



Photo by: John Collins/Baker City Herald



# City of Baker City, Oregon

# Annual Financial Report

For Fiscal Year Ended June 30,

# 2012

**BAKER CITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2012**

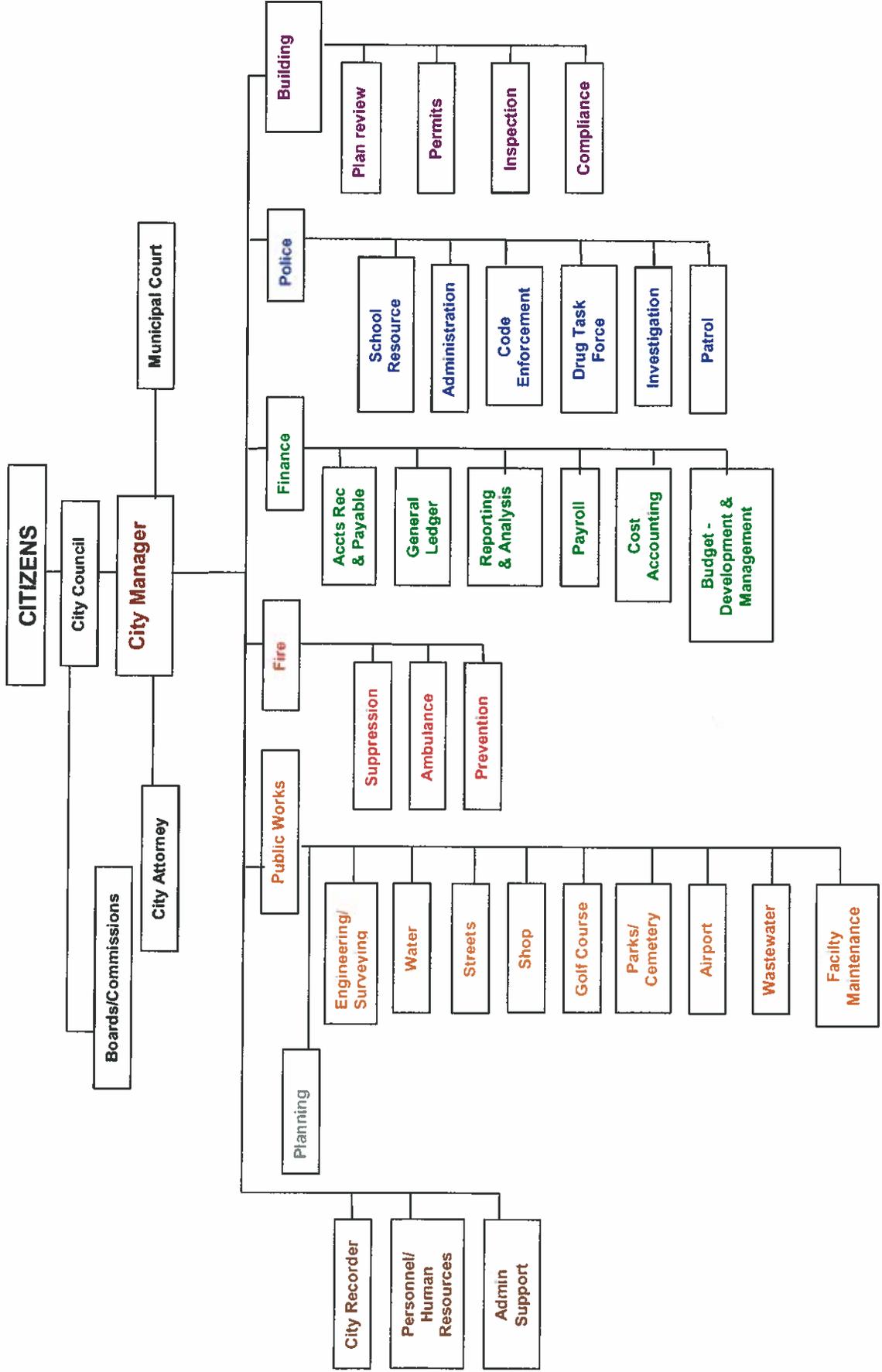
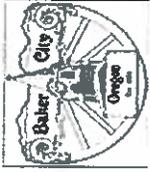
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# Introductory Section

# CITY OF BAKER CITY



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

**ELECTED MAYOR AND CITY COUNCIL AT JUNE 30, 2012**

	<b><u>Term Expiration</u></b>
<b><u>Mayor:</u></b>	
Dennis Dorrah 1549 Campbell	December 31, 2014
<b><u>Council Members:</u></b>	
Sam Bass 2450 19 <sup>th</sup> Street	December 31, 2012
Milo Pope 2600 Resort Street	December 31, 2012
Aletha Bonebrake 2347 Campbell	December 31, 2012
Roger Coles 2526 Auburn Avenue	December 31, 2014
Beverly Calder 1246 Dewey Avenue	December 31, 2012
Clair Button 3555 Indiana	December 31, 2014

**APPOINTED CITY OFFICERS AS OF JUNE 30, 2012**

**City Manager:**

Mike Kee

**City Attorney:**

Brent Smith

**City Finance Director:**

Jeanie Dexter

**Municipal Judge:**

Damien Yervasi

# Financial Section

January 3, 2013

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City of Baker City, Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baker City, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit this information and express no opinion on it. The budgetary comparison schedules and the notes to required supplementary information on pages 42 through 46 have been subjected to 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 financial statements or 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 relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the summary of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and summary of property tax transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Guyer & Associates  
Certified Public Accountants  
A Professional Corporation

By



Robert P. Seymour, a principal

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

The management of the City of Baker City, Oregon (City) presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

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

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

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

The government-wide financial statements can be found on pages 15-16 of this report.

**Fund financial statements** provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

The City maintains twelve governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Street Fund, LID Repayment Fund, and State and Federal Grants Fund which are considered to be major funds. The basic governmental fund financial statements can be found on pages 17-20 of this report. Data from the other governmental funds are combined into a single, aggregated presentation on these statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 48-49.

*Proprietary funds* - the City maintains seven 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 three internal service funds to account for its equipment maintenance and replacement, inventory and insurance reserve functions.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

*Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-41 of this report.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

*Other statements* – Major funds are included within the basic financial statements, where non-major funds are presented here as “combining statements”. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances. A final type of report is the budgetary comparisons statements. These are presented for all funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

*Analysis of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Baker City, assets exceeded liabilities by \$44,738,318 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (81 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 Assets:

**City of Baker City  
Summary of Net Assets  
June 30, 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>
<b>ASSETS</b>						
Current and Other Assets	\$ 5,559,897	\$ 4,482,979	\$ 3,476,578	\$ 2,908,774	\$ 9,036,475	\$ 7,391,753
Capital Assets	15,218,839	13,944,375	21,359,109	21,061,711	36,577,948	35,006,086
Total Assets	20,778,736	18,427,354	24,835,687	23,970,485	\$ 45,614,423	\$ 42,397,839
<b>LIABILITIES</b>						
Long-Term Liabilities	58,085	62,986	-	-	58,085	62,986
Other Liabilities	555,549	554,450	262,471	186,937	818,020	741,387
Total Liabilities	613,634	617,436	262,471	186,937	876,105	804,373
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 15,155,853	\$ 13,876,742	21,172,656	20,856,346	\$ 36,328,509	\$ 34,733,088
Restricted	1,553,708	764,999	-	-	1,553,708	764,999
Unrestricted	3,455,541	3,168,177	3,400,560	2,927,202	6,856,101	6,095,379
Total Net Assets	20,165,102	\$ 17,809,918	24,573,216	23,783,548	\$ 44,738,318	\$ 41,593,466

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

An additional portion of the City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,856,101) may be used to meet the City's ongoing obligations to citizens and creditors.

Net assets for the City as a whole increased by \$3,144,852 during the fiscal year ended June 30, 2012. The following is an analysis of this increase.

**City of Baker City  
Summary of Changes in Net Assets  
June 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 906,985	\$ 939,310	\$ 3,472,010	\$ 3,284,592	\$ 4,378,995	\$ 4,223,902
Operating Grants/Contrib.	678,721	624,707	-	-	678,721	624,707
Capital Grants/Contrib.	1,897,046	818,873	-	-	1,897,046	818,873
<b>General Revenues:</b>						
Property Taxes	2,902,841	2,841,370	-	-	2,902,841	2,841,370
Franchise Taxes	819,085	824,292	-	-	819,085	824,292
Investment Earnings	27,570	46,223	16,500	29,107	44,070	75,330
SAIF Refunds	-	53,067	-	-	-	53,067
Unrestricted Grants/Contrib.	224,900	214,750	-	-	224,900	214,750
Rental Income	24,440	22,480	6,782	6,782	31,222	29,262
Miscellaneous	29,437	21,218	57,075	49,820	86,512	71,038
<b>Total Revenues</b>	<b>\$ 7,511,025</b>	<b>\$ 6,406,290</b>	<b>\$ 3,552,367</b>	<b>\$ 3,370,301</b>	<b>\$ 11,063,392</b>	<b>\$ 9,776,591</b>
<b>EXPENSES</b>						
General Government	\$ 591,152	\$ 521,488	\$ -	\$ -	\$ 591,152	\$ 521,488
Public Safety	3,435,715	3,259,138	-	-	3,435,715	3,259,138
Transportation and Streets	1,153,332	1,334,764	-	-	1,153,332	1,334,764
Culture & Recreation	303,648	269,171	-	-	303,648	269,171
Economic Development	71,138	98,412	-	-	71,138	98,412
Cemetery	129,844	108,090	-	-	129,844	108,090
Airport	272,584	234,880	-	-	272,584	234,880
Hydro-Electric Plant	774	5,598	-	-	774	5,598
Interest on Long-Term Debt	5,683	5,598	-	-	5,683	5,598
Water	-	-	1,442,589	1,474,327	1,442,589	1,474,327
Wastewater	-	-	1,007,305	983,022	1,007,305	983,022
Golf Course	-	-	21,828	18,544	21,828	18,544
Building Department	-	-	366,328	367,127	366,328	367,127
<b>Total Expenses</b>	<b>5,963,870</b>	<b>5,837,139</b>	<b>2,838,050</b>	<b>2,843,020</b>	<b>8,801,920</b>	<b>8,680,159</b>
Operating Transfers	(75,351)	-	75,351	-	-	-
Extraordinary Item - Bequest	883,380	-	-	-	883,380	-
Change in Net Assets	2,355,184	569,151	789,668	527,281	3,144,852	1,096,432
Net Assets – Beginning of Year	17,809,918	17,240,767	23,783,548	23,256,267	41,593,466	40,497,034
<b>Net Assets – End of Year</b>	<b>\$ 20,165,102</b>	<b>\$ 17,809,918</b>	<b>\$ 24,573,216</b>	<b>\$ 23,783,548</b>	<b>\$ 44,738,318</b>	<b>\$ 41,593,466</b>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

*Analysis of Changes in Net Assets*

**Governmental activities:** Net assets of the governmental activities increased by \$2,355,184. During 2011-12 the City was bequeathed cash and a note receivable of \$783,080 and real property valued at \$100,300. The principal cannot be spent. Interest earnings from the cash and note receivable must be used for the planting or replanting of street trees within the City of Baker City. These funds are available for the benefit of both public and privately owned property within the city limits of Baker City. The real property must be for public use and benefit of the City of Baker City.

**Business-type activities:** Net assets of the business-type activities increased by \$789,668. The City collects revenue in excess of routine operational cost in order to set aside funds for capital improvements to the water and wastewater system such as the Mt. Line project, U.V. project, and the wastewater effluent disposal project.

**FUND ANALYSIS**

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

*Major Governmental Funds*

**General Fund:** The ending fund balance of the General Fund decreased from \$1,489,146 to \$1,353,298. The decrease was mainly the result of capital projects and a transfer to the Golf Course Operations Fund. The fire department's roof was replaced for \$36,815 and other various smaller projects were completed including lighting projects for City Hall and the fire department. A transfer of \$75,351 was made to the Golf Course Operations fund for the new pond and pump project of \$56,340 and to cover the decrease in revenue due to a reduction in the contractor's concession fee with the revision of the contract.

**Street Fund:** The ending fund balance of the Street Fund increased from \$601,965 to \$812,754. This was mainly due to an increase in revenue of \$67,000 from highway taxes and property taxes and a savings due to the deferral of overlay projects in anticipation of bundling paving with Resort Street to save costs and a savings in snow and ice control due to a light snow year.

**LID Repayment Fund:** The ending fund balance of the LID Repayment Fund increased from (\$76,616) to (\$51,508) due to LID repayments.

