

# City of Baker City, Oregon

Annual Financial Report  
For the Fiscal Year Ended

June 30, 2008



**BAKER CITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2008**

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**BAKER CITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2008**

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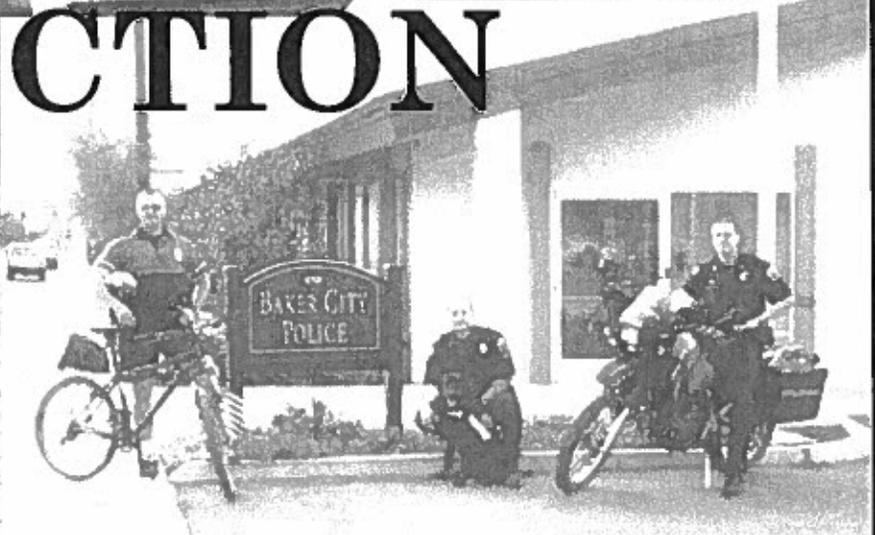
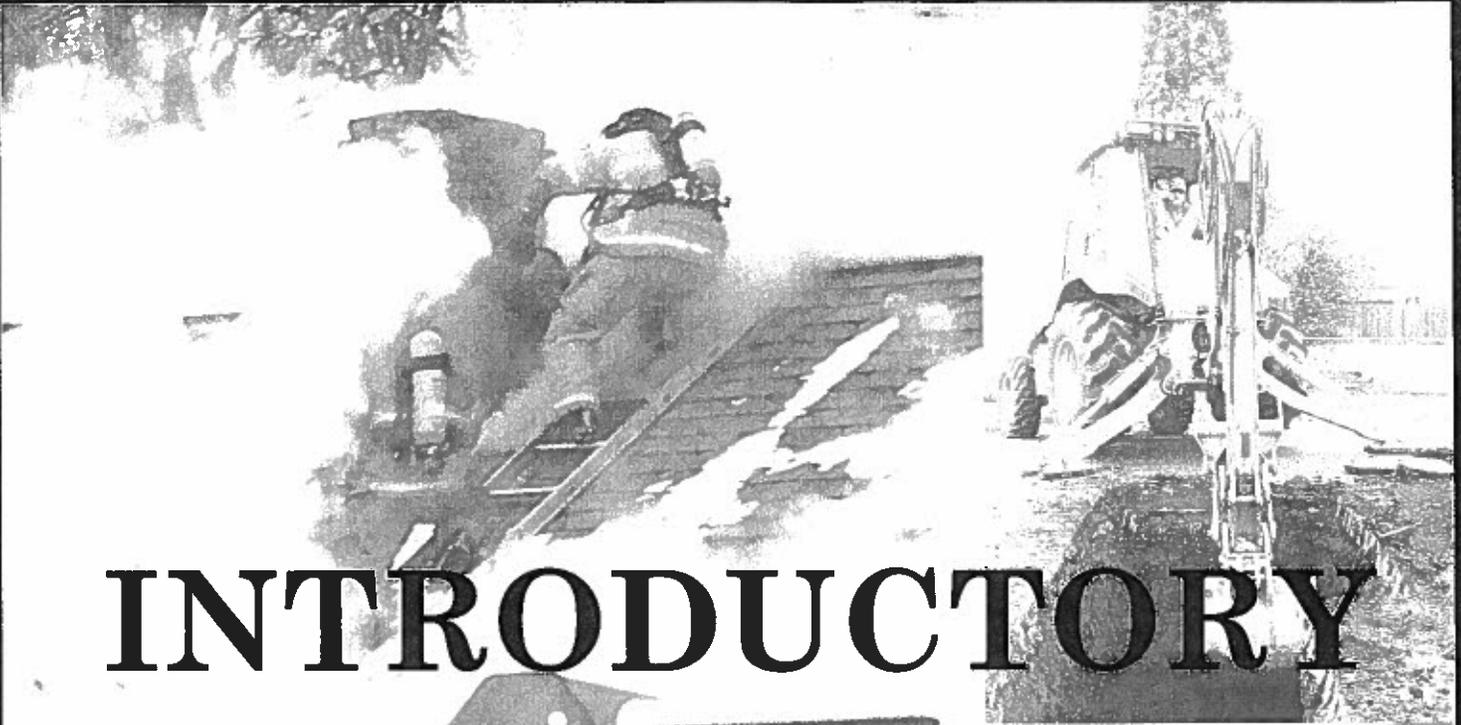
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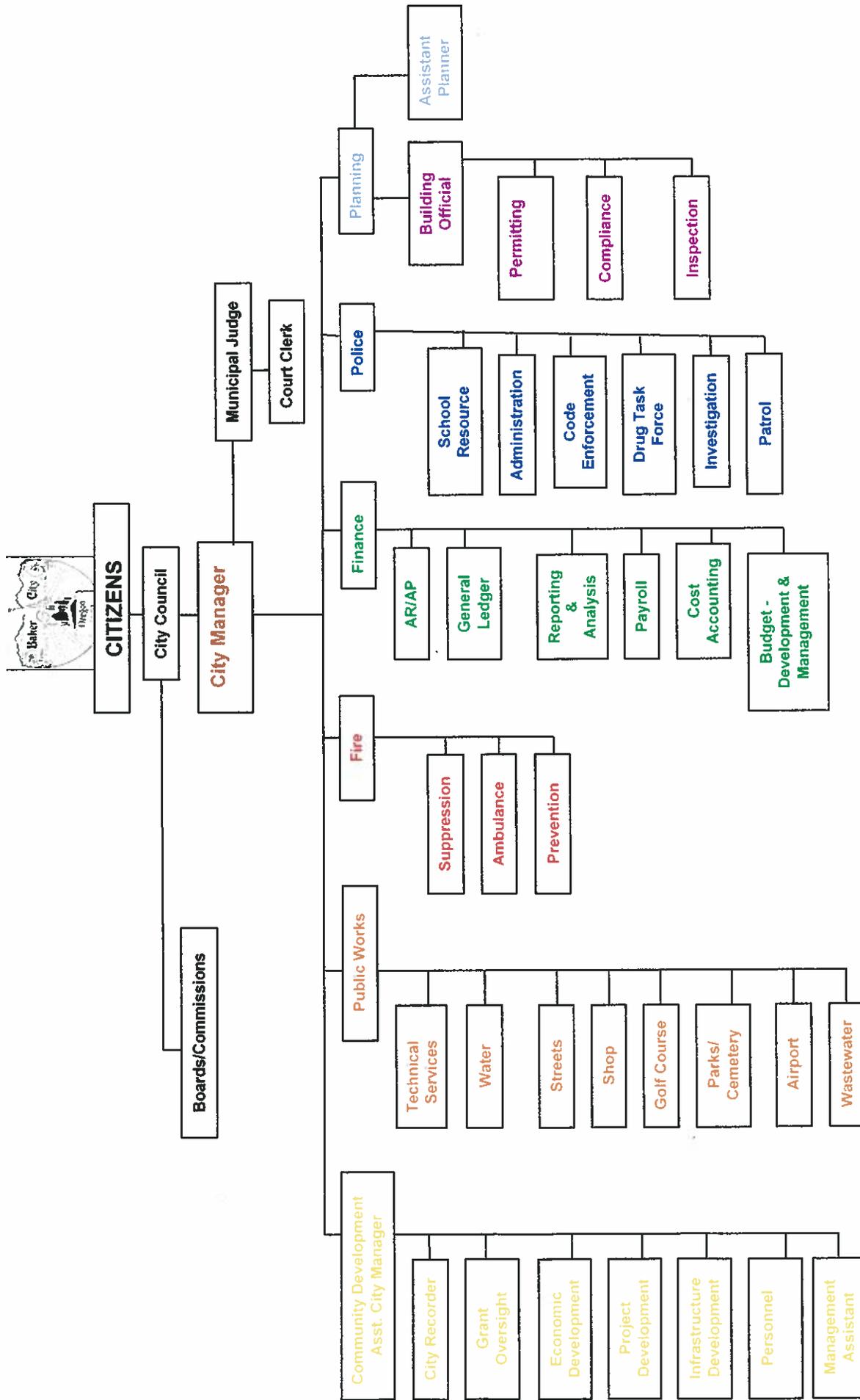
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# INTRODUCTORY SECTION



# 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, 2008**

**Term Expiration**

**Mayor:**

Jeff Petry 1460 H Street	December 31, 2008
-----------------------------	-------------------

**Council Members:**

Andrew Bryan 1915 Main Street	December 31, 2010
----------------------------------	-------------------

Beverly Calder 1246 Dewey Avenue	December 31, 2010
-------------------------------------	-------------------

Dennis Dorrah PO Box 548	December 31, 2010
-----------------------------	-------------------

Sam Bass 2450 19 <sup>th</sup> Street	December 31, 2008
--	-------------------

Gail Duman 970 Elkhorn Drive	December 31, 2008
---------------------------------	-------------------

Terry Schumacher 1600 Vista Heights	December 31, 2008
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**APPOINTED CITY OFFICERS AS OF JUNE 30, 2008**

