	-	-
Total Revenues	<u>1,635,245</u>	<u>1,635,245</u>	<u>1,894,458</u>	<u>-</u>	<u>1,894,458</u>
Expenditures:					
Street Maintenance	1,039,214	1,039,214	667,051	-	667,051
Storm Water Maintenance	206,303	206,303	49,538	-	49,538
Preventative Maintenance	1,328,394	1,328,394	873,988	-	873,988
Street Lighting	115,214	115,214	92,489	-	92,489
Snow and Ice Control	115,374	120,374	121,647	-	121,647
Street Construction	7,053	7,053	119	-	119
Contingency	195,000	190,000	-	-	-
Total Expenditures	<u>3,006,552</u>	<u>3,006,552</u>	<u>1,804,832</u>	<u>-</u>	<u>1,804,832</u>
Excess (Deficit) of					
Revenues Over Expenditures	<u>(1,371,307)</u>	<u>(1,371,307)</u>	<u>89,626</u>	<u>-</u>	<u>89,626</u>
Net Change in Fund Balance	(1,371,307)	(1,371,307)	89,626	-	89,626
Fund Balance, July 1	<u>1,878,684</u>	<u>1,878,684</u>	<u>1,940,418</u>	<u>-</u>	<u>1,940,418</u>
Fund Balance, June 30	<u>\$ 507,377</u>	<u>\$ 507,377</u>	<u>\$ 2,030,044</u>	<u>\$ -</u>	<u>\$ 2,030,044</u>

BAKER CITY
 Budgetary Comparison Schedule - State and Federal Grants Fund
 Year Ended June 30, 2022

STATE & FEDERAL GRANTS FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Intergovernmental	\$ 1,887,750	\$ 1,887,750	\$ 365,785	\$ -	\$ 365,785
Charges for Services	1,100	1,100	430	-	430
Contributions	55,374	55,374	69,257	-	69,257
Interest on Investments	400	400	562	-	562
Miscellaneous	2,245	2,245	9	-	9
Total Revenues	1,946,869	1,946,869	436,043	-	436,043
Expenditures:					
FAA Airport	355,000	355,000	300,363	-	300,363
Community Development Block Grant	1,505,000	1,505,000	42,500	-	42,500
Skateboard Park	30,400	30,400	-	-	-
LAMP III Pathway/Park	32,000	32,000	-	-	-
Small Miscellaneous Grants	127,229	127,229	45,580	-	45,580
Contingency	10,953	10,953	-	-	-
Total Expenditures	2,060,582	2,060,582	388,443	-	388,443
Excess (Deficit) of Revenues Over Expenditures	(113,713)	(113,713)	47,600	-	47,600
Other Financing Sources (Uses):					
Transfers In	44,000	44,000	44,000	-	44,000
Total Other Financing Sources	44,000	44,000	44,000	-	44,000
Net Change in Fund Balance	(69,713)	(69,713)	91,600	-	91,600
Fund Balance, July 1, as restated	120,908	120,908	76,172	-	76,172
Fund Balance, June 30	\$ 51,195	\$ 51,195	\$ 167,772	\$ -	\$ 167,772

BAKER CITY
Supplemental Pension and OPEB Information
Year Ended June 30, 2022

Schedule of Proportionate Share of the Net Pension Liability

Year End	City's Percentage of the Net Pension Liability	City's Proportion of the Net Pension Liability	City's Covered Payroll	City's Proportion of the Net Pension Liability as a Percentage of Covered Payroll	Plan Net Position as a Percentage of Total Pension Liability
2021	0.04229696%	\$ 5,061,504	\$ 4,364,437	115.97%	87.57%
2020	0.04024266%	8,782,333	3,955,035	222.05%	75.80%
2019	0.04514329%	7,808,708	3,796,321	205.69%	80.23%
2018	0.00416421%	6,308,225	3,763,135	167.63%	82.07%
2017	0.04692670%	6,325,737	3,611,905	175.14%	83.12%
2016	0.04763956%	7,151,804	3,557,881	201.01%	80.50%
2015	0.05454563%	3,131,716	3,370,480	92.92%	91.90%
2014	0.05671163%	(1,285,491)	3,466,206	-37.09%	103.60%
2013	0.05671163%	2,894,078	3,431,864	84.33%	91.97%

The amounts presented for each year were actuarially determined as of June 30. Additional years will be added to the schedule as information becomes available.

Schedule of Contributions to OPERS

Year End	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 1,028,308	\$ 1,028,308	-	\$ 4,623,026	22.24%
2021	966,325	966,325	-	4,364,437	22.14%
2020	861,866	861,866	-	3,955,035	21.79%
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 year were actuarially determined as of June 30. Additional years will be added to the schedule as information becomes available.

BAKER CITY
Supplemental Pension and OPEB Information
Year Ended June 30, 2022

Schedule of Proportionate Share of the Net OPEB Liability (RHIA)

Year End	City's Percentage of the Net OPEB Liability	City's Proportion of the Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportion of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Net Position as a Percentage of Total OPEB Liability
2021	0.02570970%	\$ (88,287)	\$ 4,364,437	-2.0229%	183.86%
2020	0.03132268%	(63,823)	3,955,035	-1.6137%	150.10%
2019	0.03486180%	(67,366)	3,796,321	-1.7745%	144.00%
2018	0.03646583%	(40,706)	3,763,135	-1.0817%	124.00%
2017	0.03560733%	(14,860)	3,611,905	-0.4114%	108.90%
2016	0.03756209%	10,200	3,557,881	0.2867%	94.15%

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

This schedule is presented to illustrate the requirements and 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.

Schedule of Contributions to RHIA

Year End	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 711	\$ 711	-	\$ 4,623,026	0.02%
2021	688	688	-	4,364,437	0.02%
2020	2,237	2,237	-	3,955,035	0.06%
2019	17,278	17,278	-	3,796,321	0.46%
2018	17,657	17,657	-	3,763,135	0.47%
2017	17,750	17,750	-	3,611,135	0.49%

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

This schedule is presented to illustrate the requirements and 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
 Supplemental Pension and OPEB Information
 Year Ended June 30, 2022

Schedule of Changes in Total OPEB Liability (Implicit Rate Subsidy Plan) and Related Ratios

	2022	2021	2020	2019	2018
Service Cost	\$ 37,495	\$ 30,740	\$ 27,285	\$ 27,730	\$ 29,752
Interest on Total OPEB Liability	11,003	15,832	15,795	14,695	12,445
Effect of Changes to Benefit Terms	-	-	-	-	-
Effect of Economic/Demographic Gains or (Losses)	-	(5,723)	-	15,475	-
Effect of Assumption Changes or Inputs	2,083	10,076	14,301	(26,213)	(25,820)
Benefit Payments	(14,246)	(10,081)	(23,050)	(43,919)	(37,321)
Net Change in OPEB Liability	36,335	40,844	34,331	(12,232)	(20,944)
Total OPEB Liability - Beginning	467,456	426,612	392,281	404,513	425,457
Total OPEB Liability - Ending	<u>\$ 503,791</u>	<u>\$ 467,456</u>	<u>\$ 426,612</u>	<u>\$ 392,281</u>	<u>\$ 404,513</u>
City's Covered Payroll	\$ 4,623,026	\$ 4,364,437	\$ 3,955,035	\$ 3,796,321	\$ 3,763,135
Total OPEB Liability as a Percentage of Covered Payroll	10.90%	10.71%	10.79%	10.33%	10.75%

The amounts presented for the fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds, Elkhorn View Industrial Park Economic and Community Development Fund, and the General Fund. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. The General Fund budgets interfund reimbursements of expenses from other funds as revenue and transfers in, which is not consistent with GAAP. For GAAP reporting, \$458,570 was eliminated from revenues/transfers and the corresponding reimbursed expenditures and lease asset purchases have been grossed up for GAAP reporting. Land available for sale in the Elkhorn Industrial Park is reported on the fund level for GAAP reporting with the change in value reported in income. Interfund loan activity was also reclassified to balance sheet activity in the GAAP statements for the Sam-O-Swim Maintenance, LID Repayment, Mt. Hope Trust, A. Silvers Street Tree Trust, Golf Course Operations, and Equipment and Vehicle Funds to be consistent with GAAP. All annual appropriations lapse at fiscal year-end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of specific purpose grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

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.