**State and Federal Grants Fund:** The ending fund balance of the State and Federal Grants Fund increased from (\$194,573) to \$59,540. This is due to the receipt of a \$100,000 grant for Central Park and the receipt of two grant reimbursements; \$143,000 for Central Park and \$34,000 for Resort Street that were received in the year ending June 30, 2012 for expenditures incurred for the year ending June 30, 2011. The remaining difference is due to expenditures of other small miscellaneous grants during the year.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

*Enterprise Funds*

**Water Fund:** The ending fund balance of the Water Fund increased from \$16,551,921 to \$17,158,046. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the Mt. Line and U.V. projects.

**Wastewater Fund:** The ending fund balance of the Wastewater Fund increased from \$5,354,208 to \$5,548,819. This is due to a continued effort to set aside funds for wastewater effluent treatment changes due to future restrictions on the treatment and disposal of wastewater.

**Golf Fund:** The ending fund balance of the Golf Fund increased from \$1,026,687 to \$1,084,247. This increase is the result of a \$75,351 transfer from the General Fund for the pond and pump project net of operating costs in excess of the concession fee paid by the contractor. Principal on the interfund loan from the Mt. Hope Trust Fund is not an expenditure on a GAAP basis.

**Building Inspections Fund:** The ending fund balance of the Building Inspections Fund decreased from \$207,619 to \$158,553. The City had accumulated a reserve to cover unanticipated changes and the potential decline in building permit sales due to the economy. The City began using those reserves during the year ended June 30, 2009 and continues to use them with the continued decline in the housing economy.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Significant differences between the 2011-12 original budget as adopted and the final budget are as follows:

- The City received a risk management incentive grant from City County Insurance Services of \$10,300 to help reduce potential losses. The City appropriated \$10,300 in the General Fund's Park Department to purchase two security cameras for Geiser Pollman and Central Park, and to install privacy fencing on the pathway for a pocket park that was constructed by the Baker City Lion's Club.
- The General Fund received forfeited bail in September as a partial reimbursement for the costs of a standoff that occurred during March 2011. The City increased the General Fund's Police Department by \$2,936 to pass a portion of the bail on to the City of La Grande, Malheur Co. Sheriff, and Union Co. Sheriff to help offset their overtime and other costs incurred for their assistance.
- The State and Federal Grants Fund's FAA Airport Department received \$178,000 in additional FAA grant funds for the airport taxiway improvement project.
- The State and Federal Grants Fund's Small and Miscellaneous Grants Department received a \$21,000 Leo Adler Community grant for the cost of OTEC preparing an estimate for moving Resort Street utilities underground.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

- The General Fund's Fire Department had capital project savings of \$30,000 and the Police Department had other cost savings of \$16,500 which were transferred to the Golf Course Operation Fund to enlarge and seal the storage pond at the golf course and install a larger pump for irrigation. An appropriation of the transfer in to the Golf Course Operations Fund increased personal services \$10,000 and materials and services \$36,500.
- A \$3,500 transfer was made from the General Fund's contingency to a transfer to the Golf Course Operations Fund to repair the furnace at the golf course. An appropriation of the transfer in to the Golf Course Operations Fund increased materials and services \$3,500.
- A \$3,000 transfer was made from the General Fund's contingency to the General Fund's Airport Department to repair the runway end identifier light.
- The State and Federal Grants Fund's LAMP III Pathway/Park Department received a grant from the Ford Family Foundation and \$5,000 of that grant was appropriated for improvements at Central Park including new security lighting.
- A \$7,588 transfer was made from the General Fund's contingency to the General Fund's Administrative Department to pay for the cost to audit Charter's franchise fees after it came to the City's attention that Charter's franchise fee revenue may be significantly understated.
- The General Fund's Cemetery Department had a cost savings of \$4,000 that was transferred to the General Fund's Park Department to pay additional costs incurred for repairs (landscaping, playground equipment, irrigation, bathrooms and storm cleanup).
- A \$3,400 transfer was made from the General Fund's contingency to the General Fund's Community Development Department for unforeseen labor costs for the Resort Street underground utility project.
- A \$3,000 transfer was made from the Golf Course Operation Fund's materials and services category to the personal services category for additional labor costs for the pond reconstruction offset by a savings in the materials and services category.
- A transfer of \$1,500 was made between the Reclaimed Water Use Fund's capital outlay category to the materials and services category for the in lieu of franchise fee and the cost of reprogramming the City's financial software offset by a savings in the capital outlay category.

Significant differences between the 2011-12 final amended budget and the 2011-12 actual expenditures in the General Fund are as follows:

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

The City's final amended budget for the fiscal year ended 2011-12 included a contingency of \$62,512 and an unappropriated ending fund balance of \$920,555, for a total of \$983,067. The actual balance carried forward to 2011-12 is \$1,353,298. The difference of \$370,231 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
<b>REVENUE</b>				
Property Tax Revenue	\$ 2,219,283	\$ 2,270,139	\$ 50,856	Received more prior year property taxes than anticipated.
Franchise Taxes	814,746	819,085	4,339	Received more OTEC and Charter (result of the audit) franchise taxes than anticipated but these were partially offset by less Cascade Natural Gas revenue received due to a mild winter.
Charges for Services	751,650	742,518	(9,132)	Received less revenue from generated power due to lower water usage.
Other Revenue	749,063	688,726	(60,337)	Less overhead charges were received than anticipated due to the delay of some public works projects until 2012-13. A reimbursement of \$22,139 from CIS insurance was received as a reduction of premiums rather than as a rebate check.
<b>Total Revenue Decrease</b>			<b>\$ (14,274)</b>	
<b>EXPENDITURES</b>				
Personal Services	3,396,773	3,323,155	(73,618)	Savings in the Police Department are due to certification changes that were anticipated but did not happen and less compensation sells than anticipated. Savings in the Fire Department is due to less "paid volunteer" labor than anticipated. Also, had less public works labor in the various departments than anticipated.
Materials and Services	1,175,365	1,121,248	(54,117)	Fuel prices and insurance costs were lower than anticipated and other cost savings.
Capital Outlay	85,511	87,010	1,499	Kirkway irrigation project cost \$1,500 more than anticipated.
Debt Service	8,340	8,340	-	Debt payment was made as budgeted.
<b>Total Expenditure Savings</b>			<b>\$ 126,236</b>	
Operating Transfer In	6,500	4,288	(2,212)	Received less Cemetery interest due to interest rate decline
Operating Transfer Out	(179,000)	(120,851)	58,149	LAMP transfer of \$80,000 was not required but was partially offset by a transfer to the Golf Course Operations Fund to cover the reduced concession fee.
Beginning Fund Balance	1,286,814	1,489,146	202,332	Additional carryover from budgeted amount.
<b>Difference Budget &amp; Actual</b>			<b>\$ 370,231</b>	

**CAPITAL ASSET AND DEBT ACTIVITY**

Capital asset activity for the fiscal year ended June 30, 2012 is summarized on pages 35-36 in the notes to the financial statements.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

The following is a summary of the assets purchased, constructed or received through contributions during the fiscal year ended June 30, 2012:

City Hall Lighting Upgrade	\$ 7,191
Fire Department Lighting Upgrade	8,365
Fire Department Roof	36,815
Warehouse Lighting Upgrade	9,491
Warehouse Roof (In Process)	2,728
House and Land 1935 Clifford Street (Anthony Silvers)	100,300
Central Park Restroom Electrical	1,434
Skateboard Park Improvements	9,385
E Street and L Street Overlay	116,660
E Street Curbs and Sidewalks	66,944
Resort Street Construction	133,401
Taxiway Rehabilitation	32,113
Taxiway Extension/Connector	1,048,650
Taxiway Lighting	352,668
Reclaimed Water Use Study	18,891
Golf Course Pond	34,960
Golf Course Pond Pump	21,380
Golf Course Sprayer (Exchanged for Note Receivable)	15,946
Kirkway Park Irrigation	6,000
Plotter/Scanner	17,035
Scissor and Forklift (Preferred Worker Benefit Program)	22,000
Water System Enhancements	212,893
Mountain Line Project	221,471
U. V. Treatment Facility	57,220
Cathodic Pipe Protection System	53,070
Scenic Vista Water Tanks	16,403
Storm Water Facility Plan	2,339
Wastewater Pipe Curing	112,952
Wastewater System Enhancements	84,316
Pelican Street Sweeper	182,158
Ford Taurus Police Car	28,639
Hydraulic Extrication System	26,690
Total	<u><u>\$ 3,060,508</u></u>

There was no new long-term debt issued during the fiscal year ended June 30, 2012.

**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:

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

- 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. Also, Measure 5 limits the combined property tax rates to \$10 for all local governments except schools. City property taxes not assessed due to this \$10 limit (compressions) increased from \$56,600 in 2011-12 to \$76,787 in 2012-13.
- Public works, police and fire contracts have been negotiated for a five year period which ends June 30, 2013. Increases for non-represented staff have been set for only the 2012-2013 year. The known impact of these actions is listed in the table below.

	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Non-Represented</u>
2012-2013 Salary Increase	3%	3%	2.9%	0%

- An actuarial analysis of the City's PERS liability at December 31, 2011 was completed September 2012. The actuarial valuation was used to set future contribution rates for the period July 1, 2013 to June 30, 2015. The rate changes are listed in the table below.

	<u>Tier 1 &amp; Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police &amp; Fire</u>
Rates for July 1, 2011 to June 30, 2013	16.04%	10.77%	13.48%
Rates for July 1, 2013 to June 30, 2015	20.56%	15.14%	17.87%

- Street fund resources (mainly state gas taxes and 18.47% of property taxes) are not sufficient to maintain the City's streets in their current condition. If the City's streets are not properly maintained (i.e. overlays, chip sealing, fog sealing, crack sealing) they will continue to deteriorate.
- In 2001, 2008, 2010, 2011 and 2012 the City raised water rates in order to complete repairs on the City's water system and implement UV treatment for State compliance.
- Effective July 1, 2012 the City raised wastewater rates to \$18.00 (for residential). Public works staff project that the current rate increase will not be enough for significant system modernization, rehabilitation and modification when required by state and federal agencies.

**REQUESTS FOR INFORMATION**

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

# Basic Financial Statement

**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 4,370,316	\$ 2,810,742	\$ 7,181,058
Certificate of Deposit	20,503	-	20,503
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	243,791	169,687	413,478
Interest Receivable	782	-	782
Special Assessments Receivable	-	53,895	53,895
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	272,099	-	272,099
Intergovernmental Receivable	197,459	5,156	202,615
Note Receivable	8,969	-	8,969
Contracts and Special Assessments Receivable	374,053	-	374,053
Internal Balances	(437,098)	437,098	-
Inventories	277,815	-	277,815
Capital Assets (Net of Accumulated Depreciation):			
Land	2,152,603	1,342,160	3,494,763
Construction in Process	199,928	1,258,343	1,458,271
Buildings	2,157,466	206,962	2,364,428
Improvements Other than Buildings	9,278	125,431	134,709
Machinery and Equipment	1,421,331	127,660	1,548,991
Infrastructure	9,278,233	18,298,553	27,576,786
Other Assets	231,208	-	231,208
<b>Total Assets</b>	<b>\$ 20,778,736</b>	<b>\$ 24,835,687</b>	<b>\$ 45,614,423</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 150,353	\$ 72,485	\$ 222,838
Accrued Payroll Taxes and Benefits Payable	155,937	68,571	224,508
Other Payables	5	-	5
Customer Deposits	27,181	28,670	55,851
Compensated Absences Payable	217,172	92,745	309,917
Noncurrent Liabilities:			
Due Within One Year	4,901	-	4,901
Due in More than One Year	58,085	-	58,085
<b>Total Liabilities</b>	<b>613,634</b>	<b>262,471</b>	<b>876,105</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	15,155,853	21,172,656	36,328,509
Restricted for:			
Cemetery Care	760,030	-	760,030
2089 Celebration	2,888	-	2,888
Street Trees	1,737	-	1,737
Airport	4,223	-	4,223
Car Seats	1,750	-	1,750
Nonspendable	774,111	-	774,111
Unrestricted	3,464,510	3,400,560	6,865,070
<b>Total Net Assets</b>	<b>\$ 20,165,102</b>	<b>\$ 24,573,216</b>	<b>\$ 44,738,318</b>