**City Manager:**

Steve Brocato

**City Finance Director:**

Jeanie Dexter

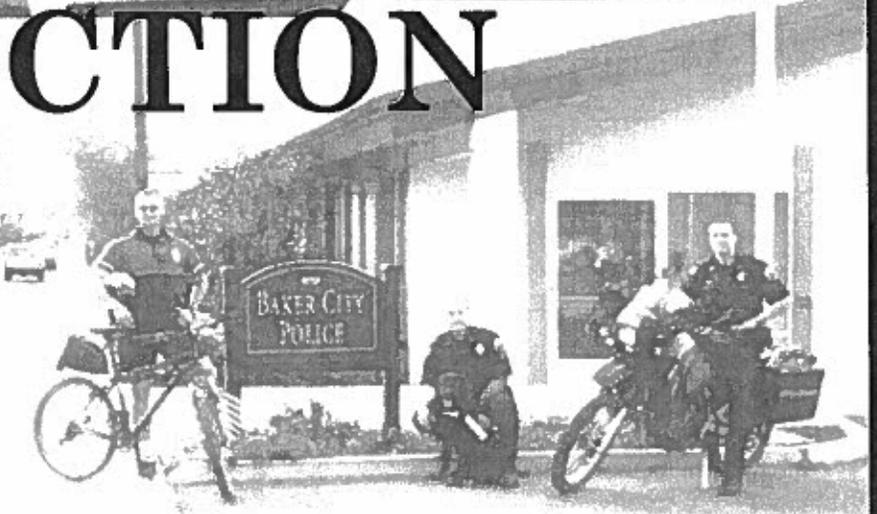
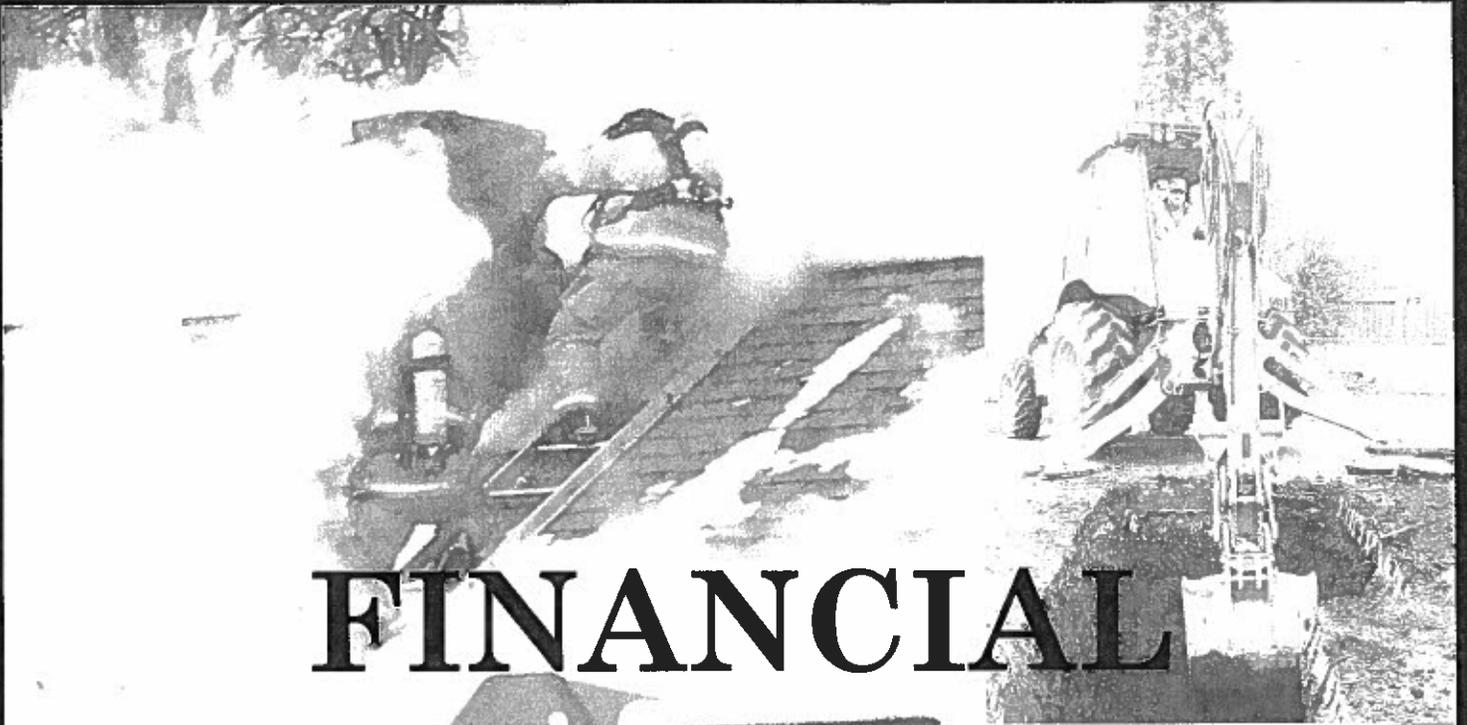
**City Attorney:**

Dan Van Thiel

**Municipal Judge:**

Lise Yervasi

# FINANCIAL SECTION



# Guyer & Associates

Certified Public Accountants  
A Professional Corporation

Randell C. Guyer, Jr.  
Kent J. Bailey  
Robert M. Burgess  
Megan R. Adams

David F. Lindley  
Scott A. Martin  
Robert P. Seymour  
Robert C. Gaslin

January 30, 2009

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, 2008, which collectively comprise the City'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 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, Oregon as of June 30, 2008 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.

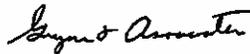
Managements discussion and analysis on pages 5 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. 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 41 through 45 are also supplementary information that is required by the Governmental Accounting Standards Board and has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

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Baker City, OR 97814  
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La Grande, OR 97850  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City, Oregon's basic financial statements. The introductory section, supplementary information consisting of combining and individual nonmajor fund financial statements, budgetary comparison schedules, and 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 express no opinion 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, 2008**

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, 2008. 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 statement 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 City's 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, 2008**

*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 ten 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 47-48.

*Proprietary funds* - the City has 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. Of the City's seven proprietary funds, four are Enterprise funds. The 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 internal service funds to account for its technical services function, equipment maintenance and replacement function, and some payroll related services. Of the seven proprietary funds, three are Internal Service Funds.

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 24-40 of this report.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

*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 \$38,434,525 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (77 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, 2008**

	Governmental Activities		Business-type Activities		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
<b>ASSETS</b>						
Current and Other Assets	\$ 5,908,765	\$ 6,119,007	\$ 3,422,429	\$ 3,187,695	\$ 9,331,194	\$ 9,306,702
Capital Assets	11,083,836	11,705,402	18,932,434	18,540,470	30,016,270	30,245,872
Total Assets	16,992,601	17,824,409	22,354,863	21,728,165	39,347,464	39,552,574
<b>LIABILITIES</b>						
Long-Term Liabilities	76,219	80,181	-	-	76,219	80,181
Other Liabilities	629,219	869,778	207,501	106,894	836,720	976,672
Total Liabilities	\$ 705,438	\$ 949,959	\$ 207,501	\$ 106,894	\$ 912,939	\$ 1,056,853
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	\$ 11,003,655	\$11,621,464	\$ 18,675,155	\$18,274,950	\$ 29,678,810	\$29,896,414
Restricted	791,783	794,974	-	-	791,783	794,974
Unrestricted	4,491,725	4,458,012	3,472,207	3,346,321	7,963,932	7,804,333
Total Net Assets	\$ 16,287,163	\$16,874,450	\$ 22,147,362	\$21,621,271	\$ 38,434,525	\$38,495,721

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

An additional portion of the City's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,963,962) may be used to meet the City's ongoing obligations to citizens and creditors.

Net asset for the City as a whole decreased by \$61,196 during the fiscal year ended June 30, 2008. The following is an analysis of this decrease.

**City of Baker City  
Summary of Changes in Net Assets  
June 30, 2008**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2006-07</u>
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 801,540	\$ 704,680	\$ 3,036,098	\$ 3,158,759	\$ 3,837,638	\$ 3,863,439
Operating Grants/Contrib.	764,536	695,100	-	-	764,536	695,100
Capital Grants/Contrib.	528,838	1,333,114	11,040	-	539,878	1,333,114
<b>General Revenues:</b>						
Property Taxes	2,544,089	2,399,607	-	-	2,544,089	2,399,607
Franchise Taxes	874,608	832,565	-	-	874,608	832,565
Lodging Taxes	-	887	-	-	-	887
Investment Earnings	263,316	309,222	118,271	98,217	381,587	407,439
Unrestricted Grants/Contrib.	211,100	198,488	-	-	211,100	198,488
Rental Income	22,987	20,498	6,782	3,782	29,769	24,280
Miscellaneous	45,076	288,972	61,844	62,224	106,920	351,196
<b>Total Revenues</b>	<b>\$ 6,056,090</b>	<b>\$ 6,783,133</b>	<b>\$ 3,234,035</b>	<b>\$ 3,322,982</b>	<b>\$ 9,290,125</b>	<b>\$ 10,106,115</b>
<b>EXPENSES</b>						
General Government	\$ 645,199	\$ 571,559	\$ -	\$ -	\$ 645,199	\$ 571,559
Public Safety	3,363,730	3,152,599	-	-	3,363,730	3,152,599
Transportation and Streets	1,789,529	1,636,593	-	-	1,789,529	1,636,593
Culture & Recreation	218,553	239,114	-	-	218,553	239,114
Economic Development	201,299	114,296	-	-	201,299	114,296
Cemetery	94,732	113,444	-	-	94,732	113,444
Airport	303,836	274,439	-	-	303,836	274,439
Hydro-Electric Plant	3,156	913	-	-	3,156	913
Interest on Long-Term Debt	23,343	32,542	-	-	23,343	32,542
Water	-	-	1,412,420	1,356,248	1,412,420	1,356,248
Wastewater	-	-	913,532	794,734	913,532	794,734
Golf Course	-	-	26,716	32,783	26,716	32,783
Building Department	-	-	355,276	297,905	355,276	297,905
<b>Total Expenses</b>	<b>6,643,377</b>	<b>6,135,499</b>	<b>2,707,944</b>	<b>2,481,670</b>	<b>9,351,321</b>	<b>8,617,169</b>
Revenues Over (Under) Exp	(587,287)	647,634	526,091	841,312	(61,196)	1,488,946
Residual Equity Transfer	-	(223,330)	-	223,330	-	-
<b>Change in Net Assets</b>	<b>(587,287)</b>	<b>424,304</b>	<b>526,091</b>	<b>1,064,642</b>	<b>(61,196)</b>	<b>1,488,946</b>
Net Assets – Beginning of Year	16,874,450	16,450,146	21,621,271	20,556,629	38,495,721	37,006,775
<b>Net Assets – End of Year</b>	<b>\$ 16,287,163</b>	<b>\$ 16,874,450</b>	<b>\$ 22,147,362</b>	<b>\$ 21,621,271</b>	<b>\$38,434,525</b>	<b>\$ 38,495,721</b>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

*Analysis of Changes in Net Assets*

**Governmental activities:** Net assets of the governmental activities decreased by \$587,287. An increase in current year depreciation expense and a decrease in capital grants accounted for the decrease.

**Business-type activities:** Net assets of the business-type activities increased by \$526,091. 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 mountain line 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 \$2.182 million to \$2.095 million. The decrease was the result of transfers from the General Fund to the Street Fund for D Street \$50,000; to the State and Federal Grants Fund for the airport grant match \$7,500; as well as an increase in operational expenditures. These decreases were partially offset by a \$145,000 increase in property tax revenues and a \$58,000 increase in franchise revenues.

**Street Fund:** The ending fund balance of the Street Fund increased from \$713,225 to \$785,675. This increase was due to transfers in from other funds of \$105,000 for D Street, an increase in property tax revenues of \$22,000 and an increase in intergovernmental revenues of \$45,000. These increases were offset by an increase in operational and maintenance expenses.

**LID Repayment Fund:** The ending fund balance of the LID Repayment Fund increased from (\$253,999) to (\$205,003). This is due to LID repayments offset by a transfer out to the Street Fund of \$55,000 for D Street.

**State and Federal Grants Fund:** The ending fund balance of the State and Federal Grants Fund increased from \$301,074 to \$385,982. This is mainly due to \$26,000 in FAA grants received but not expended, \$30,000 of LAMP grants and contributions received and not expended, \$7,500 transferred in from the General Fund and police drug dog contributions in excess of expenditures of \$10,000.

*Enterprise Funds*

**Water Fund:** The ending fund balance of the Water Fund increased from \$14,837,853 to \$15,325,980. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the mountain line project.

**Wastewater Fund:** The ending fund balance of the Wastewater Fund increased from \$4,754,786 to \$4,810,560. This is due to a continued effort to set aside funds in anticipation of future restrictions on the treatment and disposal of wastewater.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Golf Fund:** The ending fund balance of the Golf Fund increased from \$970,872 to \$982,696. The increase is the result of contributions to pave the parking lot in 2008-09.