During the year ended June 30, 2022, the Council made several transfers of budgetary appropriations. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Net Pension Liability (Asset)

Changes in Benefit Terms

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions of future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates schedules to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills

822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2021, annual salary in excess of \$197,730 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation and was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

A legislative change that occurred after the December 31, 2019 actuarial valuation date affected the plan provisions reflected for June 30, 2021 financial reporting liability calculations. Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age. For GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 111 was reflected in the June 30, 2021 Total Pension Liability. While Senate Bill 111 also made changes to certain aspects of the System's funding and administration, the change in the death benefit provision is the only change that affects the measured Total Pension Liability. As a result, the death benefit provision is the only difference between June 30, 2020 and June 30, 2021 in the plan provisions basis used to determine the Total Pension Liability as of those two respective measurement dates.

Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and lowering the assumed inflation to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay. The PERS Board selected a lower long-term expected rate of investment return assumption of 6.90% (reduced from 7.20%) on July 23, 2021 to be used in the December 31, 2020 and December 31, 2021 actuarial valuations for funding purposes. At the same time, the PERS Board reduced the inflation and payroll growth assumptions to 2.40% and 3.40% respectively. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

C. Other Post-Employment Benefits

Changes in Benefit Terms

There were no significant changes in benefit terms for Other Post-Employment Benefits

Changes of Assumptions

There were no significant changes in assumptions for the RHIA Other Post-Employment Benefits, except for the PERS changes described above. The RHIA OPEB valuation is tied to the PERS system, contributions, and assumptions.

The City's health insurance continuation OPEB liability calculation uses the Bond Buyer 20 Year General Obligation Bond Index for the discount rate. The discount rate in effect for the June 30, 2022 and June 30, 2023 reporting dates is 3.5%, which increased from 2.25% from 2020 to 2021.



OTHER SUPPLEMENTARY INFORMATION



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.
- 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.
- Playground and Park Improvements Fund: This fund is used to track the receipt and disbursement of grant and contribution dollars related to playground and park improvements.
- 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.

Debt Service Funds are used to account for the financial resources that are restricted, committed, or assigned to expenditure for payment made for principal and interest on long-term debt for governmental funds.

- LID Repayment Fund: This fund is used to track the payments and outstanding balances of local improvement district receivables.

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.
- 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.
- 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
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2022

	Special Revenue					Debt Service	Capital Projects	Permanent Funds				Total Nonmajor Governmental Funds
	Samo Swim Maintenance Fund	Tree City Fund	Sidewalk Utility Fund	Playground and Park Improvements Fund	Elkhorn View Ind Park Econ & Comm. Dev. Fund	LID Repayment Fund	Fire Equipment Reserve Fund	Mount Hope Trust Fund	One Hundred Year Trust Fund	John Schmitz Trust Fund	Anthony Silvers Street Tree Trust Fund	
Assets												
Cash and Cash Equivalents	\$ 55,916	\$ 5,327	\$ 11	\$ 47,853	\$ 221,612	\$ 27,253	\$ 151,569	\$ 486,132	\$ 3,225	\$ 274,453	\$ 836,871	\$ 2,110,222
Interest Receivable	-	-	-	-	-	209	-	-	-	-	-	209
Notes and Assessments Receivable	-	-	-	-	-	85,375	-	-	-	-	-	85,375
Taxes Receivable	3,917	-	-	-	-	-	-	-	-	-	-	3,917
Assets Available for Sale	-	-	-	-	403,927	-	-	-	-	-	-	403,927
Advances to Other Funds	-	-	-	-	-	-	-	19,952	-	-	-	19,952
Other Assets	-	-	-	-	-	-	-	889	-	-	-	889
Total Assets	\$ 59,833	\$ 5,327	\$ 11	\$ 47,853	\$ 625,539	\$ 112,837	\$ 151,569	\$ 506,973	\$ 3,225	\$ 274,453	\$ 836,871	\$ 2,624,491
Liabilities												
Accounts Payable	\$ 3,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,147
Wages, Payroll Taxes and Benefits Payable	312	-	-	184	-	-	-	-	-	-	-	496
Total Liabilities	3,459	-	-	184	-	-	-	-	-	-	-	3,643
Deferred Inflows of Resources												
Unavailable Revenue	3,594	-	-	-	-	85,583	-	-	-	-	-	89,177
Fund Balances												
Nonspendable (Legally or Contractually)	-	-	-	-	-	-	-	-	-	-	782,954	782,954
Restricted for 2089 Celebration	-	-	-	-	-	-	-	-	3,225	-	-	3,225
Restricted for Cemetery Care	-	-	-	-	-	-	-	-	-	274,453	-	274,453
Restricted for Street Trees	-	-	-	-	-	-	-	-	-	-	53,917	53,917
Restricted for Econ. & Community Dev.	-	-	-	47,669	625,539	27,254	-	-	-	-	-	700,462
Committed for Cemetery Care	-	-	-	-	-	-	-	506,973	-	-	-	506,973
Committed for Sidewalks	-	-	11	-	-	-	-	-	-	-	-	11
Assigned for Street Trees	-	5,327	-	-	-	-	-	-	-	-	-	5,327
Assigned for Fire Equipment	-	-	-	-	-	-	151,569	-	-	-	-	151,569
Assigned for Samo Swim Maintenance	52,780	-	-	-	-	-	-	-	-	-	-	52,780
Total Fund Balances	52,780	5,327	11	47,669	625,539	27,254	151,569	506,973	3,225	274,453	836,871	2,531,671
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 59,833	\$ 5,327	\$ 11	\$ 47,853	\$ 625,539	\$ 112,837	\$ 151,569	\$ 506,973	\$ 3,225	\$ 274,453	\$ 836,871	\$ 2,624,491