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

BAKER CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 591,152	\$ 93,380	\$ 3,400	\$ -	\$ (494,372)	\$ -	\$ (494,372)
Public Safety	3,435,715	621,994	26,547	30,604	(2,756,570)	-	(2,756,570)
Highways and Streets	1,153,332	65,784	648,703	144,660	(294,185)	-	(294,185)
Culture and Recreation	303,648	112	71	278,033	(25,432)	-	(25,432)
Airport	272,584	5,405	-	1,419,222	1,152,043	-	1,152,043
Cemetery	129,844	65,415	-	2,527	(61,902)	-	(61,902)
Hydro-electric Plant	774	54,895	-	-	54,121	-	54,121
Economic and Community Development	71,138	-	-	-	(71,138)	-	(71,138)
Interest on Long Term Debt	5,683	-	-	-	(5,683)	-	(5,683)
<b>Total Governmental Activities</b>	<b>5,963,870</b>	<b>906,985</b>	<b>678,721</b>	<b>1,875,046</b>	<b>(2,503,118)</b>	<b>-</b>	<b>(2,503,118)</b>
<b>Business-type Activities:</b>							
Water Utility	1,442,589	2,001,470	-	-	-	558,881	558,881
Wastewater Utility	1,007,305	1,152,417	-	-	-	145,112	145,112
Golf Operation	21,828	2,600	-	-	-	(19,228)	(19,228)
Building Inspection	366,328	315,523	-	-	-	(50,805)	(50,805)
<b>Total Business-type Activities</b>	<b>2,838,050</b>	<b>3,472,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>633,960</b>	<b>633,960</b>
<b>Total Government</b>	<b>\$ 8,801,920</b>	<b>\$ 4,378,995</b>	<b>\$ 678,721</b>	<b>\$ 1,875,046</b>	<b>(2,503,118)</b>	<b>633,960</b>	<b>(1,869,158)</b>
<b>General Revenues:</b>							
Property Taxes					2,902,841	-	2,902,841
Franchise Taxes					819,085	-	819,085
Grants and Contributions Not Restricted to a Particular Program					224,900	-	224,900
Rental Income					24,440	6,782	31,222
Interest on Investments					27,570	16,500	44,070
Miscellaneous					29,437	57,075	86,512
Transfers:							
Operating					(75,351)	75,351	-
Special Item:							
Contribution of Equipment					22,000	-	22,000
Extraordinary Item:							
Bequest from the Estate of Anthony Silvers					883,380	-	883,380
<b>Total General Revenues, Transfers and Extraordinary Items</b>					<b>4,858,302</b>	<b>155,708</b>	<b>5,014,010</b>
Change in Net Assets					2,355,184	789,668	3,144,852
Net Assets July 1, 2011					17,809,918	23,783,548	41,593,466
<b>Net Assets June 30, 2012</b>					<b>\$ 20,165,102</b>	<b>\$ 24,573,216</b>	<b>\$ 44,738,318</b>

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

**BAKER CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 1,471,270	\$ 785,971	\$ 24,670	\$ -	\$ 1,574,221	\$ 3,856,132
Certificate of Deposit	-	-	-	20,503	-	20,503
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	220,409	7,380	-	15,908	-	243,697
Interest Receivable	-	-	727	-	55	782
Taxes Receivable	214,660	50,257	-	-	7,182	272,099
Contracts and Special Assessments Receivable	-	-	134,056	239,997	-	374,053
Note Receivable	-	-	-	-	8,969	8,969
Due From Other Funds	16,202	-	-	-	18,878	35,080
Advances to Other Funds	-	-	-	-	167,575	167,575
Intergovernmental Receivable	36,005	46,793	-	84,057	30,604	197,459
Other Assets	230,320	-	-	-	888	231,208
<b>Total Assets</b>	<u>\$ 2,188,866</u>	<u>\$ 890,401</u>	<u>\$ 159,453</u>	<u>\$ 360,465</u>	<u>\$ 1,808,372</u>	<u>\$ 5,407,557</u>
<b>Liabilities:</b>						
Accounts Payable	\$ 72,161	\$ 7,990	\$ -	\$ 24,532	\$ 34,165	\$ 138,848
Customer Deposit	27,181	-	-	-	-	27,181
Payroll Taxes and Benefits Payable	126,248	16,149	-	4,286	611	147,294
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	30,632	16,202	-	46,834
Advances from Other Funds	-	-	45,546	-	-	45,546
Deferred Revenue	609,973	53,508	134,783	255,905	15,586	1,069,755
<b>Total Liabilities</b>	<u>835,568</u>	<u>77,647</u>	<u>210,961</u>	<u>300,925</u>	<u>50,362</u>	<u>1,475,463</u>
<b>Fund Balance (Deficit):</b>						
Nonspendable	-	-	-	-	774,111	774,111
Restricted for 2089 Celebration	-	-	-	-	2,888	2,888
Restricted for Cemetery Care	-	-	-	-	254,061	254,061
Restricted for Street Trees	-	-	-	-	1,737	1,737
Restricted for Airport	-	-	-	4,223	-	4,223
Restricted for Car Seats	-	-	-	1,750	-	1,750
Restricted for Underground Utilities	-	-	-	21,000	-	21,000
Committed for Cemetery Care	-	-	-	-	505,969	505,969
Committed for Sidewalks	-	-	-	-	79,825	79,825
Committed for Street Trees	-	-	-	-	722	722
Assigned for Wellness	-	-	-	850	-	850
Assigned for Public Safety	-	-	-	33,160	-	33,160
Assigned for Skate Park	-	-	-	4,116	-	4,116
Assigned for Fire Equipment	-	-	-	-	91,379	91,379
Assigned for Samo Swim Maintenance	-	-	-	-	47,318	47,318
Assigned for Parks	-	-	-	12,041	-	12,041
Assigned for Trees	-	-	-	2,764	-	2,764
Assigned for Streets	-	812,754	-	-	-	812,754
Unassigned	1,353,298	-	(51,508)	(20,364)	-	1,281,426
<b>Total Fund Balance (Deficit)</b>	<u>1,353,298</u>	<u>812,754</u>	<u>(51,508)</u>	<u>59,540</u>	<u>1,758,010</u>	<u>3,932,094</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,188,866</u>	<u>\$ 890,401</u>	<u>\$ 159,453</u>	<u>\$ 360,465</u>	<u>\$ 1,808,372</u>	<u>\$ 5,407,557</u>

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

**BAKER CITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

Fund Balances of Governmental Funds		\$ 3,932,094
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The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.		1,069,755
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Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.		14,567,111
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All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.		
- Compensated absences payable	\$ (207,282)	
- Long term debt	(62,986)	
Subtotal		(270,268)

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 assets are reported along with governmental activities in the Statement of Net Assets.		
- Current assets	\$ 870,425	
- Capital assets - net	651,727	
- Current liabilities	(22,301)	
- Compensated absences payable	(9,890)	
Subtotal		1,489,961

That portion of internal service fund net assets arising from transactions with enterprise-type funds are included in internal balances between governmental activities and business-type activities on the Statement of Net Assets.		(623,551)

Net Assets of Governmental Activities		<u>\$ 20,165,102</u>
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The notes to the financial statements are an integral part of this statement.

**BAKER CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General Fund	State Tax Street Fund	LID Repayment Fund	State and Federal Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>						
<b>Taxes:</b>						
Property	\$ 2,270,139	\$ 531,525	\$ -	\$ -	\$ 75,904	\$ 2,877,568
Franchise	819,085	-	-	-	-	819,085
Licenses and Permits	49,897	-	-	-	-	49,897
Intergovernmental	239,900	648,012	-	1,710,220	30,604	2,628,736
Charges for Services	742,518	63,151	-	842	2,633	809,144
Fines and Forfeitures	30,774	-	-	-	-	30,774
Rental Income	24,440	-	-	-	-	24,440
Interest	8,902	2,908	2,932	272	7,362	22,376
Miscellaneous	35,581	691	24,222	139,923	-	200,417
Bequest	-	-	-	-	774,111	774,111
<b>Total Revenue</b>	<b>4,221,236</b>	<b>1,246,287</b>	<b>27,154</b>	<b>1,851,257</b>	<b>890,614</b>	<b>8,236,548</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	555,102	-	56	79	-	555,237
Public Safety	3,244,636	-	-	9,742	5,525	3,259,903
Highways and Streets	-	802,660	-	-	-	802,660
Sidewalks	-	-	-	-	26,325	26,325
Parks and Recreation	99,590	-	-	11,728	76,072	187,390
Airport	56,189	-	-	-	-	56,189
Cemetery	128,431	-	-	-	-	128,431
Hydro-electric Plant	774	-	-	-	-	774
Economic and Community Development	60,449	-	-	5,443	1,387	67,279
<b>Debt Service:</b>						
Principal	4,647	-	-	-	-	4,647
Interest	3,693	-	1,990	-	-	5,683
<b>Capital Outlay:</b>						
General Government	13,191	-	-	-	-	13,191
Public Safety	73,819	-	-	-	26,690	100,509
Parks and Recreation	-	-	-	10,819	-	10,819
Highways and Streets	-	177,879	-	133,402	-	311,281
Sidewalks	-	-	-	-	8,064	8,064
Airport	-	-	-	1,433,431	-	1,433,431
<b>Total Expenditures:</b>	<b>4,240,521</b>	<b>980,539</b>	<b>2,046</b>	<b>1,604,644</b>	<b>144,063</b>	<b>6,971,813</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(19,285)</b>	<b>265,748</b>	<b>25,108</b>	<b>246,613</b>	<b>746,551</b>	<b>1,264,735</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	4,288	-	-	7,500	92,959	104,747
Transfers Out	(120,851)	(54,959)	-	-	(4,288)	(180,098)
<b>Total Other Financing Sources (Uses)</b>	<b>(116,563)</b>	<b>(54,959)</b>	<b>-</b>	<b>7,500</b>	<b>88,671</b>	<b>(75,351)</b>
<b>Net Change in Fund Balance</b>	<b>(135,848)</b>	<b>210,789</b>	<b>25,108</b>	<b>254,113</b>	<b>835,222</b>	<b>1,189,384</b>
<b>Fund Balance (Deficit), July 1, 2011</b>	<b>1,489,146</b>	<b>601,965</b>	<b>(76,616)</b>	<b>(194,573)</b>	<b>922,788</b>	<b>2,742,710</b>
<b>Fund Balance (Deficit), June 30, 2012</b>	<b>\$ 1,353,298</b>	<b>\$ 812,754</b>	<b>\$ (51,508)</b>	<b>\$ 59,540</b>	<b>\$ 1,758,010</b>	<b>\$ 3,932,094</b>

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

**BAKER CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds		\$ 1,189,384
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.		29,010
Capital outlays 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.		1,051,833
Donations of capital assets are not reported in the fund financial statements as they do not affect current resources. However, the resulting increase in net assets is reported in the Statement of Activities.		100,300
Proceeds from the issuance of long-term debt provide current financial resources and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases or decreases in noncurrent liabilities in the Statement of Net Assets.		
- Change in compensated absences payable	\$ (6,167)	
- Repayment of long term debt	<u>4,647</u>	
		(1,520)
Internal Service Funds are used by management to charge the costs of certain activities, such as inventory and fleet management. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(33,385)
That portion of the change in net assets of internal service funds arising from transactions with business-type funds is an adjustment to internal balances between governmental activities and business-type activities on the Statement of Net Assets.		<u>19,562</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 2,355,184</u></u>

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

**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 1,862,800	\$ 775,573	\$ 6,746	\$ 165,623	\$ 2,810,742	\$ 514,184
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	98,564	55,968	15,100	55	169,687	94
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	5,156	5,156	-
Due From Other Funds	-	-	-	-	-	32,786
Inventories	-	-	-	-	-	277,815
<b>Total Current Assets</b>	<b>1,961,364</b>	<b>835,018</b>	<b>21,846</b>	<b>170,834</b>	<b>2,989,062</b>	<b>824,879</b>
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	45,546
Special Assessments Receivable	-	50,418	-	-	50,418	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	1,219,423	38,920	-	-	1,258,343	-
Buildings	234,222	35,037	106,146	-	375,405	39,524
Improvements other than Buildings	-	-	346,687	-	346,687	-
Infrastructure	19,452,851	8,318,188	-	-	27,771,039	-
Machinery, Equipment, and Vehicles	193,435	462,420	33,921	19,913	709,689	2,563,112
Less: Accumulated Depreciation	(5,927,176)	(4,234,781)	(274,644)	(7,613)	(10,444,214)	(1,950,909)
<b>Net Capital Assets</b>	<b>15,353,013</b>	<b>4,723,582</b>	<b>1,270,214</b>	<b>12,300</b>	<b>21,359,109</b>	<b>651,727</b>
<b>Total Noncurrent Assets</b>	<b>15,353,013</b>	<b>4,774,000</b>	<b>1,270,214</b>	<b>12,300</b>	<b>21,409,527</b>	<b>697,273</b>
<b>Total Assets</b>	<b>\$ 17,314,377</b>	<b>\$ 5,609,018</b>	<b>\$ 1,292,060</b>	<b>\$ 183,134</b>	<b>\$ 24,398,589</b>	<b>\$ 1,522,152</b>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 35,524	\$ 5,458	\$ 21,360	\$ 10,143	\$ 72,485	\$ 11,505
Customer Deposits	28,670	-	-	-	28,670	-
Due to Other Funds	-	-	18,878	-	18,878	2,154
Accrued Payroll Taxes and Benefits Payable	34,291	23,835	-	10,445	68,571	8,642
Compensated Absences Payable	57,846	30,906	-	3,993	92,745	9,890
<b>Total Current Liabilities</b>	<b>156,331</b>	<b>60,199</b>	<b>40,238</b>	<b>24,581</b>	<b>281,349</b>	<b>32,191</b>
Long-Term Liabilities:						
Advances From Other Funds	-	-	167,575	-	167,575	-
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>167,575</b>	<b>-</b>	<b>167,575</b>	<b>-</b>
<b>Total Liabilities</b>	<b>156,331</b>	<b>60,199</b>	<b>207,813</b>	<b>24,581</b>	<b>448,924</b>	<b>32,191</b>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	15,353,013	4,723,582	1,083,761	12,300	21,172,656	651,727
Unrestricted	1,805,033	825,237	486	146,253	2,777,009	838,234
<b>Total Net Assets</b>	<b>\$ 17,158,046</b>	<b>\$ 5,548,819</b>	<b>\$ 1,084,247</b>	<b>\$ 158,553</b>	<b>23,949,665</b>	<b>\$ 1,489,961</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Assets of Business-type Activities					623,551	
<b>Net Assets of Business-Type Activities</b>					<b>\$ 24,573,216</b>	