**Building Inspections Fund:** The ending fund balance of the Building Inspections Fund increased from \$285,570 to \$308,990. The City has accumulated a reserve to cover unanticipated changes and the potential decline in building permit sales due to the economy.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Significant differences between the 2007-08 original budget as adopted and the final budget are as follows:

- A U.S. Department of Homeland Security Administration grant of \$106,020 was received and appropriated in the Fire Equipment Reserve Fund budget for the purchase of self contained breathing apparatus and a flow tester.
- A Leo Adler grant of \$6,800 was received and appropriated in the General Fund budget for various airport projects.
- A State Historic Preservation grant of \$20,000 was received and appropriated in the State and Federal Grants Fund budget for the installation of a new electrical system in the Carnegie Library.
- An Economic Development Council grant of \$68,000 was received and appropriated in the General Fund budget for economic development staffing and related expenses.
- Due to the unforeseen need of codification services \$5,288 was transferred from Contingency to the Administrative Services Department in the General Fund.
- Due to the unforeseen need for funds to purchase a new Police Facility \$200,000 was transferred from contingency to the Police Department in the General Fund.
- Due to an unusually heavy snow fall and unforeseen major repairs required by the City's grader \$30,000 was transferred from Contingency to the Snow and Ice Control Department in the Street Fund and \$18,000 was transferred from Contingency to the Equipment and Vehicle Operations Department of the Equipment & Vehicle Fund.
- ODOT Grants totaling \$4,500 were received and appropriated by the State and Federal Grants Fund for the purchase of child seats for low income families, a radar unit, bicycle patrol, helmets and vests.
- A Maybelle Clark MacDonald Fund grant of \$13,000 was received and appropriated by the General Fund for the purchase of two police motorcycles.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

- Due to unforeseen issues in the Building Inspections Fund which created a need for additional temporary and permanent personnel to be hired \$15,000 was transferred from Contingency to the Personal Services Category.
- Due to unforeseen major repairs of the City Hall elevator \$5,000 was transferred from the General Fund's Contingency to the Administrative Services Department.
- Due to an unforeseen agreement with the City of Halfway to contract out wastewater personnel and equipment which necessitated expenditures that weren't budgeted \$35,000 was transferred from the Wastewater Utility Fund's Contingency to the Wastewater Maintenance Department.

Significant differences between the 2007-08 final amended budget and the 2007-08 actual expenditures in the General Fund are as follows:

The City's final amended budget for the fiscal year ended 2007-08 included a contingency of \$89,712 and an unappropriated ending fund balance of \$1,257,810, for a total of \$1,347,522. The actual balance carried forward to 2008-09 is \$1,895,013. The difference of \$547,491 is explained below:

	Budget	Actual	Variance	Explanations
<b>REVENUE</b>				
Property Tax Revenue	\$ 1,932,078	\$2,011,899	\$ 79,821	Received more property taxes than anticipated.
Franchise Taxes	795,500	874,608	79,108	Received more franchise taxes than anticipated.
Investment Earnings	100,000	93,115	(6,885)	LGIP interest rate decreased in 07-08.
Other Revenue	1,632,555	1,571,661	(60,894)	Collected \$55,000 less in fines/forfeitures than budgeted.
<b>Total Revenue Increases</b>			<b>\$ 91,150</b>	
<b>EXPENDITURES</b>				
Personal Services	3,582,873	3,390,255	192,618	Vacant position for City Planning Director for 3 months, City Attorney changed from personnel to contract labor in October. There were three patrol officer vacancies at various times throughout the year.
Materials and Services	1,064,946	1,084,385	(19,439)	City Attorney changed from personnel to contract labor in October.
Capital Outlay	338,005	333,312	4,693	Slight difference in Council Chamber remodel costs offset by grant match funds not spent.
Debt Service	8,340	8,340	-	Debt payment was made as budgeted.
<b>Total Expenditure Savings</b>			<b>\$ 177,872</b>	
Operating Transfer In	32,000	35,390	3,390	Received more Cemetery Interest to transfer than budgeted.
Operating Transfer Out	57,500	57,500	-	Transfers were made as budgeted.
Beginning Fund Balance	1,907,053	2,182,132	275,079	Additional carryover from budgeted amount.
<b>Difference Budget &amp; Actual</b>			<b>\$ 547,491</b>	

**CAPITAL ASSET AND DEBT ACTIVITY**

Capital asset activity for the fiscal year ended June 30, 2008 is summarized on pages 34-35 in the notes to the financial statements.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The following is a summary of the assets purchased or constructed during the fiscal year ended June 30, 2008:

Council Chamber Remodel	\$ 60,810
Council Chamber HVAC System	12,362
Council Chamber Audio/Visual System	19,640
19 Firefighter SCBA Units w/Cylinders	104,304
Posichack Flow Tester for SCBA Units	8,845
Police Building Alarm System	8,500
Police Building Phone System	6,194
KLR 650 Police Motorcycle	6,500
KLR 650 Police Motorcycle	6,500
Drug Dog "Turbo"	8,500
Water System Enhancements	272,624
Mountain Line Project	52,810
Storm Water Facility Plan	6,879
Wastewater Headworks Improvements	473,154
Wastewater System Enhancements	76,126
Relocate Power in Yard	7,608
Pipe Storage Building	15,825
Elkhorn Industrial Master Plan - In Process	27,500
Elkhorn Industrial Road Construction	313,223
2 <sup>nd</sup> Street Overlay	171,149
2008 Ford F250 Public Works Vehicle	20,760
2002 Bearcat Chip Spreader	72,448
Total	<u><u>\$ 1,752,261</u></u>

There was no new long-term debt issued during the fiscal year ended June 30, 2008.

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

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

- Measure 50, a tax limitation measure, established a permanent property tax rate of \$6.3314 per \$1,000 of assessed value. Growth in existing assessed value is limited to a maximum of three percent per year plus new construction's assessed value. 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) decreased from \$42,068 in 2007-08 to \$33,938 in 2008-09.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

- 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 2008-2009 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>
2008-2009				
Salary Increase	3%	4%	4%	3%
2009-2010			CPI(W)-March 2010	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined
2010-2011			CPI(W)-March 2011	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined
2011-2012			CPI(W)-March 2012	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined
2012-2013			CPI(W)-March 2013	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined

- An interim actuarial analysis of the City's PERS liability at December 31, 2007 was completed September 2008. The actuarial valuation was used to determine contribution rates for the period July 1, 2009 to June 30, 2011. The rate changes are listed in the table below.

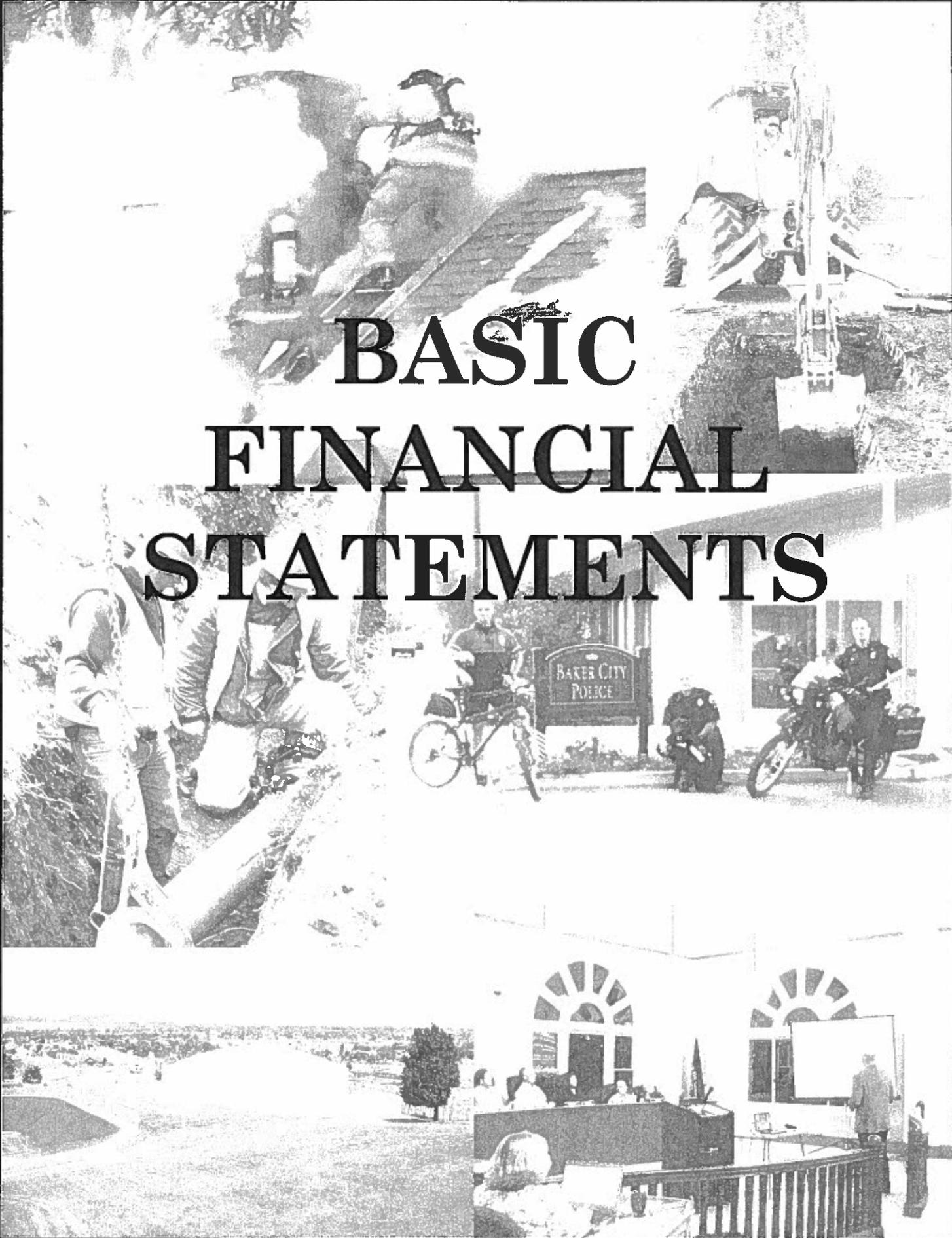
	<u>Tier 1 &amp; Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police &amp; Fire</u>
July 1, 2007	14.17%	13.15%	16.42%
July 1, 2009	11.93%	8.6%	11.31%

- 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. State gas tax revenue decreased \$28,000 in 07-08. If the City's street are not properly maintained (i.e. overlays, chip sealing, fog sealing, crack sealing) the City's streets will continue to deteriorate.
- In 2001 and again in 2008 the City raised water rates in order to complete repairs on the City's water system. Before the mountain line replacement project can begin the City must first establish easements and resolve other legal matters.
- Effective July 1, 2008 the City raised wastewater rates to \$15.00 (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.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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.