BAKER CITY
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2022

	Special Revenue			Playground and Park Improvements Fund	Elkhorn View Ind Park Econ & Comm. Dev. Fund	Debt Service LID Repayment Fund	Capital Projects Fire Equipment Reserve Fund	Permanent Funds			Total Nonmajor Governmental Funds	
	Samo Swim Maintenance Fund	Tree City Fund	Sidewalk Utility Fund					Mount Hope Trust Fund	One Hundred Year Trust Fund	John Schmitz Trust Fund		Anthony Silvers Street Tree Fund
Revenues:												
Property Taxes	\$ 98,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,755
Intergovernmental	-	-	-	-	-	-	90,047	-	-	-	-	90,047
Assessments	-	-	-	-	-	14,174	-	-	-	-	-	14,174
Contributions	-	-	-	19,500	-	-	25	-	-	-	-	19,525
Interest on Investments	8,138	31	6	156	(540)	9,603	438	3,799	19	1,606	4,963	28,219
Miscellaneous	-	100	-	-	-	-	5	-	-	-	-	105
Total Revenues	106,893	131	6	19,656	(540)	23,777	90,515	3,799	19	1,606	4,963	250,825
Expenditures:												
Current:												
Economic and Community Development	-	-	-	-	-	-	-	-	-	-	10,091	10,091
Highways and Streets	-	-	2,141	-	-	-	-	-	-	-	-	2,141
Culture and Recreation	83,319	34	-	-	-	-	-	-	-	-	-	83,353
Capital Outlay	-	-	-	-	-	-	122,274	-	-	-	-	122,274
Total Expenditures	83,319	34	2,141	-	-	-	122,274	-	-	-	10,091	217,859
Excess (Deficit) of Revenues Over Expenditures	23,574	97	(2,135)	19,656	(540)	23,777	(31,759)	3,799	19	1,606	(5,128)	32,966
Other Financing Sources (Uses):												
Transfers In	-	-	-	10,000	-	-	141,100	-	-	-	-	151,100
Transfers Out	-	-	-	-	(40,000)	-	-	(5,000)	-	(1,753)	-	(46,753)
Total Other Financing Sources (Uses)	-	-	-	10,000	(40,000)	-	141,100	(5,000)	-	(1,753)	-	104,347
Net Change in Fund Balance	23,574	97	(2,135)	29,656	(40,540)	23,777	109,341	(1,201)	19	(147)	(5,128)	137,313
Fund Balances, July 1, as restated	29,206	5,230	2,146	18,013	666,079	3,477	42,228	508,174	3,206	274,600	841,999	2,394,358
Fund Balances, June 30	\$ 52,780	\$ 5,327	\$ 11	\$ 47,669	\$ 625,539	\$ 27,254	\$ 151,569	\$ 506,973	\$ 3,225	\$ 274,453	\$ 836,871	\$ 2,531,671

BAKER CITY
 Budgetary Comparison Schedule
 Sam-O-Swim Maintenance Fund
 Year Ended June 30, 2022

SAMO SWIM MAINTENANCE FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Property Taxes	\$ 102,342	\$ 102,342	\$ 98,755	\$ -	\$ 98,755
Interest on Investments	30	30	8,138	-	8,138
Total Revenues	<u>102,372</u>	<u>102,372</u>	<u>106,893</u>	<u>-</u>	<u>106,893</u>
Expenditures:					
Swimming Pool Operations	102,789	102,789	83,319	-	83,319
Contingency	11,283	11,283	-	-	-
Total Expenditures	<u>114,072</u>	<u>114,072</u>	<u>83,319</u>	<u>-</u>	<u>83,319</u>
Excess (Deficit) of Revenues Over Expenditures	(11,700)	(11,700)	23,574	-	23,574
Other Financing Sources (Uses):					
Interfund Loan Transfer Out	<u>(8,300)</u>	<u>(8,300)</u>	<u>(8,300)</u>	<u>8,300</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,300)</u>	<u>(8,300)</u>	<u>(8,300)</u>	<u>8,300</u>	<u>-</u>
Net Change in Fund Balance	(20,000)	(20,000)	15,274	8,300	23,574
Fund Balance, July 1	<u>20,000</u>	<u>20,000</u>	<u>37,506</u>	<u>(8,300)</u>	<u>29,206</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,780</u>	<u>\$ -</u>	<u>\$ 52,780</u>

BAKER CITY
 Budgetary Comparison Schedule
 Tree City Fund/Sidewalk Utility Fund
 Year Ended June 30, 2022

TREE CITY FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest on Investments	\$ 25	\$ 25	\$ 31	\$ -	\$ 31
Miscellaneous	-	-	100	-	100
Total Revenues	25	25	131	-	131
Expenditures:					
Tree Planting and Maintenance	2,000	2,000	34	-	34
Contingency	1,000	1,000	-	-	-
Total Expenditures	3,000	3,000	34	-	34
Net Change in Fund Balance	(2,975)	(2,975)	97	-	97
Fund Balance, July 1	4,500	4,500	5,230	-	5,230
Fund Balance, June 30	\$ 1,525	\$ 1,525	\$ 5,327	\$ -	\$ 5,327

SIDEWALK UTILITY FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest on Investments	\$ -	\$ -	\$ 6	\$ -	\$ 6
Total Revenues	-	-	6	-	6
Expenditures:					
Sidewalk Projects	-	-	2,141	-	2,141
Total Expenditures	-	-	2,141	-	2,141
Net Change in Fund Balance	-	-	(2,135)	-	(2,135)
Fund Balance, July 1	-	-	2,146	-	2,146
Fund Balance, June 30	\$ -	\$ -	\$ 11	\$ -	\$ 11

BAKER CITY
 Budgetary Comparison Schedule
 Playground and Park Improvements Fund
 Year Ended June 30, 2022

PLAYGROUND AND PARK IMPROVEMENTS FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Contributions	\$ -	\$ -	\$ 19,500	\$ -	\$ 19,500
Interest on Investments	-	-	156	-	156
Total Revenues	-	-	19,656	-	19,656
Expenditures:					
Playground and Park Improvements	24,102	24,102	-	-	-
Total Expenditures	24,102	24,102	-	-	-
Excess (Deficit) of Revenues Over Expenditures	(24,102)	(24,102)	19,656	-	19,656
Other Financing Sources (Uses):					
Transfers In	10,000	10,000	10,000	-	10,000
Total Other Financing Sources (Uses)	10,000	10,000	10,000	-	10,000
Net Change in Fund Balance	(14,102)	(14,102)	29,656	-	29,656
Fund Balance, July 1	14,102	14,102	18,013	-	18,013
Fund Balance, June 30	\$ -	\$ -	\$ 47,669	\$ -	\$ 47,669

BAKER CITY
 Budgetary Comparison Schedule
 Elkhorn View Industrial Park Economic and Community Development Fund
 Year Ended June 30, 2022

ELKHORN VIEW INDUSTRIAL PARK ECONOMIC & COMMUNITY DEVELOPMENT FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest on Investments	\$ 1,000	\$ 1,000	\$ 1,414	\$ (1,954)	\$ (540)
Industrial Park Land Sale	-	-	30,600	(30,600)	-
Total Revenues	1,000	1,000	32,014	(32,554)	(540)
Expenditures:					
Economic and Community Development	206,190	206,190	16,074	(16,074)	-
Total Expenditures	206,190	206,190	16,074	(16,074)	-
Excess (Deficit) of Revenues Over Expenditures	(205,190)	(205,190)	15,940	(16,480)	(540)
Other Financing Sources (Uses):					
Transfers Out	(40,000)	(40,000)	(40,000)	-	(40,000)
Total Other Financing Sources (Uses)	(40,000)	(40,000)	(40,000)	-	(40,000)
Net Change in Fund Balance	(245,190)	(245,190)	(24,060)	(16,480)	(40,540)
Fund Balance, July 1, as restated	245,190	245,190	245,672	420,407	666,079
Fund Balance, June 30	\$ -	\$ -	\$ 221,612	\$ -	\$ 625,539