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

**BAKER CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
<b>Operating Revenue:</b>						
Charges for Sales and Services	\$ 2,001,470	\$ 1,152,417	\$ -	\$ 315,523	\$ 3,469,410	\$ 513,209
Miscellaneous	25,971	30,483	-	621	57,075	12,549
<b>Total Operating Revenue</b>	<b>2,027,441</b>	<b>1,182,900</b>	<b>-</b>	<b>316,144</b>	<b>3,526,485</b>	<b>525,758</b>
<b>Operating Expenses:</b>						
Cost of Sales and Services	1,089,244	793,401	-	364,336	2,246,981	492,277
Depreciation	344,736	203,764	-	1,992	550,492	95,413
<b>Total Operating Expenses</b>	<b>1,433,980</b>	<b>997,165</b>	<b>-</b>	<b>366,328</b>	<b>2,797,473</b>	<b>587,690</b>
<b>Operating Income (Loss)</b>	<b>593,461</b>	<b>185,735</b>	<b>-</b>	<b>(50,184)</b>	<b>729,012</b>	<b>(61,932)</b>
<b>Nonoperating Revenue (Expense):</b>						
Gain on Equipment Sale	-	-	-	-	-	1,353
Investment Earnings	9,664	5,094	624	1,118	16,500	5,194
Rental Income	3,000	3,782	2,600	-	9,382	-
Contributions	-	-	-	-	-	22,000
Depreciation and Expenses - Rental Property	-	-	(19,927)	-	(19,927)	-
Interest Expense	-	-	(1,088)	-	(1,088)	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>12,664</b>	<b>8,876</b>	<b>(17,791)</b>	<b>1,118</b>	<b>4,867</b>	<b>28,547</b>
<b>Income Before Transfers</b>	<b>606,125</b>	<b>194,611</b>	<b>(17,791)</b>	<b>(49,066)</b>	<b>733,879</b>	<b>(33,385)</b>
<b>Other Financing Sources:</b>						
Transfers In	-	-	75,351	-	75,351	-
<b>Change in Net Assets</b>	<b>606,125</b>	<b>194,611</b>	<b>57,560</b>	<b>(49,066)</b>	<b>809,230</b>	<b>(33,385)</b>
Net Assets, July 1, 2011	16,551,921	5,354,208	1,026,687	207,619		1,523,346
<b>Net Assets, June 30, 2012</b>	<b>\$ 17,158,046</b>	<b>\$ 5,548,819</b>	<b>\$ 1,084,247</b>	<b>\$ 158,553</b>		<b>\$ 1,489,961</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(19,562)	
Change in Net Assets of Business-Type Activities					<u>\$ 789,668</u>	

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

**BAKER CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities-- Internal Service Funds</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
<b>Cash From Operating Activities:</b>						
Receipts from Customers and Users	\$ 1,979,927	\$ 1,135,949	\$ 7,400	\$ 312,622	\$ 3,435,898	\$ 514
Receipts from Interfund Services Provided	-	-	-	-	-	512,695
Other Receipts	25,971	30,483	-	621	57,075	13,165
Payments to Suppliers	(188,675)	(173,984)	-	(94,251)	(456,910)	(361,889)
Payments to Employees	(644,538)	(420,260)	-	(238,979)	(1,303,777)	(168,860)
Payments for Interfund Services Used	(234,076)	(187,318)	-	(27,300)	(448,694)	(127)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>938,608</u>	<u>384,871</u>	<u>7,400</u>	<u>(47,287)</u>	<u>1,283,592</u>	<u>(4,502)</u>
<b>Cash Flows From Non Capital Financing Activities:</b>						
Advances from (to) Other Funds	-	-	75,351	-	75,351	-
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	23,042	-	(23,042)	-	-	25,010
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>23,042</u>	<u>3,477</u>	<u>52,309</u>	<u>-</u>	<u>78,828</u>	<u>25,010</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Receipts from the Sale of Capital Assets	-	-	-	-	-	1,353
Purchases of Capital Assets	-	-	-	-	-	(199,193)
Acquisition/Construction of Capital Assets	(559,940)	(215,138)	(34,980)	-	(810,058)	-
Principal Paid on Interfund Debt	-	-	(18,912)	-	(18,912)	-
Interest Paid on Interfund Debt	-	-	(1,088)	-	(1,088)	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<u>(559,940)</u>	<u>(215,138)</u>	<u>(54,980)</u>	<u>-</u>	<u>(830,058)</u>	<u>(197,840)</u>
<b>Cash Flows From Investing Activities:</b>						
Rental Income	3,000	3,782	2,600	-	9,382	-
Receipts from Loan Collections	-	-	4,890	-	4,890	-
Expenses Rental Property	-	-	(6,097)	-	(6,097)	-
Interest on Investments	9,664	5,094	624	1,118	16,500	5,194
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>12,664</u>	<u>8,876</u>	<u>2,017</u>	<u>1,118</u>	<u>24,675</u>	<u>5,194</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>414,374</u>	<u>182,086</u>	<u>6,746</u>	<u>(46,169)</u>	<u>557,037</u>	<u>(172,138)</u>
Cash and Cash Equivalents, July 1, 2011	1,448,426	593,487	-	211,792	2,253,705	686,322
<b>Cash and Cash Equivalents, June 30, 2012</b>	<u>\$ 1,862,800</u>	<u>\$ 775,573</u>	<u>\$ 6,746</u>	<u>\$ 165,623</u>	<u>\$ 2,810,742</u>	<u>\$ 514,184</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$ 593,461	\$ 185,735	\$ -	\$ (50,184)	\$ 729,012	\$ (61,932)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation Expense	344,736	203,764	-	1,992	550,492	95,413
Non Cash Equipment Trade for Supplies	-	-	-	-	-	3,450
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(23,760)	(16,468)	7,400	(2,901)	(35,729)	616
(Increase) Decrease in Inventories	-	-	-	-	-	(6,388)
Increase (Decrease) in Customer Deposits	2,217	-	-	-	2,217	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	(2,986)	(8,724)	-	(2,382)	(14,092)	(45,408)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	25,124	19,739	-	8,114	52,977	7,249
Increase (Decrease) in Compensated Absences Payable	(184)	825	-	(1,926)	(1,285)	2,498
<b>Total Adjustments</b>	<u>345,147</u>	<u>199,136</u>	<u>7,400</u>	<u>2,897</u>	<u>554,580</u>	<u>57,430</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 938,608</u>	<u>\$ 384,871</u>	<u>\$ 7,400</u>	<u>\$ (47,287)</u>	<u>\$ 1,283,592</u>	<u>\$ (4,502)</u>

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

\*Increase (Decrease) in Accounts Payable Related to the Acquisition/Construction of Capital Assets is as follows - Water Fund \$13,337; Wastewater Fund \$1,020 and Golf Course Operations Fund \$21,360.

A non cash transaction occurred in the Golf Course Operations Fund when equipment with a value of \$15,946 was acquired in exchange for the cancellation of a Notes Receivable. A non cash transaction occurred in the Internal Service Funds when equipment of \$22,000 was contributed to the City.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities report information on all activities of the City of Baker City, except fiduciary activities. Eliminations have been made to minimize the double counting of interfund activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (2) operating grants and contributions that are restricted to a particular function or segment and (3) capital grants or contributions that are restricted to a particular function or segment. Revenues that are not classified as program revenues, including property taxes and franchise taxes, are presented as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Net assets are 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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

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

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 60 days 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, as well as expenditures related to compensated absences and claims and judgments, 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 fuel taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

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

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

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

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.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

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

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

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

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

Additionally, the City reports the following fund types:

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

The capital projects funds account for the accumulation of money for major fire equipment purchases.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. For example, the General Fund charges other funds for centralized expenses. The revenue and expenses in the General Fund are reduced by the centralized expenses that are charged to other funds. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer 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, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For example, the revenue and expenses associated with the lease of the City's 18 hole golf course with Seven Iron LLC (effective until December 31, 2014) are nonoperating revenue and expenses.

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

**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) and a twelve month certificate of deposit. 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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Assets, Liabilities, and Net Assets or Equity (Continued)**

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

legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

**Receivables and Payables**

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

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

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

**Inventories**

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

**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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Assets, Liabilities, and Net Assets or Equity (Continued)**

**Capital Assets (Continued)**

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. There was no debt-financed construction activity in the fiscal year ended June 30, 2012.

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

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

**Compensated Absences**

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

**Long-Term Obligations**

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

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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Assets, Liabilities, and Net Assets or Equity (Continued)**

**Long-Term Obligations (Continued)**

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.

**Fund Equity**

**Government-Wide Statements**

Equity is classified as net assets and displayed in the following three components:

- *Invested in capital assets, net of related debt* – 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 assets* – Consists of net assets 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 assets* – All other net asset that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

**Fund Financial Statements**

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified in the following categories of fund balance:

- *Nonspendable* – amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained 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.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Assets, Liabilities, and Net Assets or Equity (Continued)**

**Fund Equity (Continued)**

- *Committed* – amounts constrained to specific purposes by the City itself at the highest level of decision making 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 net equity is available it is the City's policy to first expend the net equity from the class with the highest level of restriction. Restricted fund balance is comprised of the following:

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

1. A community wide celebration and
2. \$5,000 to establish the next one hundred year trust fund and
3. 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 airport, car seats and underground utilities were restricted by their providers.

**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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Use of Estimates (Continued)**

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 those estimates.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

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

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 appropriation category. The Council made several transfers of budgetary appropriations throughout the year.