# BASIC FINANCIAL STATEMENTS



**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 4,870,225	\$ 2,469,298	\$ 7,339,523
Earnest Money on Deposit	200,000	-	200,000
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	202,478	109,234	311,712
Interest Receivable	1,229	-	1,229
Special Assessments Receivable	-	67,803	67,803
Prepaid Expenses	14,146	-	14,146
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	157,705	-	157,705
Intergovernmental Receivable	135,497	-	135,497
Contracts and Special Assessments Receivable	600,454	-	600,454
Internal Balances	(472,097)	472,097	-
Inventories	-	303,997	303,997
Capital Assets (Net of Accumulated Depreciation):			
Land	1,396,563	1,342,160	2,738,723
Construction in Process	37,379	76,842	114,221
Buildings	1,762,917	231,699	1,994,616
Improvements Other than Buildings	26,462	56,159	82,621
Machinery and Equipment	1,377,673	29,547	1,407,220
Infrastructure	6,482,842	17,196,027	23,678,869
Other Assets	199,128	-	199,128
<b>Total Assets</b>	<b>\$ 16,992,601</b>	<b>\$ 22,354,863</b>	<b>\$ 39,347,464</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 148,553	\$ 140,677	\$ 289,230
Accrued Payroll Taxes and Benefits Payable	162,071	52,783	214,854
Other Payables	7,200	-	7,200
Customer Deposits	-	14,041	14,041
Compensated Absences Payable	307,433	-	307,433
Noncurrent Liabilities:			
Due Within One Year	3,962	-	3,962
Due in More than One Year	76,219	-	76,219
<b>Total Liabilities</b>	<b>705,438</b>	<b>207,501</b>	<b>912,939</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	11,003,655	18,675,155	29,678,810
Restricted for:			
Bike and Pedestrian Paths	17,300	-	17,300
Cemetery Care	771,907	-	771,907
2089 Celebration	2,576	-	2,576
Unrestricted	4,491,725	3,472,207	7,963,932
<b>Total Net Assets</b>	<b>\$ 16,287,163</b>	<b>\$ 22,147,362</b>	<b>\$ 38,434,525</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, 2008

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 645,199	\$ 113,596	\$ 958	\$ 11,800	\$ (518,845)	\$ -	\$ (518,845)
Public Safety	3,363,730	559,438	135,582	119,025	(2,549,685)	-	(2,549,685)
Highways and Streets	1,789,529	14,457	524,826	309,964	(940,282)	-	(940,282)
Culture and Recreation	218,553	-	170	54,743	(163,640)	-	(163,640)
Airport	303,836	4,177	-	33,306	(266,353)	-	(266,353)
Cemetery	94,732	44,502	-	-	(50,230)	-	(50,230)
Hydro-electric Plant	3,156	65,370	-	-	62,214	-	62,214
Economic and Community Development	201,299	-	103,000	-	(98,299)	-	(98,299)
Interest on Long Term Debt	23,343	-	-	-	(23,343)	-	(23,343)
<b>Total Governmental Activities</b>	<b>6,643,377</b>	<b>801,540</b>	<b>764,536</b>	<b>528,838</b>	<b>(4,548,463)</b>	<b>-</b>	<b>(4,548,463)</b>
<b>Business-type Activities:</b>							
Water Utility	1,412,420	1,774,928	-	-	-	362,508	362,508
Wastewater Utility	913,532	873,454	-	-	-	(40,078)	(40,078)
Golf Operation	26,716	27,500	-	11,040	-	11,824	11,824
Building Inspection	355,276	360,216	-	-	-	4,940	4,940
<b>Total Business-type Activities</b>	<b>2,707,944</b>	<b>3,036,098</b>	<b>-</b>	<b>11,040</b>	<b>-</b>	<b>339,194</b>	<b>339,194</b>
<b>Total Government</b>	<b>\$ 9,351,321</b>	<b>\$ 3,837,638</b>	<b>\$ 764,536</b>	<b>\$ 539,878</b>	<b>(4,548,463)</b>	<b>339,194</b>	<b>(4,209,269)</b>
<b>General Revenues:</b>							
Property Taxes					2,544,089	-	2,544,089
Franchise Taxes					874,608	-	874,608
Grants and Contributions Not Restricted to a Particular Program					211,100	-	211,100
Rental Income					22,987	6,782	29,769
Interest on Investments					263,316	118,271	381,587
Miscellaneous					45,076	61,844	106,920
Transfers:							
Operating					-	-	-
<b>Total General Revenues and Transfers</b>					<b>3,961,176</b>	<b>186,897</b>	<b>4,148,073</b>
Change in Net Assets					(587,287)	526,091	(61,196)
Net Assets July 1, 2007					16,874,450	21,621,271	38,495,721
<b>Net Assets June 30, 2008</b>					<b>\$ 16,287,163</b>	<b>\$ 22,147,362</b>	<b>\$ 38,434,525</b>

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

**BAKER CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<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	\$ 1,984,546	\$ 780,182	\$ 63,309	\$ 372,268	\$ 554,986	\$ 3,755,291
Earnest Money on Deposit	200,000	-	-	-	-	200,000
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	200,310	1,831	-	-	21	202,162
Interest Receivable	-	-	1,229	-	-	1,229
Prepaid Expenses	-	-	-	14,146	-	14,146
Taxes Receivable	124,414	29,128	-	-	4,163	157,705
Contracts and Special Assessments Receivable	-	-	278,660	321,794	-	600,454
Due From Other Funds	-	-	-	-	13,311	13,311
Advances to Other Funds	-	-	-	-	243,968	243,968
Intergovernmental Receivable	100,013	34,484	-	1,000	-	135,497
Other Assets	198,240	-	-	-	888	199,128
<b>Total Assets</b>	<u>\$ 2,807,523</u>	<u>\$ 845,625</u>	<u>\$ 343,198</u>	<u>\$ 709,208</u>	<u>\$ 817,337</u>	<u>\$ 5,522,891</u>
<b>Liabilities:</b>						
Accounts Payable	\$ 113,245	\$ 10,180	\$ -	\$ 1,070	\$ 1,345	\$ 125,840
Payroll Taxes and Benefits Payable	130,041	12,061	-	362	-	142,464
Other Payables	7,200	-	-	-	-	7,200
Due to Other Funds	-	10,240	78,890	-	-	89,130
Advances from Other funds	-	-	189,422	-	-	189,422
Deferred Revenue	462,024	27,469	279,889	321,794	3,770	1,094,946
<b>Total Liabilities</b>	<u>712,510</u>	<u>59,950</u>	<u>548,201</u>	<u>323,226</u>	<u>5,115</u>	<u>1,649,002</u>
<b>Fund Balance (Deficit):</b>						
Reserved for Cemetery Care	-	-	-	-	771,907	771,907
Reserved for Bike and Pedestrian Paths	-	17,300	-	-	-	17,300
Reserved for 2089 Celebration	-	-	-	-	2,576	2,576
Unreserved (Deficit), Reported In:						
General Fund	2,095,013	-	-	-	-	2,095,013
Special Revenue Funds	-	768,375	(205,003)	385,982	34,545	983,899
Capital Projects Fund	-	-	-	-	3,194	3,194
<b>Total Fund Balance (Deficit)</b>	<u>2,095,013</u>	<u>785,675</u>	<u>(205,003)</u>	<u>385,982</u>	<u>812,222</u>	<u>3,873,889</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,807,523</u>	<u>\$ 845,625</u>	<u>\$ 343,198</u>	<u>\$ 709,208</u>	<u>\$ 817,337</u>	<u>\$ 5,522,891</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, 2008**

Fund Balances of Governmental Funds	\$	3,873,889
<p>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.</p>		
		1,094,946
<p>Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.</p>		
		10,518,317
<p>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.</p>		
		(80,181)
<p>Internal service funds are proprietary-type funds and are not reported with the governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets.</p>		
		1,599,328
<p>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.</p>		
		<u>(719,136)</u>
Net assets of governmental activities	\$	<u><u>16,287,163</u></u>

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, 2008**

	<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>Revenue:</b>						
<b>Taxes:</b>						
Property	\$ 2,011,899	\$ 470,639	\$ -	\$ -	\$ 67,209	\$ 2,549,747
Franchise	874,608	-	-	-	-	874,608
Licenses and Permits	50,028	-	-	-	-	50,028
Intergovernmental	377,774	834,790	-	98,673	106,025	1,417,262
Charges for Services	684,902	14,457	-	-	9,854	709,213
Fines and Forfeitures	41,076	-	-	-	-	41,076
Rental Income	22,987	-	-	-	-	22,987
Interest	93,115	30,106	30,149	5,800	37,345	196,515
Miscellaneous	57,538	7,300	91,084	87,372	-	243,294
<b>Total Revenue</b>	<u>4,213,927</u>	<u>1,357,292</u>	<u>121,233</u>	<u>191,845</u>	<u>220,433</u>	<u>6,104,730</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	593,966	-	601	-	-	594,567
Public Safety	3,117,634	-	-	66,140	1,041	3,184,815
Highways and Streets	-	896,467	-	-	-	896,467
Parks and Recreation	84,377	-	-	6,514	49,023	139,914
Airport	63,031	-	-	517	-	63,548
Cemetery	92,111	-	-	-	1,306	93,417
Hydro-electric Plant	3,156	-	-	-	-	3,156
Economic and Community Development	168,315	-	-	32,766	-	201,081
<b>Debt Service:</b>						
Principal	3,757	-	-	-	-	3,757
Interest	4,583	2,124	16,636	-	-	23,343
<b>Capital Outlay:</b>						
General Government	92,812	-	-	-	-	92,812
Public Safety	27,694	-	-	8,500	113,149	149,343
Parks and Recreation	-	-	-	-	-	-
Highways and Streets	-	491,251	-	-	-	491,251
Airport	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-
Economic and Community Development	27,500	-	-	-	-	27,500
<b>Total Expenditures:</b>	<u>4,278,936</u>	<u>1,389,842</u>	<u>17,237</u>	<u>114,437</u>	<u>164,519</u>	<u>5,964,971</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(65,009)</u>	<u>(32,550)</u>	<u>103,996</u>	<u>77,408</u>	<u>55,914</u>	<u>139,759</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In	35,390	105,000	-	7,500	-	147,890
Transfers Out	(57,500)	-	(55,000)	-	(35,390)	(147,890)
<b>Total Other Financing Sources (Uses)</b>	<u>(22,110)</u>	<u>105,000</u>	<u>(55,000)</u>	<u>7,500</u>	<u>(35,390)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(87,119)</u>	<u>72,450</u>	<u>48,996</u>	<u>84,908</u>	<u>20,524</u>	<u>139,759</u>
<b>Fund Balance (Deficit), July 1, 2007</b>	<u>2,182,132</u>	<u>713,225</u>	<u>(253,999)</u>	<u>301,074</u>	<u>791,698</u>	<u>3,734,130</u>
<b>Fund Balance (Deficit), June 30, 2008</b>	<u>\$ 2,095,013</u>	<u>\$ 785,675</u>	<u>\$ (205,003)</u>	<u>\$ 385,982</u>	<u>\$ 812,222</u>	<u>\$ 3,873,889</u>

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

**BAKER CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds	\$	139,759
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.		(115,441)
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.		(611,895)
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.		3,757
Internal Service Funds are used by management to charge the costs of certain activities, such as compensated absences, technical services and fleet management. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(56,521)
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>53,054</u>
Change in net assets of governmental activities	<u>\$</u>	<u>(587,287)</u>