BAKER CITY
 Budgetary Comparison Schedule
 Local Improvement District Repayment Fund
 Year Ended June 30, 2022

LOCAL IMPROVEMENT DISTRICT REPAYMENT FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest on Investments	\$ 50	\$ 50	\$ 9,778	\$ (175)	\$ 9,603
Special Assessments/LID Repayments	13,870	13,870	14,174	-	14,174
Total Revenues	13,920	13,920	23,952	(175)	23,777
Expenditures:					
Administration	3,320	3,320	-	-	-
Total Expenditures	3,320	3,320	-	-	-
Excess (Deficit) of Revenues Over Expenditures	10,600	10,600	23,952	(175)	23,777
Other Financing Sources (Uses):					
Interfund Loan Transfers Out	(14,600)	(14,600)	(14,600)	14,600	-
Total Other Financing Sources (Uses)	(14,600)	(14,600)	(14,600)	14,600	-
Net Change in Fund Balance	(4,000)	(4,000)	9,352	14,425	23,777
Fund Balance, July 1	4,000	4,000	17,902	(14,425)	3,477
Fund Balance, June 30	\$ -	\$ -	\$ 27,254	\$ -	\$ 27,254

BAKER CITY
 Budgetary Comparison Schedule
 Fire Equipment Reserve Fund
 Year Ended June 30, 2022

FIRE EQUIPMENT RESERVE FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Intergovernmental	\$ -	\$ 90,000	\$ 90,047	\$ -	\$ 90,047
Contributions	-	-	25	-	25
Interest on Investments	500	500	438	-	438
Miscellaneous	-	-	5	-	5
Total Revenues	500	90,500	90,515	-	90,515
Expenditures:					
Fire and EMS Equipment	61,600	151,600	122,274	-	122,274
Contingency	32,000	32,000	-	-	-
Total Expenditures	93,600	183,600	122,274	-	122,274
Excess (Deficit) of Revenues Over Expenditures	(93,100)	(93,100)	(31,759)	-	(31,759)
Other Financing Sources (Uses):					
Transfers In	66,100	66,100	141,100	-	141,100
Total Other Financing Sources (Uses)	66,100	66,100	141,100	-	141,100
Net Change in Fund Balance	(27,000)	(27,000)	109,341	-	109,341
Fund Balance, July 1	27,000	27,000	42,228	-	42,228
Fund Balance, June 30	\$ -	\$ -	\$ 151,569	\$ -	\$ 151,569

BAKER CITY
 Budgetary Comparison Schedule
 Mount Hope Trust Fund/One Hundred Year Trust Fund
 Year Ended June 30, 2022

MT HOPE TRUST FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest	\$ 4,903	\$ 4,903	\$ 2,782	\$ 1,017	\$ 3,799
Total Revenues	4,903	4,903	2,782	1,017	3,799
Other Financing Sources (Uses):					
Transfers Out	(5,000)	(5,000)	(5,000)	-	(5,000)
Interfund Loan Transfers In	17,000	17,000	17,000	(17,000)	-
Total Other Financing Sources (Uses)	12,000	12,000	12,000	(17,000)	(5,000)
Net Change in Fund Balance	16,903	16,903	14,782	(15,983)	(1,201)
Fund Balance, July 1	491,025	491,025	472,239	35,935	508,174
Fund Balance, June 30	<u>\$ 507,928</u>	<u>\$ 507,928</u>	<u>\$ 487,021</u>	<u>\$ 19,952</u>	<u>\$ 506,973</u>

ONE HUNDRED YEAR TRUST

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest	\$ 30	\$ 30	\$ 19	\$ -	\$ 19
Total Revenues	30	30	19	-	19
Net Change in Fund Balance	30	30	19	-	19
Fund Balance, July 1	3,200	3,200	3,206	-	3,206
Fund Balance, June 30	<u>\$ 3,230</u>	<u>\$ 3,230</u>	<u>\$ 3,225</u>	<u>\$ -</u>	<u>\$ 3,225</u>

BAKER CITY
 Budgetary Comparison Schedule
 John Schmitz Trust Fund/A.Silvers Street Tree Trust Fund
 Year Ended June 30, 2022

JOHN SCHMITZ TRUST FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest on Investments	\$ 3,000	\$ 3,000	\$ 1,606	\$ -	\$ 1,606
Total Revenues	3,000	3,000	1,606	-	1,606
Other Financing Sources (Uses):					
Transfers Out	(3,000)	(3,000)	(1,753)	-	(1,753)
Total Other Financing Sources (Uses)	(3,000)	(3,000)	(1,753)	-	(1,753)
Net Change in Fund Balance	-	-	(147)	-	(147)
Fund Balance, July 1	274,061	274,061	274,600	-	274,600
Fund Balance, June 30	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ 274,453</u>	<u>\$ -</u>	<u>\$ 274,453</u>

A. SILVERS STREET TREE TRUST	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Interest on Investments	\$ 5,000	\$ 5,000	\$ 4,788	\$ 175	\$ 4,963
Total Revenues	5,000	5,000	4,788	175	4,963
Expenditures:					
Street Tree Planting and Maintenance	25,000	25,000	10,091	-	10,091
Contingency	5,000	5,000	-	-	-
Total Expenditures	30,000	30,000	10,091	-	10,091
Other Financing Sources (Uses):					
Interfund Loan Transfers In	14,600	14,600	14,600	(14,600)	-
Total Other Financing Sources	14,600	14,600	14,600	(14,600)	-
Net Change in Fund Balance	(10,400)	(10,400)	9,297	(14,425)	(5,128)
Fund Balance, July 1	826,732	826,732	827,574	14,425	841,999
Fund Balance, June 30	<u>\$ 816,332</u>	<u>\$ 816,332</u>	<u>\$ 836,871</u>	<u>\$ -</u>	<u>\$ 836,871</u>



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.
- 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.
- Golf Course Operation Fund (Non-Major): This fund is used to account for the operation and maintenance of the City's 18-hole golf course.
- Golf Course Capital Projects Fund (Non-Major): 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.

BAKER CITY
 Budgetary Comparison Schedule
 Water Utility Fund
 Year Ended June 30, 2022

WATER UTILITY FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ 3,101,781	\$ 3,101,781	\$ 3,007,805	\$ -	\$ 3,007,805
Intergovernmental	-	150,000	150,000	-	150,000
Rents	6,000	6,000	4,000	-	4,000
Interest	37,000	37,000	26,397	-	26,397
Miscellaneous	95,000	95,000	102,614	-	102,614
Total Revenues	3,239,781	3,389,781	3,290,816	-	3,290,816
Expenditures:					
Water Utility Maintenance	1,949,395	2,114,395	1,839,460	(316,507)	1,522,953
Water Utility Construction	2,577,641	2,727,641	1,304,780	(1,302,642)	2,138
Debt Service	123,690	123,690	123,690	(77,505)	46,185
Depreciation	-	-	-	646,192	646,192
Contingency	350,000	280,000	-	-	-
Total Expenditures	5,000,726	5,245,726	3,267,930	(1,050,462)	2,217,468
Excess (Deficit) of Revenues Over Expenditures	(1,760,945)	(1,855,945)	22,886	1,050,462	1,073,348
Other Financing Sources (Uses):					
Gain (Loss) on Sale of Assts	-	95,000	92,334	-	92,334
Total Other Financing Sources (Uses)	-	95,000	92,334	-	92,334
Net Change in Fund Balance	(1,760,945)	(1,760,945)	115,220	1,050,462	1,165,682
Fund Balance, July 1, as restated	3,872,932	3,872,932	4,380,558	19,390,989	23,771,547
Fund Balance, June 30	\$ 2,111,987	\$ 2,111,987	\$ 4,495,778	\$ 20,441,451	\$ 24,937,229