**Deficit Fund Equity**

The LID Repayment Fund had a deficit fund balance of \$51,508 as of June 30, 2012. The City funded this deficit through interfund loans. This Fund does not have a deficit fund balance for purposes of compliance with Oregon Local Budget Law

**3. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

At June 30, 2012, the City's carrying amount of deposits was \$565,269 and the bank balance was \$577,576. 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 having 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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Deposits and Investments (Continued)**

the name of the Oregon State Treasurer (Treasurer). Should a bank holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City's banks participate in this program, however, since the collateral is not held in the City's name, deposits in excess of FDIC insurance are still considered to be exposed to custodial credit risk. As of June 30, 2012 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 576,233
Uninsured and uncollateralized	1,343
Total	\$ 577,576

At June 30, 2012 the City had an investment in a fully insured \$20,503 certificate of deposit. At June 30, 2012 the City had an investment of \$6,615,311 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 OSTF's investment policy requires a minimum weighted average credit rating for its investment holdings of AA and Aa2 or AA for Standard and Poor's, Moody's or Fitch, respectively. The OSTF fund is not rated. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

**Receivables**

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

	General Fund	Street Fund	LID Repayment Fund	State and Federal Grants Fund	Non-major and Other Funds	Total
Interest	\$ -	\$ -	\$ 727	\$ -	\$ 55	\$ 782
Property Taxes	214,660	50,257	-	-	7,182	272,099
Franchise Taxes	32,486	-	-	-	-	32,486
Trade Accounts	304,983	7,577	-	15,908	-	328,468
Special Assessments	-	-	-	239,997	-	239,997
LID Receivables	-	-	134,056	-	-	134,056
Intergovernmental	36,005	46,793	-	84,057	30,604	197,459
Gross Receivables	588,134	104,627	134,783	339,962	37,841	1,205,347
Less: Allowance for Uncollectibles	(117,060)	(197)	-	-	-	(117,257)
Total Receivables	\$ 471,074	\$ 104,430	\$ 134,783	\$ 339,962	\$ 37,841	\$ 1,088,090

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Receivables (Continued)**

Internal Service Funds have trade account receivables at year end of \$94 which are included with governmental activities in the Statement of Net Assets

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

	Water Utility Fund	Wastewater Utility Fund	Building Inspection Fund	Golf Course Operation Fund	Total
Trade Accounts	\$ 105,133	\$ 59,121	\$ 55	\$ 15,100	\$ 179,409
Special Assessments	-	53,895	-	-	53,895
Intergovernmental	-	-	5,156	-	5,156
Gross Receivables	105,133	113,016	5,211	15,100	238,460
Less: Allowance for Uncollectibles	(6,569)	(3,153)	-	-	(9,722)
Total Receivables	\$ 98,564	\$ 109,863	\$ 5,211	\$ 15,100	\$ 228,738

In April 2012 the City received from the estate of Anthony Silvers a promissory note for \$9,619 with Daniel Burton with interest at 8%. As of June 30, 2012 the note is scheduled to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012-2013	\$ 2,730	\$ 619	\$ 3,349
2013-2014	2,957	392	3,349
2014-2015	3,202	147	3,349
2015-2016	80	1	81
Total	<u>\$ 8,969</u>	<u>\$ 1,159</u>	<u>\$ 10,128</u>

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

	<u>Deferred Revenue</u>
Trade Accounts Receivable	\$ 204,989
Delinquent Property Taxes Receivable	250,697
Special Assessments Not Due	239,997
Local Improvement District Receivables Not Due	134,056
Interest Receivable	727
Note Receivable	8,969
Oregon Trail Electric Cooperative Capital Credits	230,320
Total Deferred/Unearned Revenue – Governmental Funds	<u>\$ 1,069,755</u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Receivables (Continued)**

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$230,320, special assessments receivable in the amount of \$239,997, contracts receivable included in trade receivables of \$10,633, local improvement district receivables of \$134,056 and the long term portion of the notes receivable of \$6,239 are not expected to be collected within one year.

**Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 313,289	\$ 165,514	\$ (278,875)	\$ 199,928
Land	2,113,878	38,725	-	2,152,603
Total capital assets, not being depreciated	<u>2,427,167</u>	<u>204,239</u>	<u>(278,875)</u>	<u>2,352,531</u>
Capital assets, being depreciated:				
Buildings	4,771,782	115,380	-	4,887,162
Improvements other than buildings	102,730	-	-	102,730
Machinery and equipment	4,815,293	276,522	(103,647)	4,988,168
Infrastructure	27,789,014	1,881,521	-	29,670,535
Total capital assets being depreciated	<u>37,478,819</u>	<u>2,273,423</u>	<u>(103,647)</u>	<u>39,648,595</u>
Less accumulated depreciation for:				
Buildings	(2,630,113)	(99,582)	-	(2,729,695)
Improvements other than buildings	(89,156)	(4,296)	-	(93,452)
Machinery and equipment	(3,419,206)	(247,829)	100,197	(3,566,838)
Infrastructure	(19,823,134)	(569,168)	-	(20,392,302)
Total accumulated depreciation	<u>(25,961,609)</u>	<u>(920,875)</u>	<u>100,197</u>	<u>(26,782,287)</u>
Total capital assets, being depreciated, net	<u>11,517,210</u>	<u>1,352,548</u>	<u>(3,450)</u>	<u>12,866,308</u>
Governmental activities capital assets, net	<u>\$ 13,944,377</u>	<u>\$ 1,556,787</u>	<u>\$ (282,325)</u>	<u>\$ 15,218,839</u>

Construction in process for governmental activities of \$199,928 is comprised of \$32,113 for the Airport Taxiway Project, and \$167,815 for preliminary construction work on Resort Street.

During the year ended June 30, 2012 Anthony Silvers bequeathed his property at 1935 Clifford Street in Baker City with an estimated value of \$100,300 to the City to be used for a public purpose.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Construction in process	\$ 921,601	\$ 336,742	\$ -	\$ 1,258,343
Land	<u>1,342,160</u>	<u>-</u>	<u>-</u>	<u>1,342,160</u>
Total capital assets, not being depreciated	2,263,761	336,742	-	2,600,503
Capital assets, being depreciated:				
Buildings	365,914	9,491	-	375,405
Machinery and equipment	693,743	15,946	-	709,689
Improvements other than buildings	290,347	56,340	-	346,687
Infrastructure	<u>27,327,837</u>	<u>463,231</u>	<u>(20,029)</u>	<u>27,771,039</u>
Total capital assets, being depreciated	28,677,841	545,008	(20,029)	29,202,820
Less accumulated depreciation for:				
Buildings	(159,688)	(8,755)	-	(168,443)
Machinery and equipment	(560,598)	(21,431)	-	(582,029)
Improvements other than buildings	(209,991)	(11,265)	-	(221,256)
Infrastructure	<u>(8,949,614)</u>	<u>(522,872)</u>	<u>-</u>	<u>(9,472,486)</u>
Total accumulated depreciation	<u>(9,879,891)</u>	<u>(564,323)</u>	<u>-</u>	<u>(10,444,214)</u>
Total capital assets, being depreciated, net	<u>18,797,950</u>	<u>(19,315)</u>	<u>(20,029)</u>	<u>18,758,606</u>
Business-type activities capital assets, net	<u>\$ 21,061,711</u>	<u>\$ 317,427</u>	<u>\$ (20,029)</u>	<u>\$ 21,359,109</u>

Construction in process for business-type activities of \$1,239,452 is comprised of pipe and legal costs for the Forest Service portion of the mountain line water improvement project and \$18,891 for a reclaimed water use study.

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

<b>Governmental activities:</b>	
General government	\$ 34,716
Public safety	170,999
Highway and streets, including depreciation of general infrastructure assets	282,638
Culture and recreation	115,359
Economic and Community Development	3,859
Airport	216,395
Cemetery	1,496
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>95,413</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 920,875</u></b>
<b>Business-type activities:</b>	
Water utility	\$ 344,736
Wastewater utility	203,764
Building inspections	1,992
Golf operation	<u>13,830</u>
<b>Total depreciation expense-business-type activities</b>	<b><u>\$ 564,322</u></b>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 30,632
Equipment and Vehicle	Central Stores	2,154
Mt Hope Trust	Golf Course Operations	18,878
General	State and Federal Grants	16,202
Total		<u>\$ 67,866</u>

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

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 45,546
Mt Hope Trust	Golf Course Operations	167,575
Total		<u>\$ 213,121</u>

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

Routine transfers made during the year ended June 30, 2012 are as follows:

	General Fund	Street Fund	S&F Grant Fund	Nonmajor Governmental Funds	Internal Service Funds	Enterprise Funds	Total
<b>Transfer from:</b>							
General Fund	\$ -	\$ -	\$ 7,500	\$ 38,000	\$ -	\$ 75,351	\$ 120,851
Street Fund	-	-	-	54,959	-	-	54,959
Non Major Governmental Funds	4,288	-	-	-	-	-	4,288
						\$	
Total Transfers	<u>\$ 4,288</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 92,959</u>	<u>\$ -</u>	<u>\$ 75,351</u>	<u>\$ 180,098</u>

The City uses interfund transfers on a routine basis to transfer interest earnings from the permanent funds to be used for cemetery maintenance; to borrow and repay funds for fund balance deficits; for matching grant funds; to transfer the sidewalk utility fee from the Street Fund to the Sidewalk Utility Fund; and to transfer funds to pay for capital projects.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Contracts, Notes and Capital Lease Obligations**

The following is a summary of the City's governmental outstanding debt at June 30, 2012:

	<b><u>Governmental Activities Long-Term Obligations</u></b>
Note Payable to the Oregon Economic and Community Development Department for \$100,000 dated June 26, 2002 for the purchase of airport facilities, annual installments of \$8,340 due December 1, including interest at 5.46%	\$ 62,986
Total Governmental Activity Long-Term Liabilities	<u>\$ 62,986</u>

The following is a summary of maturities of the governmental activity long-term liability as of June 30, 2012:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012-2013	4,901	3,439	8,340
2013-2014	5,169	3,171	8,340
2014-2015	5,451	2,889	8,340
2015-2016	5,749	2,591	8,340
2016-2017	6,062	2,278	8,340
2017-2022	35,654	6,047	41,701
Total	<u>\$ 62,986</u>	<u>\$ 20,415</u>	<u>\$ 83,401</u>

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Note payable - OR Economic Development Department	\$ 67,633	\$ -	\$ (4,647)	\$ 62,986	\$ 4,901
Compensated absences	208,507	279,594	(270,929)	217,172	217,172
Governmental activity Long-term liabilities	<u>\$ 276,140</u>	<u>\$ 279,594</u>	<u>\$ (275,576)</u>	<u>\$ 280,158</u>	<u>\$ 222,073</u>
<b>Business Type Activities:</b>					
Compensated absences	\$ 94,030	\$ 100,198	\$ (101,483)	\$ 92,745	\$ 92,745

The compensated absences liability for the Internal Service Funds is \$9,890 and is included in the above totals for governmental activities.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**4. OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters for which the City carries commercial insurance. There have been no significant decreases in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City obtains most of its insurance coverage through City County Insurance Services under an insurance pooling arrangement in which many cities and counties in Oregon participate. Periodically the City has received refunds from the Pool. The risk of additional assessments to the City over premiums paid is presently deemed remote by City management.

**Employee Retirement System and Pension Plans**

The City of Baker City funds retirement benefits through Oregon Public Employees Retirement System's programs.

1. The City's full-time and permanent part-time employees hired before August 29, 2003 are participants in the Oregon Public Employees' Retirement System (PERS). In January 2002 the City elected into the State and Local Governmental Rate Pool, a cost sharing multiple employer defined benefit pension plan. The City's pension plan had previously been an independently funded local pension plan in PERS.
  - Benefits generally vest after five years of continuous service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are based on salary and length of service, are calculated using a formula, and are payable in a lump sum or monthly using several payment options.
  - Participants are required to contribute 6% of salary under the plan. The City pays the participants' contribution in lieu of a wage increase. The City's employer rate for the year ended June 30, 2012 was 16.04%. The City annually pays to PERS the PERS required contribution rate in full.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**Employee Retirement System and Pension Plans (Continued)**

**4. OTHER INFORMATION (Continued)**

2. The Oregon Public Service Retirement Plan was established by the legislature on August 29, 2003. PERS, the agency, administers OPSRP. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and the Oregon Investment Council invests plan assets. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (IAP) (defined contribution).

- Beginning January 1, 2004, all PERS member contributions (the 6%) went into the IAP portion of OPSRP. Baker City pays the member contribution into PERS. PERS members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP Employee Account, not into the member's PERS account.
- An employee is eligible for membership in the OPSRP Pension Plan when hired by a public employer participating in the OPSRP Pension Plan into a qualifying position on or after August 29, 2003 and has completed the waiting period of six full calendar months of employment, uninterrupted by more than 30 consecutive workdays. A Tier One or Tier Two PERS member will become a member of the OPSRP Pension Program if s/he incurs a six-month service break and is subsequently rehired. As of June 30, 2012 the City's rate for member contributions is 10.77% for general service and 13.48% for police/fire members.
- A member may receive OPSRP benefits generally anytime after reaching age 65, or at age 58 with 30 years of service.

The following is a summary of the additional information required to comply with Governmental Accounting Standards Board Statement Number 27 (GASB 27) "*Accounting for Pensions by State and Local Governmental Employers*"

Three-Year Trend Information for PERS costs to the City:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/10	\$ 615,067	100%	\$ -
06/30/11	\$ 588,629	100%	\$ -
06/30/12	\$ 715,899	100%	\$ -

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**4. OTHER INFORMATION (Continued)**

**Prior Period Adjustment**

An error was discovered in the classification of fixed assets in the financial statements for the period ending June 30, 2011. A reclassification of \$20,029 in the Wastewater Fund of the Business-type Activities was made from Infrastructure to Construction in Process to correct this error in the current year.

**Commitments, Contingencies and Subsequent Events**

Accrued liabilities do not include sick leave of approximately \$737,459 which was earned as of June 30, 2012, but is payable only for a valid absence 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.