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

**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

	<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>Assets:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 1,901,736	\$ 202,853	\$ 37,391	\$ 327,318	\$ 2,469,298	\$ 1,114,934
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	61,929	44,491	-	2,814	109,234	316
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	-	-	-
Due From Other Funds	10,240	-	-	-	10,240	78,890
Inventories	303,997	-	-	-	303,997	-
<b>Total Current Assets</b>	<u>2,277,902</u>	<u>250,821</u>	<u>37,391</u>	<u>330,132</u>	<u>2,896,246</u>	<u>1,194,140</u>
<b>Noncurrent Assets:</b>						
Advances to Other Funds	-	-	-	-	-	189,422
Special Assessments Receivable	-	64,326	-	-	64,326	-
<b>Capital Assets:</b>						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	76,842	-	-	-	76,842	-
Buildings	224,731	35,037	106,146	-	365,914	39,526
Improvements other than Buildings	-	-	226,996	-	226,996	-
Infrastructure	17,273,782	7,437,852	-	-	24,711,634	-
Machinery, Equipment, and Vehicles	132,819	396,131	193,605	-	722,555	2,282,767
Less: Accumulated Depreciation	(4,678,249)	(3,453,151)	(382,267)	-	(8,513,667)	(1,756,774)
<b>Total Capital Assets</b>	<u>13,210,183</u>	<u>4,519,667</u>	<u>1,202,584</u>	<u>-</u>	<u>18,932,434</u>	<u>565,519</u>
<b>Total Noncurrent Assets</b>	<u>13,210,183</u>	<u>4,583,993</u>	<u>1,202,584</u>	<u>-</u>	<u>18,996,760</u>	<u>754,941</u>
<b>Total Assets</b>	<u>\$ 15,488,085</u>	<u>\$ 4,834,814</u>	<u>\$ 1,239,975</u>	<u>\$ 330,132</u>	<u>\$ 21,893,006</u>	<u>\$ 1,949,081</u>
<b>Liabilities:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 119,675	\$ 7,444	\$ -	\$ 13,558	\$ 140,677	\$ 22,713
Customer Deposits	14,041	-	-	-	14,041	-
Due to Other Funds	-	-	13,311	-	13,311	-
Accrued Payroll Taxes and Benefits Payable	28,389	16,810	-	7,584	52,783	19,607
Compensated Absences Payable	-	-	-	-	-	307,433
<b>Total Current Liabilities</b>	<u>162,105</u>	<u>24,254</u>	<u>13,311</u>	<u>21,142</u>	<u>220,812</u>	<u>349,753</u>
<b>Long-Term Liabilities:</b>						
Advances From Other Funds	-	-	243,968	-	243,968	-
<b>Total Long-Term Liabilities</b>	<u>-</u>	<u>-</u>	<u>243,968</u>	<u>-</u>	<u>243,968</u>	<u>-</u>
<b>Total Liabilities</b>	<u>162,105</u>	<u>24,254</u>	<u>257,279</u>	<u>21,142</u>	<u>464,780</u>	<u>349,753</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	13,210,183	4,519,667	945,305	-	18,675,155	565,519
Unrestricted	2,115,797	290,893	37,391	308,990	2,753,071	1,033,809
<b>Total Net Assets</b>	<u>\$ 15,325,980</u>	<u>\$ 4,810,560</u>	<u>\$ 982,696</u>	<u>\$ 308,990</u>	<u>21,428,226</u>	<u>\$ 1,599,328</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Assets of Business-type Activities					719,136	
<b>Net Assets of Business-Type Activities</b>					<u>\$ 22,147,362</u>	

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

**BAKER CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</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>		
Operating Revenue:						
Charges for Sales and Services	\$ 1,774,928	\$ 873,454	\$ -	\$ 360,216	\$ 3,008,598	\$ 656,571
Miscellaneous	16,040	45,804	-	-	61,844	-
<b>Total Operating Revenue</b>	<u>1,790,968</u>	<u>919,258</u>	<u>-</u>	<u>360,216</u>	<u>3,070,442</u>	<u>656,571</u>
Operating Expenses:						
Cost of Sales and Services	1,105,333	679,859	-	351,755	2,136,947	677,016
Depreciation	282,638	208,589	-	-	491,227	102,877
<b>Total Operating Expenses</b>	<u>1,387,971</u>	<u>888,448</u>	<u>-</u>	<u>351,755</u>	<u>2,628,174</u>	<u>779,893</u>
<b>Operating Income (Loss)</b>	<u>402,997</u>	<u>30,810</u>	<u>-</u>	<u>8,461</u>	<u>442,268</u>	<u>(123,322)</u>
Nonoperating Revenue (Expense):						
Investment Earnings	82,130	21,182	-	14,959	118,271	66,801
Grants and Gifts	-	-	11,040	-	11,040	-
Gain on Sale of Equipment	-	-	-	-	-	-
Rental Income	3,000	3,782	27,500	-	34,282	-
Depreciation and Expenses - Rental Property	-	-	(14,957)	-	(14,957)	-
Interest Expense	-	-	(11,759)	-	(11,759)	-
<b>Total Nonoperating Revenue (Expense)</b>	<u>85,130</u>	<u>24,964</u>	<u>11,824</u>	<u>14,959</u>	<u>136,877</u>	<u>66,801</u>
<b>Income Before Contributions and Transfers</b>	<u>488,127</u>	<u>55,774</u>	<u>11,824</u>	<u>23,420</u>	<u>579,145</u>	<u>(56,521)</u>
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Transfers In (Out)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>488,127</u>	<u>55,774</u>	<u>11,824</u>	<u>23,420</u>	<u>579,145</u>	<u>(56,521)</u>
Net Assets, July 1, 2007	14,837,853	4,754,786	970,872	285,570		1,655,849
<b>Net Assets, June 30, 2008</b>	<u>\$ 15,325,980</u>	<u>\$ 4,810,560</u>	<u>\$ 982,696</u>	<u>\$ 308,990</u>		<u>\$ 1,599,328</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(53,054)	
Change in Net Assets of Business-Type Activities					<u>\$ 526,091</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, 2008**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Totals</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>		
Cash From Operating Activities:						
Receipts from Customers and Users	\$ 1,790,152	\$ 878,706	\$ -	\$ 360,098	\$ 3,028,956	\$ 6,593
Receipts from Interfund Services Provided	77,841	-	-	-	77,841	649,806
Other Receipts	16,040	45,804	-	-	61,844	-
Payments to Suppliers	(284,007)	(113,086)	-	(101,696)	(498,789)	(197,293)
Payments to Employees	(591,781)	(348,461)	-	(218,959)	(1,159,201)	(442,147)
Payments for Interfund Services Used	(299,528)	(208,164)	-	(27,582)	(535,274)	(2,940)
Net Cash Provided (Used) by Operating Activities	<u>708,717</u>	<u>254,799</u>	<u>-</u>	<u>11,861</u>	<u>975,377</u>	<u>14,019</u>
Cash Flows From Non Capital Financing Activities:						
Grants and Gifts	-	-	11,040	-	11,040	-
Advance on LID for Line Extension	-	(69,542)	-	-	(69,542)	-
Repayments from LID for Line Extension	-	1,739	-	-	1,739	-
Repayments from (to) Other Funds	60,358	-	-	-	60,358	67,884
Net Cash Provided (Used) by Noncapital Financing Activities	<u>60,358</u>	<u>(67,803)</u>	<u>11,040</u>	<u>-</u>	<u>3,595</u>	<u>67,884</u>
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	-	-	-	-	-	(93,208)
Acquisition/Construction of Capital Assets	(348,867)	(549,280)	-	-	(898,147)	-
Principal Paid on Interfund Debt	-	-	(8,242)	-	(8,242)	-
Interest Paid on Interfund Debt	-	-	(11,759)	-	(11,759)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(348,867)</u>	<u>(549,280)</u>	<u>(20,001)</u>	<u>-</u>	<u>(918,148)</u>	<u>(93,208)</u>
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	27,500	-	34,282	-
Gain on Sale of Equipment	-	-	-	-	-	-
Interest on Investments	82,130	21,182	-	14,959	118,271	66,801
Net Cash Provided (Used) by Investing Activities	<u>85,130</u>	<u>24,964</u>	<u>27,500</u>	<u>14,959</u>	<u>152,553</u>	<u>66,801</u>
Net Increase (Decrease) in Cash and Cash Equivalents	505,338	(337,320)	18,539	26,820	213,377	55,496
Cash and Cash Equivalents, July 1, 2007	1,396,398	540,173	18,852	300,498	2,255,921	1,059,438
Cash and Cash Equivalents, June 30, 2008	<u>\$ 1,901,736</u>	<u>\$ 202,853</u>	<u>\$ 37,391</u>	<u>\$ 327,318</u>	<u>\$ 2,469,298</u>	<u>\$ 1,114,934</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 402,997	\$ 30,810	\$ -	\$ 8,461	\$ 442,268	\$ (123,322)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	282,638	208,589	-	-	491,227	102,877
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	13,504	5,252	-	(118)	18,638	(172)
(Increase) Decrease in Inventories	(77,363)	-	-	-	-	-
Increase (Decrease) in Customer Deposits	1,720	-	-	-	1,720	-
Increase (Decrease) in Accounts Payable	82,922	4,023	-	2,047	88,992	13,838
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	2,299	6,125	-	1,471	9,895	3,454
Increase (Decrease) in Compensated Absences Payable	-	-	-	-	-	17,344
Total Adjustments	<u>305,720</u>	<u>223,989</u>	<u>-</u>	<u>3,400</u>	<u>533,109</u>	<u>137,341</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 708,717</u>	<u>\$ 254,799</u>	<u>\$ -</u>	<u>\$ 11,861</u>	<u>\$ 975,377</u>	<u>\$ 14,019</u>

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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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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 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, 2008**

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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, 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, 2008**

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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 fund accounts for the accumulation of money for major fire equipment purchases.

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

The City has two permanent funds the One Hundred Year Trust Fund and the Mt. Hope 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. The Mt. Hope Trust Fund receives 40% of the proceeds from each cemetery plot sold and becomes part of the trust corpus. The trust corpus can never be spent but the investment earnings are to be used for cemetery maintenance.

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, 2008**

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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. 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 30, 2011) 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). The City's investment in the LGIP is stated at cost which approximates fair value.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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

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

**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 and Prepaid Items**

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

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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, 2008**

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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, 2008.

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

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

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation liabilities are accrued in the payroll service fund (an internal service fund) 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, 2008**

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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**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Fund balance of the State Tax Street Fund for City convenience in complying with ORS 366.514 is segregated between that reserved for foot and bicycle paths and funds available for streets at June 30, 2008.

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
2. \$5,000 to establish the next one hundred year trust fund
3. Construction of a public amenity related to public recreation

On July 11, 1990, the City entered into a trust agreement which established the Masonic Lodge Road Trust Fund. Under the terms of this agreement, principal from sales and investment interest was to accumulate until 300 graves were sold in a specific parcel of the Mt. Hope Cemetery. After 300 graves were sold the City was required to construct a hard surfaced road through the parcel. The graves were sold and the construction of the road was completed. The City refunded the remaining principal and interest accumulated in the Masonic Lodge Road Trust Fund to the Masonic Lodge July 24, 2008.

**BAKER CITY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008**

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

**Use of Estimates**

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

**Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations (the legal level of budgetary control) as follows:

Fund	Department/ Category Budgeted	Appropriation	Expenditure	Amount Over Expended
Mt Hope Trust Fund	Transfers	\$ 18,000	\$ 22,718	\$ 4,718

These expenditures are in violation of ORS 294.435, but were funded with available resources.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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

**Deficit Fund Equity**

The LID Repayment Fund had a deficit fund balance of \$205,003 as of June 30, 2008. 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**

**Cash and Investments**

At June 30, 2008, the City's carrying amount of deposits was \$1,332,426 and the bank balance was \$1,356,878.

Custodial Credit Risk – Deposits. 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 for managing custodial credit risk. Chapter 295 requires collateral certificates of participation at minimum in the amount of 25% of deposit balances in excess of the available Federal Deposit Insurance Corporation insurance coverage. As of June 30, 2008 the City's bank deposit balance was categorized by custodial credit risk as follows:

Uninsured and uncollateralized	\$ 783,835
Uninsured and collateral held by pledging Bank's trust department in the City's name	375,000
Insured by FDIC	198,043
Total	<u>\$ 1,356,878</u>

At June 30, 2008 the City also has an investment of \$6,006,627 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.