BAKER CITY
 Budgetary Comparison Schedule
 Wastewater Utility Fund/Wastewater Debt Service Reserve Fund
 Year Ended June 30, 2022

WASTEWATER UTILITY FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ 1,714,552	\$ 1,714,552	\$ 1,810,537	\$ -	\$ 1,810,537
Intergovernmental	-	150,000	-	-	-
Rents	-	-	500	-	500
Assessments	1,000	1,000	4,147	-	4,147
Interest	9,000	9,000	13,473	-	13,473
Miscellaneous	100,000	100,000	277,873	-	277,873
Total Revenues	1,824,552	1,974,552	2,106,530	-	2,106,530
Expenditures:					
Wastewater Utility Maintenance	1,351,636	1,351,636	1,307,847	(28,885)	1,278,962
Wastewater Utility Construction	6,325,089	6,475,089	4,163,113	(4,162,207)	906
Debt Service	-	-	-	31,864	31,864
Depreciation	-	-	-	267,755	267,755
Contingency	140,000	140,000	-	-	-
Total Expenditures	7,816,725	7,966,725	5,470,960	(3,891,473)	1,579,487
Excess (Deficit) of Revenues Over Expenditures	(5,992,173)	(5,992,173)	(3,364,430)	3,891,473	527,043
Other Financing Sources (Uses):					
Issuance of Debt	5,500,000	5,500,000	3,500,634	(3,500,634)	-
Total Other Financing Sources (Uses)	5,500,000	5,500,000	3,500,634	(3,500,634)	-
Net Change in Fund Balance	(492,173)	(492,173)	136,204	390,839	527,043
Fund Balance, July 1	2,632,098	2,632,098	2,295,503	5,978,481	8,273,984
Fund Balance, June 30	<u>\$ 2,139,925</u>	<u>\$ 2,139,925</u>	<u>\$ 2,431,707</u>	<u>\$ 6,369,320</u>	<u>\$ 8,801,027</u>

WASTEWATER DEBT SERVICE RESERVE FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Other Financing Sources (Uses):					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1	275,000	275,000	275,000	(275,000)	-
Fund Balance, June 30	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ (275,000)</u>	<u>\$ -</u>
Total Wastewater Utility Fund					<u>\$ 8,801,027</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
 Budgetary Comparison Schedule
 Building Inspections Fund
 Year Ended June 30, 2022

BUILDING INSPECTIONS FUND

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ 373,010	\$ 373,010	\$ 549,276	\$ -	\$ 549,276
Interest	2,500	2,500	3,274	-	3,274
Miscellaneous	500	500	180	-	180
Total Revenues	376,010	376,010	552,730	-	552,730
Expenditures:					
Building Inspections	469,719	469,719	465,489	47,492	512,981
Depreciation	-	-	-	2,787	2,787
Contingency	150,000	150,000	-	-	-
Total Expenditures	619,719	619,719	465,489	50,279	515,768
Excess (Deficit) of Revenues Over Expenditures	(243,709)	(243,709)	87,241	(50,279)	36,962
Net Change in Fund Balance	(243,709)	(243,709)	87,241	(50,279)	36,962
Fund Balance, July 1	496,815	496,815	505,173	(232,682)	272,491
Fund Balance, June 30	<u>\$ 253,106</u>	<u>\$ 253,106</u>	<u>\$ 592,414</u>	<u>\$ (282,961)</u>	<u>\$ 309,453</u>

BAKER CITY
 Budgetary Comparison Schedule
 Golf Course Operation Fund/Golf Course Capital Projects Fund
 Year Ended June 30, 2022

GOLF COURSE OPERATION FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ -	\$ -	\$ -	\$ 5,500	\$ 5,500
Interest	-	-	-	13,495	13,495
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,995</u>	<u>18,995</u>
Expenditures:					
Golf Course Operations	23,080	23,080	22,029	(2,199)	19,830
Debt Service	-	-	-	1,664	1,664
Depreciation	-	-	-	16,801	16,801
Contingency	650	650	-	-	-
Total Expenditures	<u>23,730</u>	<u>23,730</u>	<u>22,029</u>	<u>16,266</u>	<u>38,295</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(23,730)</u>	<u>(23,730)</u>	<u>(22,029)</u>	<u>2,729</u>	<u>(19,300)</u>
Other Financing Sources (Uses):					
Transfers In	17,000	17,000	17,000	-	17,000
Transfers Out	(17,000)	(17,000)	(17,000)	17,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>17,000</u>
Net Change in Fund Balance	(23,730)	(23,730)	(22,029)	19,729	(2,300)
Fund Balance, July 1	<u>23,730</u>	<u>23,730</u>	<u>45,011</u>	<u>1,123,443</u>	<u>1,168,454</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,982</u>	<u>\$ 1,143,172</u>	<u>\$ 1,166,154</u>

GOLF COURSE CAPITAL PROJECTS FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ 5,500	\$ 5,500	\$ 5,500	\$ (5,500)	\$ -
Interest	-	-	13,495	(13,495)	-
Total Revenues	<u>5,500</u>	<u>5,500</u>	<u>18,995</u>	<u>(18,995)</u>	<u>-</u>
Expenditures:					
Golf Course Capital Projects	500	500	-	-	-
Contingency	7,631	7,631	-	-	-
Total Expenditures	<u>8,131</u>	<u>8,131</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(2,631)</u>	<u>(2,631)</u>	<u>18,995</u>	<u>(18,995)</u>	<u>-</u>
Other Financing Sources (Uses):					
Gain (Loss) on Sale of Assts	10,000	10,000	-	-	-
Interfund Loan Transfers Out	(51,000)	(51,000)	(33,000)	33,000	-
Total Other Financing Sources (Uses)	<u>(41,000)</u>	<u>(41,000)</u>	<u>(33,000)</u>	<u>33,000</u>	<u>-</u>
Net Change in Fund Balance	(43,631)	(43,631)	(14,005)	14,005	-
Fund Balance, July 1	<u>43,631</u>	<u>43,631</u>	<u>67,348</u>	<u>(67,348)</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,343</u>	<u>\$ (53,343)</u>	<u>\$ -</u>
Total Golf Course Operations Fund					<u>\$ 1,166,154</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.