**Required  
Supplementary  
Information**

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GENERAL FUND</b>					
Revenue:					
Property Taxes	\$ 2,219,283	\$ 2,219,283	\$ 2,270,139	\$ -	\$ 2,270,139
Franchise Taxes	814,746	814,746	819,085	-	819,085
Licenses and Permits	53,500	53,500	49,897	-	49,897
Intergovernmental	226,500	226,500	239,900	-	239,900
Charges for Services	751,650	751,650	742,518	-	742,518
Fines and Forfeitures	25,800	25,800	30,774	-	30,774
Rental Income	25,760	25,760	24,440	-	24,440
Interest and Dividends	12,000	12,000	8,902	-	8,902
Miscellaneous	52,267	65,503	35,581	-	35,581
Overhead Charges to Other Funds	340,000	340,000	299,232	(299,232)	-
<b>Total Revenues</b>	<b>4,521,506</b>	<b>4,534,742</b>	<b>4,520,468</b>	<b>(299,232)</b>	<b>4,221,236</b>
Expenditures:					
General Government:					
Administration	1,053,826	1,061,414	1,059,559	(578,232)	481,327
Planning	93,873	93,873	86,966	-	86,966
<b>Total General Government</b>	<b>1,147,699</b>	<b>1,155,287</b>	<b>1,146,525</b>	<b>(578,232)</b>	<b>568,293</b>
Public Safety:					
Police	1,705,445	1,691,881	1,629,658	279,000	1,908,658
Fire	1,468,248	1,438,248	1,409,797	-	1,409,797
<b>Total Public Safety</b>	<b>3,173,693</b>	<b>3,130,129</b>	<b>3,039,455</b>	<b>279,000</b>	<b>3,318,455</b>
Parks and Recreation:					
Parks	89,159	103,459	99,590	-	99,590
Airport	56,952	59,952	56,189	-	56,189
Debt Service - Airport	8,340	8,340	8,340	-	8,340
Cemetery	145,201	141,201	128,431	-	128,431
Hydro Electric Plant	5,666	5,666	774	-	774
Community Development	58,555	61,955	60,449	-	60,449
Operating Contingency	80,000	62,512	-	-	-
<b>Total Expenditures</b>	<b>4,765,265</b>	<b>4,728,501</b>	<b>4,539,753</b>	<b>(299,232)</b>	<b>4,240,521</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(243,759)</b>	<b>(193,759)</b>	<b>(19,285)</b>	<b>-</b>	<b>(19,285)</b>
Other Financing Sources (Uses):					
Transfers In	6,500	6,500	4,288	-	4,288
Transfers Out	(129,000)	(179,000)	(120,851)	-	(120,851)
<b>Total Other Financing Sources (Uses)</b>	<b>(122,500)</b>	<b>(172,500)</b>	<b>(116,563)</b>	<b>-</b>	<b>(116,563)</b>
<b>Net Change in Fund Balance</b>	<b>(366,259)</b>	<b>(366,259)</b>	<b>(135,848)</b>	<b>-</b>	<b>(135,848)</b>
Fund Balance, July 1, 2011	1,286,814	1,286,814	1,489,146	-	1,489,146
<b>Fund Balance, June 30, 2012</b>	<b>\$ 920,555</b>	<b>\$ 920,555</b>	<b>\$ 1,353,298</b>	<b>\$ -</b>	<b>\$ 1,353,298</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STATE TAX STREET FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE TAX STREET FUND</b>					
Revenue:					
Taxes	\$ 516,621	\$ 516,621	\$ 531,525	\$ -	\$ 531,525
Intergovernmental	591,004	591,004	648,012	-	648,012
Charges for Services	68,000	68,000	63,151	-	63,151
Interest	6,000	6,000	2,908	-	2,908
Miscellaneous	3,281	3,281	691	-	691
<b>Total Revenues</b>	<b>1,184,906</b>	<b>1,184,906</b>	<b>1,246,287</b>	<b>-</b>	<b>1,246,287</b>
Expenditures:					
Maintenance	546,268	546,268	507,418	-	507,418
Storm Water Maintenance	71,502	71,502	61,831	-	61,831
Preventative Maintenance	495,695	495,695	334,172	-	334,172
Street Lighting	69,680	69,680	63,296	-	63,296
Snow and Ice Control	73,383	73,383	13,477	-	13,477
Street Construction	7,165	7,165	345	-	345
Operating Contingency	100,000	100,000	-	-	-
<b>Total Expenditures</b>	<b>1,363,693</b>	<b>1,363,693</b>	<b>980,539</b>	<b>-</b>	<b>980,539</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(178,787)</b>	<b>(178,787)</b>	<b>265,748</b>	<b>-</b>	<b>265,748</b>
Other Financing Uses:					
Transfers Out	(60,000)	(60,000)	(54,959)	-	(54,959)
<b>Total Other Financing Uses</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>(54,959)</b>	<b>-</b>	<b>(54,959)</b>
<b>Net Change in Fund Balance</b>	<b>(238,787)</b>	<b>(238,787)</b>	<b>210,789</b>	<b>-</b>	<b>210,789</b>
<b>Fund Balance, July 1, 2011</b>	<b>426,015</b>	<b>426,015</b>	<b>601,965</b>	<b>-</b>	<b>601,965</b>
<b>Fund Balance, June 30, 2012</b>	<b>\$ 187,228</b>	<b>\$ 187,228</b>	<b>\$ 812,754</b>	<b>\$ -</b>	<b>\$ 812,754</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - LID REPAYMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>LID REPAYMENT FUND</b>					
Revenue:					
Interest	\$ 1,300	\$ 1,300	\$ 91	\$ 2,841	\$ 2,932
Special Assessments/LID Repayments	12,000	12,000	27,063	(2,841)	24,222
Total Revenues	<u>13,300</u>	<u>13,300</u>	<u>27,154</u>	<u>-</u>	<u>27,154</u>
Expenditures:					
Administration	300	300	56	-	56
Debt Service	-	-	-	1,990	1,990
Total Expenditures	<u>300</u>	<u>300</u>	<u>56</u>	<u>1,990</u>	<u>2,046</u>
Excess (Deficit) of Revenues Over Expenditures	13,000	13,000	27,098	(1,990)	25,108
Other Financing Uses:					
Interfund Loan Transfers Out	(27,000)	(27,000)	(27,000)	27,000	-
Total Other Financing Uses:	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>27,000</u>	<u>-</u>
Net Change in Fund Balance	(14,000)	(14,000)	98	25,010	25,108
Fund Balance, July 1, 2011	<u>14,000</u>	<u>14,000</u>	<u>24,573</u>	<u>(101,189)</u>	<u>(76,616)</u>
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,671</u>	<u>\$ (76,179)</u>	<u>\$ (51,508)</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STATE AND FEDERAL GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE &amp; FEDERAL GRANTS FUND</b>					
Revenue:					
Intergovernmental	\$ 2,427,723	\$ 2,605,723	\$ 1,710,220	\$ -	\$ 1,710,220
Charges for Services	700	700	842	-	842
Interest	380	380	272	-	272
Miscellaneous	15,700	41,700	139,923	-	139,923
<b>Total Revenues</b>	<b>2,444,503</b>	<b>2,648,503</b>	<b>1,851,257</b>	<b>-</b>	<b>1,851,257</b>
Expenditures:					
Administration	1,429	1,429	79	-	79
Public Safety	93,992	93,992	9,742	-	9,742
Transportation and Streets	1,073,823	1,094,823	133,402	-	133,402
Parks and Recreation	24,857	29,857	22,547	-	22,547
Airport	1,302,500	1,480,500	1,433,431	-	1,433,431
Economic/Community Development	8,200	8,200	5,443	-	5,443
<b>Total Expenditures</b>	<b>2,504,801</b>	<b>2,708,801</b>	<b>1,604,644</b>	<b>-</b>	<b>1,604,644</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(60,298)</b>	<b>(60,298)</b>	<b>246,613</b>	<b>-</b>	<b>246,613</b>
Other Financing Sources:					
Transfers In	87,500	87,500	7,500	-	7,500
<b>Total Other Financing Sources</b>	<b>87,500</b>	<b>87,500</b>	<b>7,500</b>	<b>-</b>	<b>7,500</b>
<b>Net Change in Fund Balance</b>	<b>27,202</b>	<b>27,202</b>	<b>254,113</b>	<b>-</b>	<b>254,113</b>
<b>Fund Balance, July 1, 2011</b>	<b>(27,202)</b>	<b>(27,202)</b>	<b>(194,573)</b>	<b>-</b>	<b>(194,573)</b>
<b>Fund Balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,540</b>	<b>\$ -</b>	<b>\$ 59,540</b>

**BAKER CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**BUDGET TO GAAP RECONCILIATION**

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

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>
Net Change in Fund Balance - Budget Basis	\$ (135,848)	\$ 210,789	\$ 98	\$ 254,113
<i>Budget resources not qualifying as revenues or other financing sources under GAAP:</i>				
Interest included in LID repayments received is reclassified to interest income.	-	-	-	-
Indirect and other cost reimbursements received are reported as revenues or other financing sources on a budget basis. Such receipts are reclassified as a reduction of expenditures on a GAAP basis.	(299,232)	-	-	-
<i>Budget expenditures not qualifying as expenditures or other financing uses under GAAP:</i>				
Indirect and other costs reimbursed are reported as expenditures or other financing uses on a budget basis. Such disbursements are reclassified as a reduction of revenues and other financing sources on a GAAP basis.	299,232	-	-	-
Loans or loan payments made to other funds are reported as an other financing use (transfer) on a budget basis. Such loans are reclassified as either interfund loans payable (current portion) or advances from other funds (long-term portion) or, as a reduction in interfund loans payable or advances from other funds. The interest portion of interfund loans repaid is reclassified to debt service.	-	-	25,010	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$276,428 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ (135,848)</u>	<u>\$ 210,789</u>	<u>\$ 25,108</u>	<u>\$ 254,113</u>

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**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 monies specifically levied and collected for the maintenance of the City swimming pool.

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

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

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

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

**Fire Equipment Reserve Fund:** This fund is used to account for the acquisition of major pieces of fire fighting 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 can never be expended but the interest earned on the corpus is transferred to the General Fund and used for cemetery maintenance.

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

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

**BAKER CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Special Revenue		Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Trust	
Cash and Cash Equivalents	\$ 47,841	\$ 254,061	\$ 722	\$ 81,298	\$ 92,990	\$ 318,628	\$ 2,888	\$ 775,793	\$ 1,574,221
Interest Receivable	-	-	-	-	-	-	-	55	55
Intergovernmental Receivable	-	-	-	-	30,604	-	-	-	30,604
Notes Receivable	-	-	-	-	-	-	-	8,969	8,969
Taxes Receivable	7,182	-	-	-	-	-	-	-	7,182
Due from Other Funds	-	-	-	-	-	18,878	-	-	18,878
Advances to Other Funds	-	-	-	-	-	167,575	-	-	167,575
Other Investments	-	-	-	-	-	888	-	-	888
Total Assets	\$ 55,023	\$ 254,061	\$ 722	\$ 81,298	\$ 123,594	\$ 505,969	\$ 2,888	\$ 784,817	\$ 1,808,372
Liabilities:									
Accounts Payable	\$ 650	\$ -	-	\$ 1,300	\$ 32,215	\$ -	\$ -	\$ -	\$ 34,165
Accrued Payroll Taxes	438	-	-	173	-	-	-	-	611
Deferred Revenue	6,617	-	-	-	-	-	-	8,969	15,586
Total Liabilities	7,705	-	-	1,473	32,215	-	-	8,969	50,362
Fund Balance:									
Restricted for 2089 Celebration	-	-	-	-	-	-	2,888	-	2,888
Restricted for Cemetery Care	-	254,061	-	-	-	-	-	-	254,061
Restricted for Street Trees	-	-	-	-	-	-	-	1,737	1,737
Committed for Cemetery Care	-	-	-	-	-	505,969	-	-	505,969
Committed for Sidewalks	-	-	-	79,825	-	-	-	-	79,825
Committed for Street Treet	-	-	722	-	-	-	-	-	722
Assigned for Fire Equipment	-	-	-	-	91,379	-	-	-	91,379
Assigned for Samo Swim Maintenance	47,318	-	-	-	-	-	-	-	47,318
Nonspendable	-	-	-	-	-	-	-	-	-
Total Fund Balance	47,318	254,061	722	79,825	91,379	505,969	2,888	774,111	1,758,010
Total Liabilities and Fund Balance	\$ 55,023	\$ 254,061	\$ 722	\$ 81,298	\$ 123,594	\$ 505,969	\$ 2,888	\$ 784,817	\$ 1,808,372