**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:

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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

**Receivables (Continued)**

	General Fund	Street Fund	LID Repayment Fund	State and Federal Grants Fund	Non-major and Other Funds	Total
Interest	\$ -	\$ -	\$ 1,229	\$ -	\$ -	\$ 1,229
Property Taxes	124,413	29,129	-	-	4,163	157,705
Franchise Taxes	43,112	-	-	-	-	43,112
Trade Accounts	252,445	2,869	-	-	21	255,335
Special Assessments	-	-	-	321,794	-	321,794
LID Receivables	-	-	278,660	-	-	278,660
Intergovernmental	100,013	34,484	-	1,000	-	135,497
Gross Receivables	519,983	66,482	279,889	322,794	4,184	1,193,332
Less: Allowance for Uncollectibles	(95,248)	(1,039)	-	-	-	(96,287)
Total Receivables	\$ 424,735	\$ 65,443	\$ 279,889	\$ 322,794	\$ 4,184	\$ 1,097,045

Internal Service Funds have trade account receivables at year end of \$316 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	Total
Trade Accounts	\$ 65,240	\$ 46,613	\$ 2,813	\$ 114,666
Special Assessments	-	67,803	-	67,803
Intergovernmental	-	-	-	-
Gross Receivables	65,240	114,416	2,813	182,469
Less: Allowance for Uncollectibles	(3,311)	(2,122)	-	(5,433)
Total Net Receivables	\$ 61,929	\$ 112,294	\$ 2,813	\$ 177,036

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

	Deferred Revenue
Trade Accounts Receivable	\$ 153,008
Delinquent Property Taxes Receivable	142,015
Special Assessments Not Due	321,794
Local Improvement District Receivables Not Due	278,660
Interest Receivable	1,229
Oregon Trail Electric Cooperative Capital Credits	198,240
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,094,946

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

**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 \$198,240, special assessments receivable in the amount of \$321,794 and local improvement district receivables of \$278,660 are not expected to be collected within one year.

**Capital Assets**

Capital asset activity for the year ended June 30, 2008 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	\$ 10,618	\$ 34,379	\$ (7,618)	\$ 37,379
Land	1,396,563	-	-	1,396,563
Total capital assets, not being depreciated	<u>1,407,181</u>	<u>34,379</u>	<u>(7,618)</u>	<u>1,433,942</u>
Capital assets, being depreciated:				
Buildings	3,999,090	100,430	-	4,099,520
Improvements other than buildings	102,730	-	-	102,730
Machinery and equipment	4,082,812	242,551	(150,633)	4,174,730
Infrastructure	23,014,899	484,372	-	23,499,271
Total capital assets being depreciated	<u>31,199,531</u>	<u>827,353</u>	<u>(150,633)</u>	<u>31,876,251</u>
Less accumulated depreciation for:				
Buildings	(2,251,570)	(85,033)	-	(2,336,603)
Improvements other than buildings	(71,972)	(4,296)	-	(76,268)
Machinery and equipment	(2,691,353)	(256,337)	150,633	(2,797,057)
Infrastructure	(15,886,415)	(1,130,014)	-	(17,016,429)
Total accumulated depreciation	<u>(20,901,310)</u>	<u>(1,475,680)</u>	<u>150,633</u>	<u>(22,226,357)</u>
Total capital assets, being depreciated, net	<u>10,298,221</u>	<u>(648,327)</u>	<u>(7,618)</u>	<u>9,649,849</u>
Governmental activities capital assets, net	<u>\$ 11,705,402</u>	<u>\$ (613,948)</u>	<u>\$ (7,618)</u>	<u>\$ 11,083,836</u>

Construction in process for governmental activities of \$37,379 is comprised of an initial \$30,500 for a \$38,000 master plan for the Elkhorn Industrial Park and an initial \$6,879 for a \$60,000 Storm Water Facility Plan.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

**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	\$ 24,032	\$ 52,810	\$ -	\$ 76,842
Land	1,342,160	-	-	1,342,160
Total capital assets, not being depreciated	1,366,192	52,810	-	1,419,002
Capital assets, being depreciated:				
Buildings	342,481	23,433	-	365,914
Machinery and equipment	722,555	-	-	722,555
Improvements other than buildings	226,996	-	-	226,996
Infrastructure	23,889,730	821,904	-	24,711,634
Total capital assets, being depreciated	25,181,762	845,337	-	26,027,099
Less accumulated depreciation for:				
Buildings	(126,452)	(7,763)	-	(134,215)
Machinery and equipment	(626,493)	(66,515)	-	(693,008)
Improvements other than buildings	(162,692)	(8,145)	-	(170,837)
Infrastructure	(7,091,846)	(423,761)	-	(7,515,607)
Total accumulated depreciation	(8,007,483)	(506,184)	-	(8,513,667)
Total capital assets, being depreciated, net	17,174,279	339,153	-	17,513,432
Business-type activities capital assets, net	<u>\$ 18,540,471</u>	<u>\$ 391,963</u>	<u>\$ -</u>	<u>\$ 18,932,434</u>

Construction in process for business-type activities of \$76,842 is comprised of the initial legal costs of the mountain line water improvement project in process.

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

<b>Governmental activities:</b>	
General government	\$ 31,280
Public safety	161,380
Highway and streets, including depreciation of general infrastructure assets	860,889
Culture and recreation	77,645
Airport	240,289
Cemetery	1,320
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	102,877
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 1,475,680</u></u>
<b>Business-type activities:</b>	
Water utility	\$ 282,638
Wastewater utility	208,589
Golf operation	14,957
<b>Total depreciation expense-business-type activities</b>	<u><u>\$ 506,184</u></u>

**BAKER CITY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008**

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

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility	State Tax Street	\$ 10,240
Equipment and Vehicle	LID Repayment	78,890
Mt Hope Trust	Golf	13,311
Total		<u>\$ 102,441</u>

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

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Water Utility	State Tax Street	\$ -
Equipment and Vehicle	LID Repayment	189,422
Mt Hope Trust	Golf	243,968
Total		<u>\$ 433,390</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, 2008 are as follows:

	<u>Transfer to:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Street Fund</u>	<u>S&amp;F Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Transfer from:</b>					
General Fund	\$ -	\$ 50,000	\$ 7,500	\$ -	\$ 57,500
LID Repayment Fund	-	55,000	-	-	55,000
Non Major Governmental Funds	35,390	-	-	-	35,390
Total Transfers	<u>\$ 35,390</u>	<u>\$ 105,000</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 147,890</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; and to transfer funds to pay for capital projects. Transfers to the Street Fund are for D Street construction and improvements.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

**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, 2008:

	<b><u>General Fund 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%	\$ 80,181
Total Governmental Activity Long-Term Liabilities	<u>\$ 80,181</u>

The following is a summary of maturities of the Governmental Activity Long-term Liability as of June 30, 2008:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008-2009	\$ 3,962	\$ 4,378	\$ 8,340
2009-2010	4,179	4,161	8,340
2010-2011	4,407	3,933	8,340
2011-2012	4,647	3,693	8,340
2012-2013	4,901	3,439	8,340
2013-2018	28,824	12,877	41,701
2018-2022	29,261	4,100	33,361
Total	<u>\$ 80,181</u>	<u>\$ 36,581</u>	<u>\$ 116,762</u>

Long-term liability activity for the year ended June 30, 2008, 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 - Oregon Economic Development Department	\$ 83,938	\$ -	\$ (3,757)	\$ 80,181	\$ 3,962
Compensated absences	290,089	387,460	(370,116)	307,433	307,433
Governmental activity Long-term liabilities	<u>\$ 374,027</u>	<u>\$ 387,460</u>	<u>\$ (373,873)</u>	<u>\$ 387,614</u>	<u>\$ 311,395</u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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

**Contracts, Notes and Capital Lease Obligations (Continued)**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Compensated absences are accrued in the Payroll Service Fund, an internal service fund. At year-end \$307,433 of compensated absences are included in the above amounts.

**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 significant increases 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, 2008 was 14.17%. The City annually pays to PERS the PERS required contribution rate in full.
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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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**4. OTHER INFORMATION (Continued)**

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

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. The City's rate for member contributions is 13.15% except 16.42% 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>
06/30/06	\$ 626,393	100%	\$ -
06/30/07	\$ 615,968	100%	\$ -
06/30/08	\$ 675,349	100%	\$ -

**Commitments, Contingencies and Subsequent Events**

Accrued liabilities do not include sick leave of approximately \$632,667 which was earned as of June 30, 2008, but is payable only for a valid absence from work under the City's sick leave plan.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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**4. OTHER INFORMATION (Continued)**

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

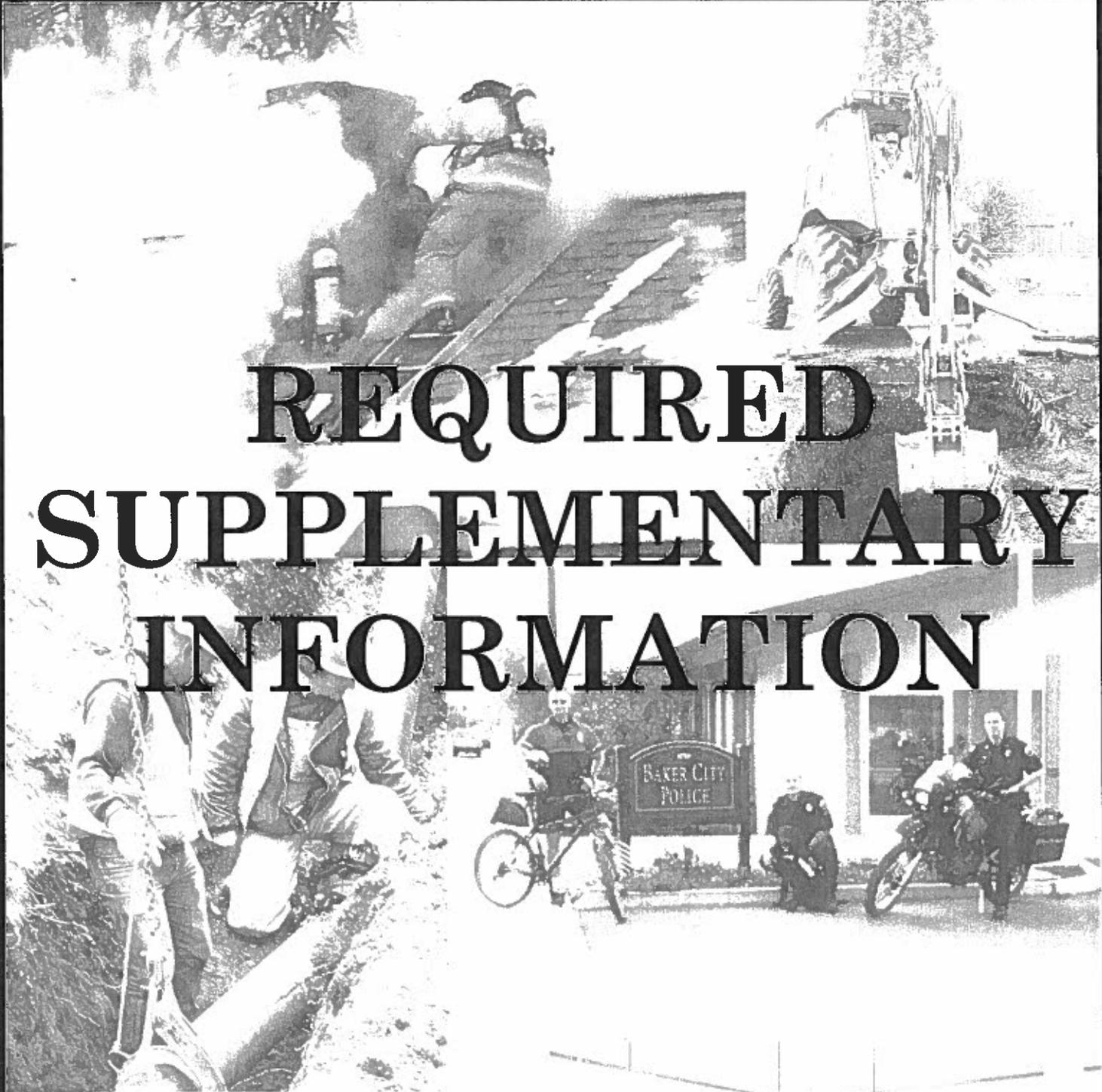
The City entered into an agreement with Baker County where the City will provide \$20,000 a year for four years beginning with the 2005-06 fiscal year to the County for equipment upgrades at the County's 911 consolidated dispatch center.