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
Internal Service Funds
Combining Statement of Net Position
June 30, 2022

<i>Assets</i>	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 526,619	\$ 526,619
Accounts Receivable, Net	1,423	-	1,423
Prepaid Items	-	2,375	2,375
Inventories	429,499	-	429,499
Total Current Assets	<u>430,922</u>	<u>528,994</u>	<u>959,916</u>
Noncurrent Assets:			
Net OPEB Asset	-	2,408	2,408
Advances to Other Funds	-	41,362	41,362
Depreciable assets, net of depreciation	-	1,003,800	1,003,800
Total Noncurrent Assets	<u>-</u>	<u>1,047,570</u>	<u>1,047,570</u>
 Total Assets	 <u>430,922</u>	 <u>1,576,564</u>	 <u>2,007,486</u>
Deferred Outflows of Resources:			
Deferred Outflows Related to Pension	-	89,010	89,010
Deferred Outflows Related to OPEB	-	1,585	1,585
Total Deferred Outflows of Resources	<u>-</u>	<u>90,595</u>	<u>90,595</u>
Liabilities			
Current Liabilities:			
Accounts Payable	27,811	16,583	44,394
Due to Other Funds	113,924	-	113,924
Wages, Payroll Taxes and Benefits Payable	-	3,932	3,932
Compensated Absences Payable	-	11,151	11,151
Total Current Liabilities	<u>141,735</u>	<u>31,666</u>	<u>173,401</u>
Non-Current Liabilities:			
Other Post-Employment Benefits Liability	-	13,739	13,739
Net Pension Liability	-	138,028	138,028
Total Non-Current Liabilities	<u>-</u>	<u>151,767</u>	<u>151,767</u>
 Total Liabilities	 <u>141,735</u>	 <u>183,433</u>	 <u>325,168</u>
Deferred Inflows of Resources:			
Deferred Inflows Related to Pension	-	121,985	121,985
Deferred Inflows Related to OPEB	-	1,928	1,928
Total Deferred Inflows	<u>-</u>	<u>123,913</u>	<u>123,913</u>
Net Position:			
Net Investment in Capital Assets	-	1,003,800	1,003,800
Unrestricted	289,187	356,013	645,200
 Total Net Position	 <u>\$ 289,187</u>	 <u>\$ 1,359,813</u>	 <u>\$ 1,649,000</u>

BAKER CITY
Internal Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended 30, 2022

	<u>Central Stores</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
<i>Operating Revenue</i>			
Charges for Services	\$ 154,813	\$ 578,379	\$ 733,192
Miscellaneous Income	-	39,891	39,891
	<u>154,813</u>	<u>618,270</u>	<u>773,083</u>
<i>Operating Expenses</i>			
Personal Services	-	199,314	199,314
Materials and Services	151,564	244,045	395,609
Depreciation	-	143,908	143,908
	<u>151,564</u>	<u>587,267</u>	<u>738,831</u>
Total Operating Expenses	<u>151,564</u>	<u>587,267</u>	<u>738,831</u>
Operating Income (Loss)	<u>3,249</u>	<u>31,003</u>	<u>34,252</u>
<i>Nonoperating Revenue (Expense)</i>			
Interest Income	-	3,228	3,228
Gain (Loss) on Disposal of Capital Assets	-	(8,874)	(8,874)
	<u>-</u>	<u>(5,646)</u>	<u>(5,646)</u>
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>(5,646)</u>	<u>(5,646)</u>
Change in Net Position	3,249	25,357	28,606
Net Position July 1	<u>285,938</u>	<u>1,334,456</u>	<u>1,620,394</u>
Net Position June 30	<u>\$ 289,187</u>	<u>\$ 1,359,813</u>	<u>\$ 1,649,000</u>

BAKER CITY
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
<i>Cash Flows from Operating Activities</i>			
Receipts from Customers and Users	\$ -	\$ 39,891	\$ 39,891
Receipts from Interfund Services Provided	153,390	578,379	731,769
Payments to Suppliers	(245,342)	(315,840)	(561,182)
Payments to Employees	-	(124,725)	(124,725)
Net Cash Provided (Used) by Operating Activities	<u>(91,952)</u>	<u>177,705</u>	<u>85,753</u>
<i>Cash Flows from Non Capital Financing Activities</i>			
Advances from (to) Other Funds	113,924	-	113,924
Repayments from (to) Other Funds	-	69,502	69,502
Net Cash Provided (Used) by Noncapital Financing Activities	<u>113,924</u>	<u>69,502</u>	<u>183,426</u>
<i>Cash Flows from Capital and Related Financing Activities</i>			
Purchases of Capital Assets	-	(175,757)	(175,757)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(175,757)</u>	<u>(175,757)</u>
<i>Cash Flows from Investing Activities</i>			
Interest on Investments	-	3,228	3,228
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>3,228</u>	<u>3,228</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,972	74,678	96,650
Cash and Cash Equivalents, July 1	<u>(21,972)</u>	<u>451,941</u>	<u>429,969</u>
Cash and Cash Equivalents, June 30	<u>\$ -</u>	<u>\$ 526,619</u>	<u>\$ 526,619</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</i>			
Operating Income (Loss)	\$ 3,249	\$ 31,003	\$ 34,252
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	143,908	143,908
(Increase) Decrease in:			
Accounts Receivable, net	(1,423)	-	(1,423)
Prepaid Items	-	449	449
Inventories	(118,232)	-	(118,232)
Deferred Outflows Related to Pension	-	(9,677)	(9,677)
Deferred Outflows Related to OPEB	-	(73)	(73)
Increase (Decrease) in:			
Accounts Payable	24,454	7,744	32,198
Wages, Payroll Taxes and Benefits Payable	-	3,406	3,406
Compensated Absences Payable	-	(6,111)	(6,111)
Other Post-Employment Benefits	-	804	804
Net Pension Liability	-	(91,028)	(91,028)
Deferred Inflows Related to Pension	-	120,698	120,698
Deferred Inflows Related to OPEB	-	(23,418)	(23,418)
Net Cash Provided (Used) by Operating Activities	<u>\$ (91,952)</u>	<u>\$ 177,705</u>	<u>\$ 85,753</u>

BAKER CITY
 Budgetary Comparison Schedule
 Central Stores Fund/Equipment and Vehicle Fund
 Year Ended June 30, 2022

CENTRAL STORES FUND	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ 212,060	\$ 212,060	\$ 154,813	\$ -	\$ 154,813
Total Revenues	212,060	212,060	154,813	-	154,813
Expenditures:					
Building Inspections	212,060	212,060	151,564	-	151,564
Contingency	50,000	50,000	-	-	-
Total Expenditures	262,060	262,060	151,564	-	151,564
Excess (Deficit) of Revenues Over Expenditures	(50,000)	(50,000)	3,249	-	3,249
Net Change in Fund Balance	(50,000)	(50,000)	3,249	-	3,249
Fund Balance, July 1	285,000	285,000	285,938	-	285,938
Fund Balance, June 30	\$ 235,000	\$ 235,000	\$ 289,187	\$ -	\$ 289,187
 EQUIPMENT & VEHICLE FUND					
	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
Revenues:					
Charges for Services	\$ 868,623	\$ 868,623	\$ 578,379	\$ -	\$ 578,379
Interest	1,000	1,000	2,580	648	3,228
Miscellaneous	5,000	5,000	39,891	-	39,891
Total Revenues	874,623	874,623	620,850	648	621,498
Expenditures:					
Equipment Operations	450,746	450,746	463,839	(20,480)	443,359
Equipment Purchases	110,000	205,000	164,082	(164,082)	-
Depreciation	-	-	-	143,908	143,908
Contingency	200,000	105,000	-	-	-
Total Expenditures	760,746	760,746	627,921	(40,654)	587,267
Excess (Deficit) of Revenues Over Expenditures	113,877	113,877	(7,071)	41,302	34,231
Other Financing Sources (Uses):					
Gain (Loss) on Sale of Assts	-	-	-	(8,874)	(8,874)
Interfund Loan Transfers In	59,300	59,300	41,300	(41,300)	-
Total Other Financing Sources	59,300	59,300	41,300	(50,174)	(8,874)
Net Change in Fund Balance	173,177	173,177	34,229	(8,872)	25,357
Fund Balance, July 1	387,350	387,350	474,251	860,205	1,334,456
Fund Balance, June 30	\$ 560,527	\$ 560,527	\$ 508,480	\$ 851,333	\$ 1,359,813