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Special Revenue			Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Fund		
Revenue:										
Taxes	\$ 75,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,904	
Intergovernmental	-	-	-	-	30,604	-	-	-	30,604	
Charges for Services	-	-	-	2,633	-	-	-	-	2,633	
Interest	321	1,466	11	453	535	2,822	17	1,737	7,362	
Bequest	-	-	-	-	-	-	-	774,111	774,111	
Total Revenue	76,225	1,466	11	3,086	31,139	2,822	17	775,848	890,614	
Expenditures:										
Public Safety	-	-	-	-	-	-	-	-	-	
Community Development	-	-	1,387	-	32,215	-	-	-	32,215	
Sidewalks	-	-	-	-	-	-	-	-	1,387	
Parks and Recreation	-	-	-	34,389	-	-	-	-	34,389	
Total Expenditures	76,072	-	1,387	34,389	32,215	-	-	-	76,072	
Excess (Deficit) of Revenues Over Expenditures	153	1,466	(1,376)	(31,303)	(1,076)	2,822	17	775,848	746,551	
Other Financing Sources (Uses):										
Transfers In	10,000	-	-	54,959	28,000	-	-	-	92,959	
Transfers Out	-	(1,466)	-	-	-	(2,822)	-	-	(4,288)	
Total Other Financing Sources (Uses)	10,000	(1,466)	-	54,959	28,000	(2,822)	-	-	88,671	
Net Change in Fund Balance	10,153	-	(1,376)	23,656	26,924	-	17	775,848	835,222	
Fund Balance, July 1, 2011	37,165	254,061	2,098	56,169	64,455	505,969	2,871	-	922,788	
Fund Balance, June 30, 2012	\$ 47,318	\$ 254,061	\$ 722	\$ 79,825	\$ 91,379	\$ 505,969	\$ 2,888	\$ 775,848	\$ 1,758,010	

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SAMO SWIM MAINTENANCE FUND</b>					
Revenue:					
Taxes	\$ 73,843	\$ 73,843	\$ 75,904	\$ -	\$ 75,904
Miscellaneous	814	814	-	-	-
Interest	300	300	321	-	321
Total Revenues	<u>74,957</u>	<u>74,957</u>	<u>76,225</u>	<u>-</u>	<u>76,225</u>
Expenditures:					
Samo Swim Center	96,814	96,814	76,072	-	76,072
Contingency	143	143	-	-	-
Total Expenditures	<u>96,957</u>	<u>96,957</u>	<u>76,072</u>	<u>-</u>	<u>76,072</u>
Excess (Deficit) of Revenues Over Expenditures	(22,000)	(22,000)	153	-	153
Other Financing Sources:					
Transfers In	10,000	10,000	10,000	-	10,000
Net Change in Fund Balance	(12,000)	(12,000)	10,153	-	10,153
Fund Balance, July 1, 2011	12,000	12,000	37,165	-	37,165
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,318</u>	<u>\$ -</u>	<u>\$ 47,318</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>JOHN SCHMITZ TRUST FUND</b>					
Revenue:					
Interest	\$ 2,500	\$ 2,500	\$ 1,466	\$ -	\$ 1,466
Expenditures:					
Operating Contingency	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(2,500)	(2,500)	(1,466)	-	(1,466)
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2011	254,061	254,061	254,061	-	254,061
Fund Balance, June 30, 2012	<u>\$ 254,061</u>	<u>\$ 254,061</u>	<u>\$ 254,061</u>	<u>\$ -</u>	<u>\$ 254,061</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TREE CITY FUND</b>					
Revenue:					
Charges for Services	\$ 5,500	\$ 5,500	\$ -	\$ -	\$ -
Interest	15	15	11	-	11
Total Revenues	<u>5,515</u>	<u>5,515</u>	<u>11</u>	<u>-</u>	<u>11</u>
Expenditures:					
Community Development	<u>7,605</u>	<u>7,605</u>	<u>1,387</u>	<u>-</u>	<u>1,387</u>
Net Change in Fund Balance	(2,090)	(2,090)	(1,376)	-	(1,376)
Fund Balance, July 1, 2011	<u>2,090</u>	<u>2,090</u>	<u>2,098</u>	<u>-</u>	<u>2,098</u>
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 722</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SIDEWALK UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 2,000	\$ 2,000	\$ 2,633	\$ -	\$ 2,633
Interest	750	750	453	-	453
Total Revenues	<u>2,750</u>	<u>2,750</u>	<u>3,086</u>	<u>-</u>	<u>3,086</u>
Expenditures:					
Sidewalk Grants	43,554	43,554	26,325	-	26,325
Sidewalk Projects	13,943	13,943	8,064	-	8,064
Operating Contingency	<u>52,567</u>	<u>52,567</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>110,064</u>	<u>110,064</u>	<u>34,389</u>	<u>-</u>	<u>34,389</u>
Other Financing Sources:					
Transfers In	<u>60,000</u>	<u>60,000</u>	<u>54,959</u>	<u>-</u>	<u>54,959</u>
Net Change in Fund Balance	(47,314)	(47,314)	23,656	-	23,656
Fund Balance, July 1, 2011	<u>47,314</u>	<u>47,314</u>	<u>56,169</u>	<u>-</u>	<u>56,169</u>
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,825</u>	<u>\$ -</u>	<u>\$ 79,825</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
<b>FIRE EQUIPMENT RESERVE FUND</b>					
Revenue:					
Interest	\$ 1,000	\$ 1,000	\$ 535	\$ -	\$ 535
Intergovernmental	294,500	294,500	30,604	-	30,604
Miscellaneous	1,000	1,000	-	-	-
<b>Total Revenues</b>	<u>296,500</u>	<u>296,500</u>	<u>31,139</u>	<u>-</u>	<u>31,139</u>
Expenditures:					
Fire and EMS Equipment	311,000	311,000	32,215	-	32,215
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(14,500)	(14,500)	(1,076)	-	(1,076)
Other Financing Sources (Uses):					
Transfers In	28,000	28,000	28,000	-	28,000
<b>Net Change in Fund Balance</b>	13,500	13,500	26,924	-	26,924
<b>Fund Balance, July 1, 2011</b>	<u>64,392</u>	<u>64,392</u>	<u>64,455</u>	<u>-</u>	<u>64,455</u>
<b>Fund Balance, June 30, 2012</b>	<u>\$ 77,892</u>	<u>\$ 77,892</u>	<u>\$ 91,379</u>	<u>\$ -</u>	<u>\$ 91,379</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>MT HOPE TRUST FUND</b>					
Revenue:					
Interest	\$ 2,850	\$ 2,850	\$ 1,734	\$ 1,088	\$ 2,822
Total Revenues	2,850	2,850	1,734	1,088	2,822
Other Financing Sources (Uses):					
Transfers Out	(4,000)	(4,000)	(2,822)	-	(2,822)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	16,000	16,000	17,178	(20,000)	(2,822)
Net Change in Fund Balance	18,850	18,850	18,912	(18,912)	-
Fund Balance, July 1, 2011	301,500	301,500	300,605	205,364	505,969
Fund Balance, June 30, 2012	<u>\$ 320,350</u>	<u>\$ 320,350</u>	<u>\$ 319,517</u>	<u>\$ 186,452</u>	<u>\$ 505,969</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>ONE HUNDRED YEAR TRUST</b>					
Revenue:					
Interest	\$ 27	\$ 27	\$ 17	\$ -	\$ 17
Total Revenues	27	27	17	-	17
Net Change in Fund Balance	27	27	17	-	17
Fund Balance, July 1, 2011	2,700	2,700	2,871	-	2,871
Fund Balance, June 30, 2012	<u>\$ 2,727</u>	<u>\$ 2,727</u>	<u>\$ 2,888</u>	<u>\$ -</u>	<u>\$ 2,888</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>A. SILVERS STREET TREE TRUST</b>					
Revenue:					
Interest	\$ -	\$ -	\$ 1,737	\$ -	\$ 1,737
Bequest	-	-	774,111	-	774,111
Total Revenues	-	-	775,848	-	775,848
Net Change in Fund Balance	-	-	775,848	-	775,848
Fund Balance, July 1, 2011	-	-	-	-	-
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,848</u>	<u>\$ -</u>	<u>\$ 775,848</u>

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## **Major Business-Type Funds**

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

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

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

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

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

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

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WATER UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 1,963,825	\$ 1,963,825	\$ 2,001,470	\$ -	\$ 2,001,470
Interest	13,000	13,000	9,664	-	9,664
Miscellaneous	17,052	17,052	28,971	-	28,971
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
<b>Total Revenues</b>	<b>2,006,877</b>	<b>2,006,877</b>	<b>2,053,105</b>	<b>(13,000)</b>	<b>2,040,105</b>
Expenses:					
Maintenance	1,298,219	1,298,219	1,114,463	(25,219)	1,089,244
Construction	1,053,004	1,053,004	561,058	(561,058)	-
Depreciation	-	-	-	344,736	344,736
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<b>2,551,223</b>	<b>2,551,223</b>	<b>1,675,521</b>	<b>(241,541)</b>	<b>1,433,980</b>
Excess (Deficit) of Revenues Over Expenses	(544,346)	(544,346)	377,584	228,541	606,125
Net Change in Fund Balance	(544,346)	(544,346)	377,584	228,541	606,125
Fund Balance, July 1, 2011	1,102,170	1,102,170	1,393,186	15,158,735	16,551,921
Fund Balance, June 30, 2012	<b>\$ 557,824</b>	<b>\$ 557,824</b>	<b>\$ 1,770,770</b>	<b>\$ 15,387,276</b>	<b>\$ 17,158,046</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WASTEWATER UTILITY FUND*</b>					
Revenue:					
Charges for Services	\$ 1,067,000	\$ 1,067,000	\$ 1,042,778	\$ 109,639	\$ 1,152,417
Rental Income	3,782	3,782	3,782	-	3,782
Interest	5,000	5,000	4,008	1,086	5,094
Special Assessments/LID Repayments	4,377	4,377	848	(848)	-
Miscellaneous	40,664	40,664	30,483	-	30,483
<b>Total Revenues</b>	<b>1,120,823</b>	<b>1,120,823</b>	<b>1,081,899</b>	<b>109,877</b>	<b>1,191,776</b>
Expenses:					
Maintenance	808,597	808,597	786,926	6,475	793,401
Construction	306,874	306,874	197,267	(197,267)	-
Depreciation	-	-	-	203,764	203,764
Operating Contingency	40,000	40,000	-	-	-
<b>Total Expenses</b>	<b>1,155,471</b>	<b>1,155,471</b>	<b>984,193</b>	<b>12,972</b>	<b>997,165</b>
Net Change in Fund Balance	(34,648)	(34,648)	97,706	96,905	194,611
Fund Balance, July 1, 2011	564,434	564,434	616,508	4,737,700	5,354,208
Fund Balance, June 30, 2012	<u>\$ 529,786</u>	<u>\$ 529,786</u>	<u>\$ 714,214</u>	<u>\$ 4,834,605</u>	<u>\$ 5,548,819</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>RECLAIMED WATER USE FUND - CAPITAL PROJECTS*</b>					
Revenue:					
Interest	\$ -	\$ -	\$ 238	\$ (238)	\$ -
Charges for Services	105,100	105,100	109,639	(109,639)	-
<b>Total Revenues</b>	<b>105,100</b>	<b>105,100</b>	<b>109,877</b>	<b>(109,877)</b>	<b>-</b>
Expenditures:					
Maintenance	5,255	6,755	6,475	(6,475)	-
Construction	50,000	48,500	18,891	(18,891)	-
<b>Total Expenses</b>	<b>55,255</b>	<b>55,255</b>	<b>25,366</b>	<b>(25,366)</b>	<b>-</b>
Net Change in Fund Balance	49,845	49,845	84,511	(84,511)	-
Fund Balance, July 1, 2011	-	-	-	-	-
Fund Balance, June 30, 2012	<u>\$ 49,845</u>	<u>\$ 49,845</u>	<u>\$ 84,511</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GOLF COURSE OPERATION FUND</b>					
Revenue:					
Rental Income	22,500	22,500	2,500	-	2,500
Interest Income	-	-	-	624	624
Miscellaneous	6,796	6,796	5,613	(5,513)	100
<b>Total Revenues</b>	<b>29,296</b>	<b>29,296</b>	<b>8,113</b>	<b>(4,889)</b>	<b>3,224</b>
Expenses:					
Maintenance	12,796	62,796	62,437	(56,340)	6,097
Debt Service	-	-	-	1,088	1,088
Depreciation	-	-	-	13,830	13,830
<b>Total Expenses</b>	<b>12,796</b>	<b>62,796</b>	<b>62,437</b>	<b>(41,422)</b>	<b>21,015</b>
Excess (Deficit) of Revenues Over Expenses	16,500	(33,500)	(54,324)	36,533	(17,791)
Other Financing Sources (Uses):					
Interfund Transfers In	3,500	53,500	75,351	-	75,351
Interfund Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(16,500)</b>	<b>33,500</b>	<b>55,351</b>	<b>20,000</b>	<b>75,351</b>
Net Change in Fund Balance	-	-	1,027	56,533	57,560
Fund Balance, July 1, 2011	-	-	(543)	1,027,230	1,026,687
Fund Balance, June 30, 2012	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 484</b>	<b>\$ 1,083,763</b>	<b>\$ 1,084,247</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as	Revised	Budget Basis	Adjustment	GAAP Basis
<b>BUILDING INSPECTIONS FUND</b>					
Revenue:					
Charges for Services	\$ 298,723	\$ 298,723	\$ 315,523	\$ -	\$ 315,523
Interest	2,000	2,000	1,118	-	1,118
Miscellaneous	811	811	621	-	621
<b>Total Revenues</b>	<b>301,534</b>	<b>301,534</b>	<b>317,262</b>	<b>-</b>	<b>317,262</b>
Expenditures:					
Personal Services	246,359	246,359	245,166	-	245,166
Materials and Services	149,122	149,122	119,170	-	119,170
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	20,000	-	-	-
<b>Total Expenses</b>	<b>415,481</b>	<b>415,481</b>	<b>364,336</b>	<b>1,992</b>	<b>366,328</b>
Excess (Deficit) of Revenues Over Expenses	(113,947)	(113,947)	(47,074)	(1,992)	(49,066)
Fund Balance, July 1, 2011	171,870	171,870	193,327	14,292	207,619
Fund Balance, June 30, 2012	<u>\$ 57,923</u>	<u>\$ 57,923</u>	<u>\$ 146,253</u>	<u>\$ 12,300</u>	<u>\$ 158,553</u>

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## **Internal Service Funds**

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

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

**Insurance Reserve Fund:** This fund was created with transfers from other funds. This fund is intended to pay future insurance penalties which the City will pay as part of its risk management discounted insurance program if the City's insurance claims go above the amount projected.