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.

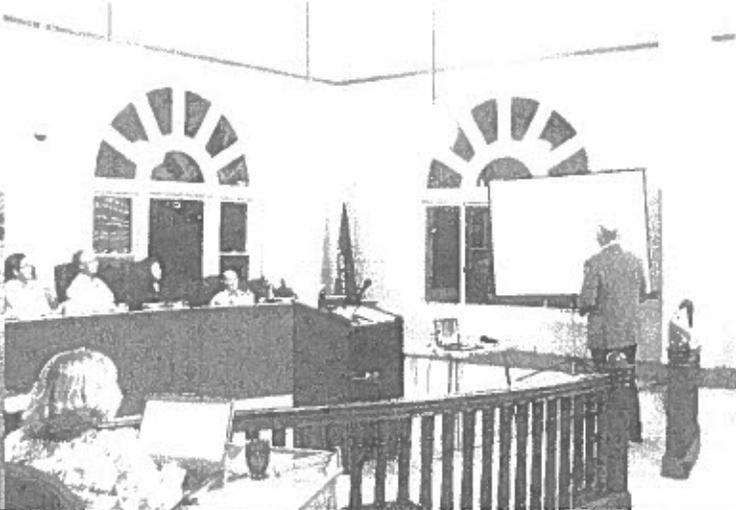
The City is a defendant in certain legal matters that, in the opinion of the City's legal counsel, will not have a material adverse effect on the financial condition of the City.

On March 24, 2008 the City entered into an agreement with Lava Rock Properties, LLC to purchase certain real estate at 1768 Auburn Street in Baker City to be used as a police building. The City deposited \$200,000 of earnest money with the seller April 9, 2008. The earnest money is recorded as an asset by the City's Governmental Funds as of June 30, 2008.

The building was purchased and the remaining balance due of \$412,447, including closing costs, was paid July 2008.



# 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, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GENERAL FUND</b>					
Revenue:					
Property Taxes	\$ 1,932,078	\$ 1,932,078	\$ 2,011,899	\$ -	\$ 2,011,899
Franchise Taxes	795,500	795,500	874,608	-	874,608
Licenses and Permits	43,100	43,100	50,028	-	50,028
Intergovernmental	329,706	397,706	377,774	-	377,774
Charges for Services	741,790	741,790	684,902	-	684,902
Fines and Forfeitures	96,345	96,345	41,076	-	41,076
Rental Income	16,814	16,814	22,987	-	22,987
Interest	100,000	100,000	93,115	-	93,115
Miscellaneous	17,000	36,800	57,538	-	57,538
Overhead Charges to Other Funds	300,000	300,000	337,356	(337,356)	-
<b>Total Revenues</b>	<b>4,372,333</b>	<b>4,460,133</b>	<b>4,551,283</b>	<b>(337,356)</b>	<b>4,213,927</b>
Expenditures:					
General Government:					
Administration	1,148,443	1,158,731	1,155,203	(605,596)	549,607
Planning	154,807	154,807	137,171	-	137,171
<b>Total General Government</b>	<b>1,303,250</b>	<b>1,313,538</b>	<b>1,292,374</b>	<b>(605,596)</b>	<b>686,778</b>
Public Safety:					
Police	1,652,967	1,865,967	1,786,767	68,240	1,855,007
Fire	1,325,730	1,325,730	1,290,321	-	1,290,321
<b>Total Public Safety</b>	<b>2,978,697</b>	<b>3,191,697</b>	<b>3,077,088</b>	<b>68,240</b>	<b>3,145,328</b>
Parks and Recreation:					
Parks	51,024	51,024	50,845	-	50,845
Samo Swim Center	40,200	40,200	33,532	-	33,532
<b>Total Parks &amp; Recreation</b>	<b>91,224</b>	<b>91,224</b>	<b>84,377</b>	<b>-</b>	<b>84,377</b>
Airport	58,033	64,833	63,031	-	63,031
Debt Service - Airport	8,340	8,340	8,340	-	8,340
Cemetery	105,500	105,500	92,111	-	92,111
Hydro Electric Plant	3,660	3,660	3,156	-	3,156
Community Development	147,372	215,372	195,815	-	195,815
Operating Contingency	300,000	89,712	-	-	-
<b>Total Expenditures</b>	<b>4,996,076</b>	<b>5,083,876</b>	<b>4,816,292</b>	<b>(537,356)</b>	<b>4,278,936</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(623,743)</b>	<b>(623,743)</b>	<b>(265,009)</b>	<b>200,000</b>	<b>(65,009)</b>
Other Financing Sources (Uses):					
Transfers In	32,000	32,000	35,390	-	35,390
Transfers Out	(57,500)	(57,500)	(57,500)	-	(57,500)
Interfund Loan Transfers In	-	-	-	-	-
Interfund Loan Transfers Out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(25,500)</b>	<b>(25,500)</b>	<b>(22,110)</b>	<b>-</b>	<b>(22,110)</b>
<b>Net Change in Fund Balance</b>	<b>(649,243)</b>	<b>(649,243)</b>	<b>(287,119)</b>	<b>200,000</b>	<b>(87,119)</b>
Fund Balance, July 1, 2007	1,907,053	1,907,053	2,182,132	-	2,182,132
<b>Fund Balance, June 30, 2008</b>	<b>\$ 1,257,810</b>	<b>\$ 1,257,810</b>	<b>\$ 1,895,013</b>	<b>\$ 200,000</b>	<b>\$ 2,095,013</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, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE TAX STREET FUND</b>					
<b>Revenue:</b>					
Taxes	\$ 453,615	\$ 453,615	\$ 470,639	\$ -	\$ 470,639
Intergovernmental	1,128,751	1,128,751	834,790	-	834,790
Charges for Services	7,000	7,000	14,457	-	14,457
Interest	17,139	17,139	30,106	-	30,106
Miscellaneous	200	200	7,300	-	7,300
<b>Total Revenues</b>	<b>1,606,705</b>	<b>1,606,705</b>	<b>1,357,292</b>	<b>-</b>	<b>1,357,292</b>
<b>Expenditures:</b>					
Maintenance	516,927	516,927	443,475	-	443,475
Storm Water Maintenance	112,338	112,338	84,066	-	84,066
Preventative Maintenance	416,264	416,264	384,014	-	384,014
Street Lighting	74,354	74,354	61,656	-	61,656
Snow and Ice Control	66,171	96,171	95,782	-	95,782
Street Construction	26,887	26,887	5,502	-	5,502
Elkhorn Industrial Park	580,475	580,475	313,223	-	313,223
Debt Service	-	-	-	2,124	2,124
Operating Contingency	30,000	-	-	-	-
<b>Total Expenditures</b>	<b>1,823,416</b>	<b>1,823,416</b>	<b>1,387,718</b>	<b>2,124</b>	<b>1,389,842</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(216,711)</b>	<b>(216,711)</b>	<b>(30,426)</b>	<b>(2,124)</b>	<b>(32,550)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	105,000	105,000	105,000	-	105,000
Interfund Loan Transfers Out	(62,482)	(62,482)	(62,482)	62,482	-
<b>Total Other Financing Sources (Uses)</b>	<b>42,518</b>	<b>42,518</b>	<b>42,518</b>	<b>62,482</b>	<b>105,000</b>
<b>Net Change in Fund Balance</b>	<b>(174,193)</b>	<b>(174,193)</b>	<b>12,092</b>	<b>60,358</b>	<b>72,450</b>
<b>Fund Balance, July 1, 2007</b>	<b>736,854</b>	<b>736,854</b>	<b>783,823</b>	<b>(70,598)</b>	<b>713,225</b>
<b>Fund Balance, June 30, 2008</b>	<b>\$ 562,661</b>	<b>\$ 562,661</b>	<b>\$ 795,915</b>	<b>\$ (10,240)</b>	<b>\$ 785,675</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - LID REPAYMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>LID REPAYMENT FUND</b>					
Revenue:					
Interest	\$ 4,000	\$ 4,000	\$ 2,887	\$ 27,262	\$ 30,149
Special Assessments/LID Repayments	103,786	103,786	118,346	(27,262)	91,084
Total Revenues	<u>107,786</u>	<u>107,786</u>	<u>121,233</u>	<u>-</u>	<u>121,233</u>
Expenditures:					
Administration	1,000	1,000	601	-	601
Debt Service	-	-	-	16,636	16,636
Contingency	7,000	7,000	-	-	-
Total Expenditures	<u>8,000</u>	<u>8,000</u>	<u>601</u>	<u>16,636</u>	<u>17,237</u>
Excess (Deficit) of Revenues Over Expenditures	99,786	99,786	120,632	(16,636)	103,996
Other Financing Sources (Uses):					
Interfund Loan Transfers Out	(143,786)	(143,786)	(139,521)	84,521	(55,000)
Total Other Financing Sources (Uses):	<u>(143,786)</u>	<u>(143,786)</u>	<u>(139,521)</u>	<u>84,521</u>	<u>(55,000)</u>
Net Change in Fund Balance	(44,000)	(44,000)	(18,889)	67,885	48,996
Fund Balance, July 1, 2007	<u>44,000</u>	<u>44,000</u>	<u>82,199</u>	<u>(336,198)</u>	<u>(253,999)</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,310</u>	<u>\$ (268,313)</u>	<u>\$ (205,003)</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, 2008**