OTHER INFORMATION

BAKER CITY

Summary of Property Tax Transactions Year Ended June 30, 2022

Property Taxes Transactions Analysis:

Tax Year	Beginning Taxes Receivable	Tax Levy	Discounts	Interest & Adjustments	Collections	Ending Taxes Receivable
2021-22	\$ -	\$ 4,106,428	\$ (104,346)	\$ (345,336)	\$ (3,573,778)	\$ 82,968
2020-21	199,749	-	-	(96,750)	(69,475)	33,524
2019-20	74,477	-	-	(24,092)	(32,539)	17,846
2018-19	17,403	-	-	6,033	(17,593)	5,843
2017-18	7,347	-	-	5,901	(12,243)	1,005
2016-17	520	-	-	5,443	(5,668)	295
Prior Years	8,724	-	-	18,429	(20,261)	6,892
Totals	<u>\$ 308,220</u>	<u>\$ 4,106,428</u>	<u>\$ (104,346)</u>	<u>\$ (430,372)</u>	<u>\$ (3,731,557)</u>	<u>\$ 148,372</u>

Property Taxes Receivable by Fund:

Tax Year	General Fund	State Tax Street Fund	Sam-O-Swim Maint Fund	Ending Taxes Receivable
2021-22	\$ 65,454	\$ 15,324	\$ 2,190	82,968
2020-21	26,447	6,192	885	33,524
2019-20	14,079	3,296	471	17,846
2018-19	4,610	1,079	154	5,843
2017-18	793	185	27	1,005
2016-17	233	55	8	296
Prior Years	5,435	1,273	182	6,890
Totals	<u>\$ 117,051</u>	<u>\$ 27,404</u>	<u>\$ 3,917</u>	<u>\$ 148,372</u>

Property Taxes Collections by Fund (Cash Basis):

	General Fund	State Tax Street Fund	Sam-O-Swim Maint Fund	Collections
Current Year Levy	\$ 2,819,353	\$ 660,077	\$ 94,348	\$ 3,573,778
Prior Years	124,472	29,142	4,165	157,779
Totals	<u>\$ 2,943,825</u>	<u>\$ 689,219</u>	<u>\$ 98,513</u>	<u>\$ 3,731,557</u>

REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS



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Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of Baker City, Oregon (City) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 14, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 as follows:

The City had expenditures over appropriations in the following funds:

General Fund	
Planning	\$ <u>6,013</u>
State Tax Street Fund	
Snow and Ice Control	\$ <u>1,273</u>
Sidewalk Utility Fund	
Sidewalk Projects	\$ <u>2,141</u>
Equipment & Vehicle Fund	
Equipment Operations	\$ <u>13,093</u>

Actual transfers between funds balance but the amount budgeted for transfer in is \$75,000 less than the amount budgeted for transfers out due to budget changes made during the year.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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.

We noted certain internal control matters that we reported to management of the City of Baker City in the Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the 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.

Dickey and Tremper, LLP



February 14, 2023



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

February 14, 2023

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Baker City, Oregon (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 14, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-003, 2022-004, 2022-005, and 2022-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Dickey and Tremper, LLP
Certified Public Accountants
Pendleton, Oregon

February 14, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Baker City, Oregon's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Baker City, Oregon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Baker City, Oregon's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusions, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedure disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying schedule of findings and questioned costs as item 2022-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Baker City, Oregon's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questions Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

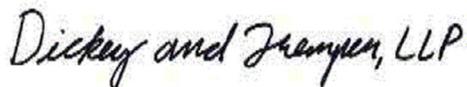
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-007 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Baker City, Oregon's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Dickey and Tremper, LLP
Certified Public Accountants
Pendleton, Oregon

February 14, 2023

BAKER CITY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

<i>Federal Awarding Agency/Program Title</i>	<i>Federal Assistance Listing Number</i>	<i>Federal or Pass-Through Grantor Number</i>	<i>Total Federal Expenditures</i>	<i>Passed Through To Sub-Recipients</i>
US DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Airport Improvement Program	20.106	3-41-0005-16-2020	\$ 21,608	\$ -
Airport Improvement Program - COVID19 (CARES)	20.106	3-41-0005-17-2020	6,342	-
Airport Improvement Program	20.106	3-41-0005-18-2021	263,765	-
Airport Improvement Program - COVID19 (CARES)	20.106	3-41-0005-19-2021	11,899	-
Airport Improvement Program	20.106	3-41-0005-21-2022	3,600	-
TOTAL DEPARTMENT OF TRANSPORTATION/20.106			307,214	-
U.S. DEPARTMENT OF TREASURY				
Direct Program:				
Coronavirus State and Local Fiscal Recover Funds - COVID19 (ARPA)	21.027	8011	938,750	-
Passed through Oregon Department of Administrative Services				
Coronavirus State and Local Fiscal Recover Funds - COVID19 (ARPA)	21.027		613	-
TOTAL US DEPARTMENT OF TREASURY/21.027			939,363	-
ENVIRONMENTAL PROTECTION AGENCY				
Passed through State of Oregon Department of Environmental Quality				
Capitalization Grants for Clean Water State Revolving Funds	66.458	R12600	547,891	-
U.S. DEPARTMENT OF HOMELAND SECURITY-FEMA				
Direct Program:				
Assistance to Firefighters Grant	97.044	EMW-2019-FG-01826	90,047	-
TOTAL EXPENDITURE OF FEDERAL AWARDS			\$ 1,884,515	\$ -

BAKER CITY, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Baker City, Oregon (City) under programs of the federal government for the year ended June 30, 2022. The information is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position and changes in net position of the City.

Note B – Indirect Costs

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note C – Outstanding Loans

The City has the following net activity on loan balances payable as of June 30, 2022, of which at least a portion are Federal funds:

Loan Description	Loans Payable at 6/30/21	Loans Issued/ (Repaid)	Loans Payable at 6/30/22
DEQ (\$8.0m) R12600 - Sewer	\$ 1,656,520	\$ 3,500,634	\$ 5,157,154

BAKER CITY, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2022

None reported.

BAKER CITY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Baker City.
2. Four material weaknesses and two significant deficiencies in internal control over financial reporting were discovered by the audit of the basic financial statements of Baker City.
3. No instances of noncompliance material to the financial statements of Baker City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No material weaknesses and one significant deficiency in internal control over major federal programs was disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for Baker City, expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The program tested as major programs included:

Coronavirus State and Local Fiscal Recovery Funds (ARPA) CFDA # 21.027
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Baker City was not determined to be a low-risk auditee.

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2022-001

Condition and criteria: Effective internal controls should include secondary reviews of billings, adjustments, receivable balances and activity related to utility billings and other areas of billings and collections. There was no secondary review process or cross training taking place related to utility billing and one employee performed most of the procedures. In addition, other billing and collection areas have employees performing multiple pieces of the control process.