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

**BAKER CITY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2012**

	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 11,378	\$ 502,806	\$ 514,184
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	94	94
Due From Other Funds	-	-	32,786	32,786
Inventories	277,815	-	-	277,815
<b>Total Current Assets</b>	<u>277,815</u>	<u>11,378</u>	<u>535,686</u>	<u>824,879</u>
<b>Noncurrent Assets:</b>				
Advances to Other Funds	-	-	45,546	45,546
<b>Capital Assets:</b>				
Buildings	-	-	39,524	39,524
Equipment and Vehicles	-	-	2,563,112	2,563,112
Less: Accumulated Depreciation	-	-	(1,950,909)	(1,950,909)
<b>Total Capital Assets</b>	<u>-</u>	<u>-</u>	<u>651,727</u>	<u>651,727</u>
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>	<u>697,273</u>	<u>697,273</u>
<b>Total Assets</b>	<u>\$ 277,815</u>	<u>\$ 11,378</u>	<u>\$ 1,232,959</u>	<u>\$ 1,522,152</u>
<b>Current Liabilities:</b>				
Accounts Payable	\$ 2,598	\$ -	\$ 8,907	\$ 11,505
Due to Other Funds	2,154	-	-	2,154
Accrued Payroll Taxes and Benefits Payable	-	-	8,642	8,642
Compensated Absences Payable	-	-	9,890	9,890
<b>Total Current Liabilities</b>	<u>4,752</u>	<u>-</u>	<u>27,439</u>	<u>32,191</u>
<b>Net Assets:</b>				
Invested in Capital Assets	-	-	651,727	651,727
Unrestricted	273,063	11,378	553,793	838,234
<b>Total Net Assets</b>	<u>\$ 273,063</u>	<u>\$ 11,378</u>	<u>\$ 1,205,520</u>	<u>\$ 1,489,961</u>

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenue:</b>				
Charges for Sales and Services	\$ 136,597	\$ -	\$ 376,612	\$ 513,209
Miscellaneous Income	-	-	12,549	12,549
<b>Total Revenue</b>	<u>136,597</u>	<u>-</u>	<u>389,161</u>	<u>525,758</u>
<b>Operating Expenses:</b>				
Cost of Sales and Services	134,211	-	358,066	492,277
Depreciation	-	-	95,413	95,413
<b>Total Expenses</b>	<u>134,211</u>	<u>-</u>	<u>453,479</u>	<u>587,690</u>
<b>Operating Income (Loss)</b>	2,386	-	(64,318)	(61,932)
<b>Nonoperating Revenue (Expense):</b>				
Interest Income	-	50	5,144	5,194
Contributions	-	-	22,000	22,000
Gain on Equipment Sale	-	-	1,353	1,353
<b>Total Nonoperating Revenue (Expense)</b>	<u>-</u>	<u>50</u>	<u>28,497</u>	<u>28,547</u>
<b>Change in Net Assets</b>	2,386	50	(35,821)	(33,385)
Net Assets, July 1, 2011	270,677	11,328	1,241,341	1,523,346
<b>Net Assets June 30, 2012</b>	<u>\$ 273,063</u>	<u>\$ 11,378</u>	<u>\$ 1,205,520</u>	<u>\$ 1,489,961</u>

**BAKER CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Central Stores	Insurance Reserve Fund	Equipment and Vehicle	Total Internal Service Funds
<b>Cash from Operating Activities:</b>				
Receipts from Customers and Users	\$ 514	\$ -	\$ -	\$ 514
Receipts from Interfund Services Provided	136,083	-	376,612	512,695
Other Receipts	-	-	13,165	13,165
Payments to Suppliers	(188,855)	-	(173,034)	(361,889)
Payments to Employees	-	-	(168,860)	(168,860)
Payments for Interfund Services Used	-	-	(127)	(127)
Net Cash Provided (Used) by Operating Activities	<u>(52,258)</u>	<u>-</u>	<u>47,756</u>	<u>(4,502)</u>
<b>Cash Flows from Non Capital Financing Activities:</b>				
Advances from (to) Other Funds	2,154	-	(2,154)	-
Repayments from (to) Other Funds	-	-	25,010	25,010
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,154</u>	<u>-</u>	<u>22,856</u>	<u>25,010</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Receipts on Sale of Capital Assets	-	-	1,353	1,353
Purchases of Capital Assets	-	-	(199,193)	(199,193)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(197,840)</u>	<u>(197,840)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	-	50	5,144	5,194
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>50</u>	<u>5,144</u>	<u>5,194</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(50,104)	50	(122,084)	(172,138)
Cash and Cash Equivalents, July 1, 2011	50,104	11,328	624,890	686,322
Cash and Cash Equivalents, June 30, 2012	<u>\$ -</u>	<u>\$ 11,378</u>	<u>\$ 502,806</u>	<u>\$ 514,184</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 2,386	\$ -	\$ (64,318)	\$ (61,932)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation Expense	-	-	95,413	95,413
Non Cash Equipment Trade for Supplies	-	-	3,450	3,450
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	-	-	616	616
(Increase) Decrease in Inventories	(6,388)	-	-	(6,388)
Increase (Decrease) in Accounts Payable	(48,256)	-	2,848	(45,408)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	-	7,249	7,249
Increase (Decrease) in Compensated Absences Payable	-	-	2,498	2,498
Total Adjustments	<u>(54,644)</u>	<u>-</u>	<u>112,074</u>	<u>57,430</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (52,258)</u>	<u>\$ -</u>	<u>\$ 47,756</u>	<u>\$ (4,502)</u>

A non cash transaction occurred in the Equipment and Vehicle Fund when equipment valued at \$22,000 was contributed to the City.

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>CENTRAL STORES FUND</b>					
Revenue:					
Charges for Services	\$ 146,500	\$ 146,500	\$ 136,597	\$ -	\$ 136,597
Total Revenues	<u>146,500</u>	<u>146,500</u>	<u>136,597</u>	<u>-</u>	<u>136,597</u>
Expenses:					
Cost of Inventory Sold	146,500	146,500	134,211	-	134,211
Operating Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>196,500</u>	<u>196,500</u>	<u>134,211</u>	<u>-</u>	<u>134,211</u>
Net Change in Fund Balance	(50,000)	(50,000)	2,386	-	2,386
Fund Balance, July 1, 2011	<u>250,000</u>	<u>250,000</u>	<u>270,677</u>	<u>-</u>	<u>270,677</u>
Fund Balance, June 30, 2012	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 273,063</u>	<u>\$ -</u>	<u>\$ 273,063</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>INSURANCE RESERVE FUND</b>					
Revenue:					
Interest	\$ 100	\$ 100	\$ 50	\$ -	\$ 50
Total Revenues	<u>100</u>	<u>100</u>	<u>50</u>	<u>-</u>	<u>50</u>
Expenditures:					
Insurance Penalty	<u>11,400</u>	<u>11,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources:					
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(11,300)	(11,300)	50	-	50
Fund Balance, July 1, 2011	<u>11,300</u>	<u>11,300</u>	<u>11,328</u>	<u>-</u>	<u>11,328</u>
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,378</u>	<u>\$ -</u>	<u>\$ 11,378</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>EQUIPMENT &amp; VEHICLE FUND</b>					
Revenue:					
Charges for Services	\$ 479,827	\$ 479,827	\$ 376,612	\$ -	\$ 376,612
Interest	6,000	6,000	3,154	1,990	5,144
Miscellaneous	11,235	11,235	12,549	-	12,549
Contributions	-	-	-	22,000	22,000
Gain on Equipment Sale	-	-	1,353	-	1,353
<b>Total Revenues</b>	<b>497,062</b>	<b>497,062</b>	<b>393,668</b>	<b>23,990</b>	<b>417,658</b>
Expenses:					
Equipment Operations	401,324	401,324	354,616	3,450	358,066
Equipment Purchases	205,000	205,000	199,193	(199,193)	-
Depreciation	-	-	-	95,413	95,413
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<b>806,324</b>	<b>806,324</b>	<b>553,809</b>	<b>(100,330)</b>	<b>453,479</b>
Excess (Deficit) of Revenues Over Expenses	(309,262)	(309,262)	(160,141)	124,320	(35,821)
Other Financing Sources:					
Interfund Transfers In	27,000	27,000	27,000	(27,000)	-
Total Other Financing Sources	27,000	27,000	27,000	(27,000)	-
Net Change in Fund Balance	(282,262)	(282,262)	(133,141)	97,320	(35,821)
Fund Balance, July 1, 2011	606,215	606,215	610,757	630,584	1,241,341
Fund Balance, June 30, 2012	<u>\$ 323,953</u>	<u>\$ 323,953</u>	<u>\$ 477,616</u>	<u>\$ 727,904</u>	<u>\$ 1,205,520</u>

# Summary of Property Tax Transactions

**BAKER CITY**  
**SUMMARY OF PROPERTY TAX TRANSACTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Tax Year	Taxes Receivable June 30, 2011	2011-2012 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2012
2011-12		\$ 2,949,804	\$ (70,285)	\$ 1,142	\$ (1,357)	\$ (2,741,559)	\$ 137,745
2010-11	\$ 133,982			3,273	(95)	(58,951)	78,209
2009-10	58,088			2,887	(86)	(22,227)	38,662
2008-09	31,486			4,219	(69)	(22,352)	13,284
2007-08	8,086			1,969	(57)	(9,010)	988
Prior	3,766			211	(121)	(645)	3,211
	\$ 235,408	\$ 2,949,804	\$ (70,285)	\$ 13,701	\$ (1,785)	\$ (2,854,744)	\$ 272,099

**Taxes Receivable June 30, 2012 by Fund**

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2011-12	\$ 108,667	\$ 25,443	\$ 3,637
2010-11	61,698	14,445	2,064
2009-10	30,500	7,141	1,020
2008-09	10,480	2,454	351
2007-08	779	182	26
Prior	2,533	593	85
	\$ 214,658	\$ 50,258	\$ 7,183

**Collections by Fund**

	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Current Year				
Levy	\$ 2,740,417	\$ 2,161,942	\$ 506,182	\$ 72,293
Interest	1,142	901	211	30
Total	\$ 2,741,559	\$ 2,162,843	\$ 506,393	\$ 72,323

**Prior Years**  
Taxes & Interest

\$ 113,185	\$ 89,293	\$ 20,906	\$ 2,986
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# Audit Comments

Independent Auditor's Report  
Required by Oregon State Regulations

We have audited the basic financial statements of the City of Baker City, Oregon as of and for the year ended June 30, 2012, and have issued our report thereon dated January 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Baker 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 of Baker 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.

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

In planning and performing our audit, we considered the City of Baker City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. We did note certain other matters that were communicated to the City of Baker City's management in a letter dated January 3, 2012.

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



Robert P. Seymour  
Guyer & Associates  
Certified Public Accountants  
A Professional Corporation

January 3, 2013