Effect: The condition increases the risk of errors or fraud and does not allow for a proper transition if an employee were to leave.

Cause: Part of the cause is due to long standing practices, but there were several changes in staffing and procedures during the year and management is working to install additional policies and procedures.

Auditor's recommendation: We recommend secondary review and cross training procedures be instituted over utility billings and that additional segregation of duties be put in place in all areas of billings and receipts.

Management's response: Management agrees with Auditor's findings. The city has already reinstated auditing principles for the utility billing position, and the utility billing process has been cross trained to another employee within the Finance Department. The city has gone further to put in place internal controls to ensure that all processes are being peer reviewed to align with current auditing standards, and segregation of duties has been refined.

2022-002

Condition and criteria: The City performs detailed calculations to record unbilled utility accounts receivable for invoices issued after June 30 related to usage prior to the end of the fiscal year. We reviewed the calculations and had suggestions which management incorporated into the final calculations. However, the amount that was recorded in the books for unbilled receivables did not agree to the detailed calculations for the 2021 or 2022 fiscal year.

Effect: Adjustments were required to correct the accruals related to unbilled utility receivables for the current year and a prior period adjustment was recorded to correct the beginning balance and net position.

Cause: There have been changes in staff overseeing this area and the adjustment was made using the same incorrect section of the workpapers as in the prior year, which only accounted for the percentage of the billings related to the base fee and not the water usage.

Auditor's recommendation: The methodology and calculation of the amounts were refined during the audit and we recommend that management use the refined method in the next fiscal year. We also recommend secondary review of the calculation before posting the final adjustment.

Management's response: Management agrees with Auditor's findings. Auditor detected a deficiency in a spreadsheet used in the past to record unbilled utilities. Working with the Auditor, Management corrected this spreadsheet for fiscal year 2021-2022, and will continue to use this updated version on subsequent audit calculations.

MATERIAL WEAKNESSES

2022-003

Condition and criteria: Management is required to provide a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). There were several changes to the SEFA prepared by management for formats, identification numbers, programs, and amounts, with the largest change being the amount of expenditures identified for Coronavirus State and Local Fiscal Recovery Funds (ARPA) program.

Effect: The initial assessment of major programs required for the Single Audit was that two programs would be needed to meet the audit coverage requirements and procedures were started based on that plan, but after the material adjustments above only one program was required to be tested as a major program.

Cause: This was the management's first Single Audit and Schedule of Expenditures of Federal Awards (SEFA). The City has processes in place to identify the programs and costs for most of its activities, but there have been requirements added to the SEFA elements in the last couple of years. In addition, there were

changes in allowable costs identified by management while performing the audit that caused changes in the amounts reported.

Auditor's recommendation: We recommend that management continue to refine their preparation of the schedule and that a secondary review be performed prior to finalizing.

Management's response: Management concurs with the cause and auditor's recommendations and will incorporate the current year changes and recommendations into future schedules.

2022-004

Condition and criteria: The City's controls over the fiscal year-end financial reporting process rely largely on manual entries to record activity on the modified accrual basis of accounting. There were journal entries required to correct year-end balances and activity that were material to the financial statements.

Effect: Significant adjustments were posted to correct year end balances, interfund loan activity, budget to GAAP differences, reclassify activity between funds, record prior year adjusting journal entries, and to reconcile grant revenues and expenses.

Cause: Year-end entries are done each year through a manual process, which is typical, but does increase the risk of error. In addition, there did not appear to be procedures in place to reconcile grant revenue and expense activity between fiscal years and funds for the Airport Improvement Program.

Auditor's recommendation: We recommend that management review its year-end journal entry process to incorporate additional oversight and review of staff work. In addition, we recommend the City double check the effect on the trial balance after making adjustments. Additional procedures should also be put in place to reconcile grant activity between years and reporting units.

Management's response: Management has been training the Accounting Technician for that last year on duties. As the staffing model has evolved in the Finance Department, the Accounting Technician will be focusing more time in the future to review the trial balance monthly, correcting and making adjustments as needed. These monthly adjustments will ensure less correction at year end. Also, grant activity has been reconciled to this audit at June 30, 2022. More care and time will be allocated to reconcile grant activity moving forward.

2022-005

Condition and criteria: The City has some large construction projects in progress which have retainage held back from the contractor and was not accrued in the current year or prior year as liabilities incurred. In addition, a large construction invoice received after year end for work performed in June 2022 was not recorded as a liability at year end.

Effect: Material adjustments were required to properly report liabilities and capital assets for construction projects for the current year and a prior period adjustment was required to correct prior year amounts reported.

Cause: The City does not appear to have historically recorded amounts for retainage and did not have a retainage liability account set up in the accounting system. The recording of retainage and additional accounts payable appears to have been an oversight.

Auditor's recommendation: We recommend a thorough review of all construction projects at year end to ensure all retainage and year end liabilities are properly recorded.

Management's response: Management concurs with the Auditor's recommendation and will incorporate these changes for the year ended June 30, 2023.

2022-006

Condition and criteria: The Elkhorn Industrial Park land has been reported as a capital asset of the City, but the intention is to sell the land for development and is the main source of income for the Elkhorn Industrial Park Economic and Community Development Fund. For Generally Accepted Accounting Principles (GAAP) reporting, these assets should be reported as a fund asset similar to an investment and be revalued each year and carried at fair value.

Effect: a prior period adjustment was recorded to move the assets available for sale to a fund asset at the beginning of the year at management’s estimated net fair value.

Cause: The City initially set the land up as a capital asset, even though the intention was to develop the industrial park and sell the land. A retrospective look was performed in the current year clarifying the reporting for GAAP.

Auditor’s recommendation: We recommend that management perform a retrospective review of all balances and estimates each year and that the carrying value of the land available for sale be reviewed each year and re-valued under the fair value standards for GAAP reporting. No changes are need for budgetary reporting since the City is accounting for this as a budget to GAAP difference.

Management’s response: Management concurs with the Auditor’s recommendation. The land held for sale is one parcel which will be reviewed annually based on sales of land in the area.

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

US DEPARTMENT OF THE TREASURY

Coronavirus State and Local Fiscal Recovery Funds (ARPA) CFDA #21.027

Significant Deficiency

2022-007

Condition and criteria: The City is required to file an annual report for the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program. As part of the reporting process, the City designates the portion allocable to revenue replacement to allow for the amount of expenditures that can be claimed as the broad general government services category. In addition, the City reports the amount of funds that were obligated and the amount that was actually expended. All the funds were obligated, but a significant amount had not been expended at the time of the report and the City reported the funds as fully expended.

Cause: The City relied on their interpretation of the regulations based on training they received when preparing the report, which differs from the auditor’s interpretation.

Auditor’s recommendation: We recommend that the City only report funds actually incurred as expenditures in future reports and investigate whether an amended report should be filed.

Management’s response: The city sent accounting staff to training regarding grant reporting, and the city in turn followed the documented training provided. This training specific to grant reporting appears to be

incomplete. By June 30, 2022, American Rescue Plan Act funds allocated to the general fund were spent for qualified uses. ARPA funds that were transferred to the Enterprise funds were not spent by June 30, 2022 and is recorded as unearned revenue in the financial statements. The city will only report funds actually spent as expenditures and will investigate the possibility of filing an amended report.