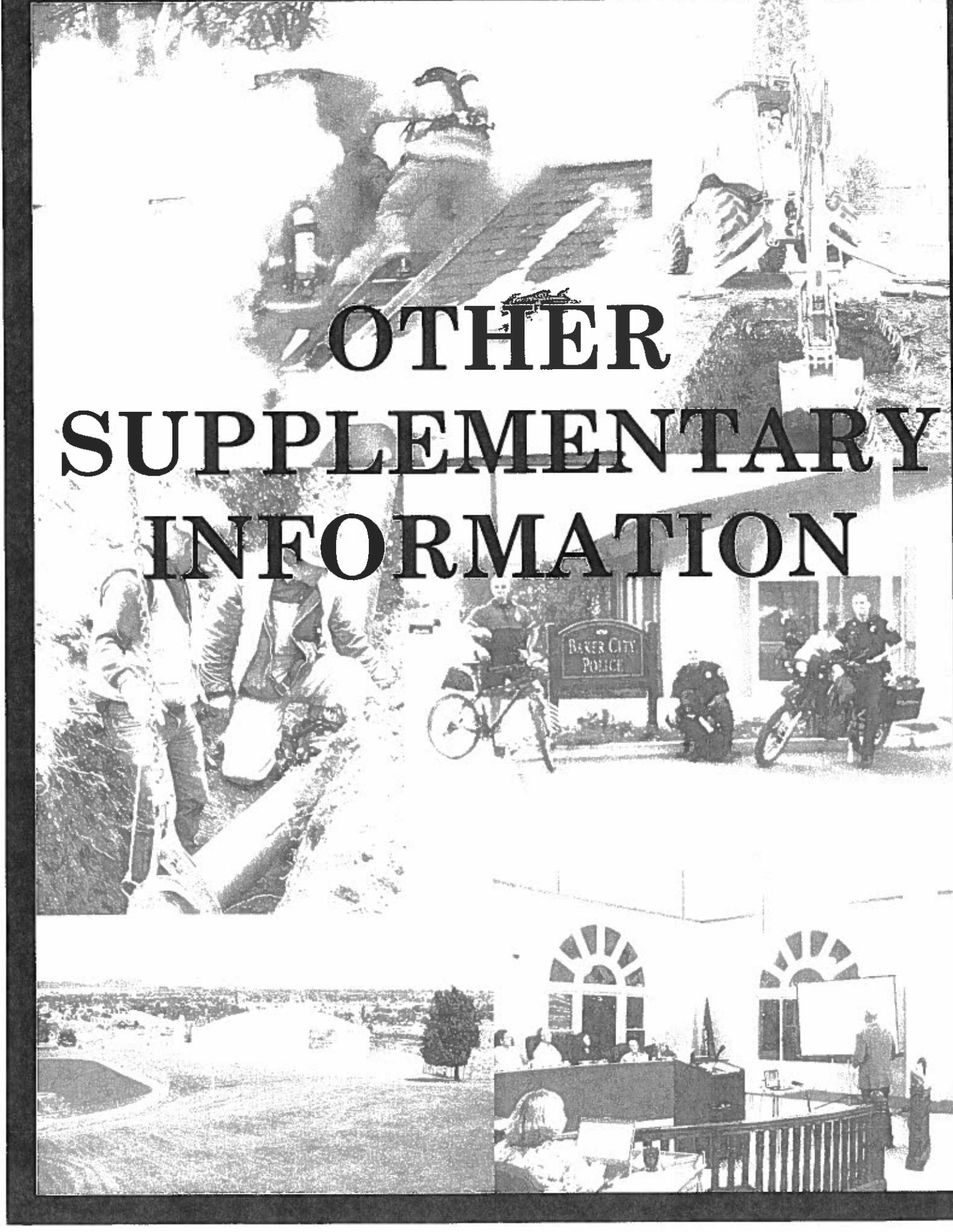
	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE &amp; FEDERAL GRANTS FUND</b>					
Revenue:					
Intergovernmental	\$ 378,300	\$ 402,800	\$ 98,673	\$ -	\$ 98,673
Interest	3,500	3,500	5,800	-	5,800
Miscellaneous	25,500	25,500	87,372	-	87,372
<b>Total Revenues</b>	<b>407,300</b>	<b>431,800</b>	<b>191,845</b>	<b>-</b>	<b>191,845</b>
Expenditures:					
Public Safety	84,400	88,900	74,640	-	74,640
Parks and Recreation	487,200	487,200	6,514	-	6,514
Airport	75,005	75,005	517	-	517
Economic/Community Development	17,000	37,000	32,766	-	32,766
Operating Contingency	67,795	67,795	-	-	-
<b>Total Expenditures</b>	<b>731,400</b>	<b>755,900</b>	<b>114,437</b>	<b>-</b>	<b>114,437</b>
Excess (Deficit) of Revenues Over Expenditures	(324,100)	(324,100)	77,408	-	77,408
Other Financing Sources:					
Transfers In	7,500	7,500	7,500	-	7,500
<b>Total Other Financing Sources</b>	<b>7,500</b>	<b>7,500</b>	<b>7,500</b>	<b>-</b>	<b>7,500</b>
<b>Net Change in Fund Balance</b>	<b>(316,600)</b>	<b>(316,600)</b>	<b>84,908</b>	<b>-</b>	<b>84,908</b>
Fund Balance, July 1, 2007	316,600	316,600	301,074	-	301,074
<b>Fund Balance, June 30, 2008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 385,982</b>	<b>\$ -</b>	<b>\$ 385,982</b>

**BAKER CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2008**

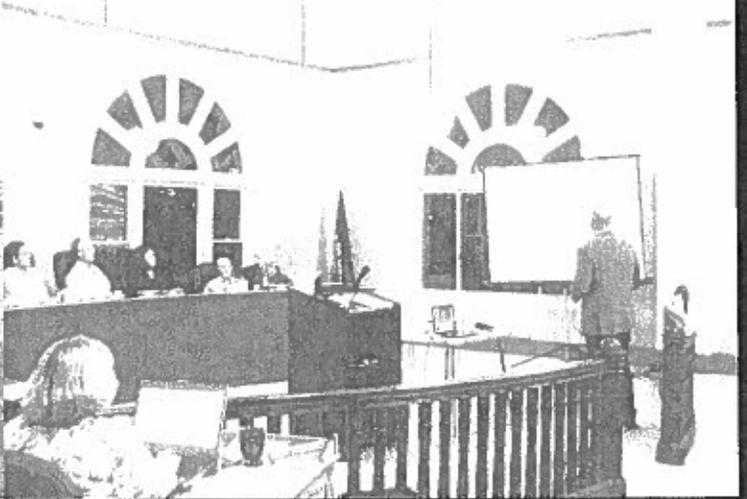
**BUDGET TO GAAP RECONCILIATION**

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	\$ (287,119)	\$ 12,092	\$ (18,889)	\$ 84,908
<i>Budget resources not qualifying as revenues or other financing sources under GAAP:</i>				
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.	(337,356)	-	-	-
<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.	337,356	-	-	-
Ernest money payments are reported as expenditures on a budget basis. Such disbursements are reported as increases in current assets in the Statement of Net Assets.	200,000	-	-	-
Loans or loan payments made to other funds are reported as an other financing use 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.	-	60,358	67,885	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$268,240 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net change in fund balance - GAAP basis	<u>\$ (87,119)</u>	<u>\$ 72,450</u>	<u>\$ 48,996</u>	<u>\$ 84,908</u>



# 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 City Council, by Ordinance 2663, restricted the amount of this fund available for expenditure to interest earnings. The earnings are transferred to the General Fund which uses them to pay for cemetery operations.

**Masonic Lodge Road Trust Fund:** This fund receives a portion of each plot sale in the Masonic section of the cemetery. This fund was to accumulate funds until 300 plots were sold and then a hard surface road was to be constructed through the Masonic section of the cemetery. The road was constructed during the fiscal year ended June 30, 2008.

**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 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:** This fund received 40% of the proceeds from each plot sold and is for the perpetual care of Mt. Hope Cemetery. 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.

**BAKER CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	Special Revenue			Capital Projects			Permanent Funds		Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Masonic Lodge Road Trust	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust			
Cash and Cash Equivalents	\$ 35,476	\$ 274,061	\$ 3,260	\$ 3,194	\$ 236,419	\$ 2,576	\$	\$ 554,986	
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	-	-	21	-	-	21	
Taxes Receivable	4,163	-	-	-	-	-	-	4,163	
Due from Other Funds	-	-	-	-	13,311	-	-	13,311	
Advances to Other Funds	-	-	-	-	243,968	-	-	243,968	
Other Investments	-	-	-	-	888	-	-	888	
<b>Total Assets</b>	<b>\$ 39,639</b>	<b>\$ 274,061</b>	<b>\$ 3,260</b>	<b>\$ 3,194</b>	<b>\$ 494,607</b>	<b>\$ 2,576</b>	<b>\$</b>	<b>\$ 817,337</b>	
<b>Liabilities:</b>									
Accounts Payable	\$ 1,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,345	
Deferred Revenue	3,749	-	-	-	21	-	-	3,770	
<b>Total Liabilities</b>	<b>5,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>5,115</b>	
<b>Fund Balance:</b>									
Reserved for Cemetery Care	-	274,061	3,260	-	494,586	-	-	771,907	
Reserved for 2089 Celebration	-	-	-	-	-	2,576	-	2,576	
Unreserved, Undesignated	34,545	-	-	3,194	-	-	-	37,739	
<b>Total Fund Balance</b>	<b>34,545</b>	<b>274,061</b>	<b>3,260</b>	<b>3,194</b>	<b>494,586</b>	<b>2,576</b>	<b>-</b>	<b>812,222</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 39,639</b>	<b>\$ 274,061</b>	<b>\$ 3,260</b>	<b>\$ 3,194</b>	<b>\$ 494,607</b>	<b>\$ 2,576</b>	<b>\$</b>	<b>\$ 817,337</b>	

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	Special Revenue			Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Masonic Lodge Road Trust	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust				
Revenue:										
Taxes	\$ 67,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,209
Intergovernmental	-	-	-	106,025	-	-	-	-	-	106,025
Charges for Services	-	-	1,398	-	8,456	-	-	-	-	9,854
Interest	1,353	12,672	161	325	22,718	116	-	-	-	37,345
Total Revenue	68,562	12,672	1,559	106,350	31,174	116	-	-	-	220,433
Expenditures:										
Public Safety	-	-	-	114,190	-	-	-	-	-	114,190
Parks and Recreation	49,023	-	-	-	-	-	-	-	-	49,023
Cemetery	-	-	1,306	-	-	-	-	-	-	1,306
Total Expenditures	49,023	-	1,306	114,190	-	-	-	-	-	164,519
Excess (Deficit) of Revenues Over Expenditures	19,539	12,672	253	(7,840)	31,174	116	-	-	-	55,914
Other Financing Sources (Uses):										
Transfers Out	-	(12,672)	-	-	(22,718)	-	-	-	-	(35,390)
Total Other Financing Sources (Uses)	-	(12,672)	-	-	(22,718)	-	-	-	-	(35,390)
Net Change in Fund Balance	19,539	-	253	(7,840)	8,456	116	-	-	-	20,524
Fund Balance, July 1, 2007	15,006	274,061	3,007	11,034	486,130	2,460	-	-	-	791,698
Fund Balance, June 30, 2008	\$ 34,545	\$ 274,061	\$ 3,260	\$ 3,194	\$ 494,586	\$ 2,576	\$ -	\$ -	\$ -	\$ 812,222

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SAMO SWIM MAINTENANCE FUND</b>					
Revenue:					
Taxes	\$ 64,200	\$ 64,200	\$ 67,209	\$ -	\$ 67,209
Interest	500	500	1,353	-	1,353
Total Revenues	<u>64,700</u>	<u>64,700</u>	<u>68,562</u>	<u>-</u>	<u>68,562</u>
Expenditures:					
Samo Swim Center	64,000	64,000	49,023	-	49,023
Contingency	5,700	5,700	-	-	-
Total Expenditures	<u>69,700</u>	<u>69,700</u>	<u>49,023</u>	<u>-</u>	<u>49,023</u>
Excess (Deficit) of Revenues Over Expenditures	(5,000)	(5,000)	19,539	-	19,539
Fund Balance, July 1, 2007	<u>5,000</u>	<u>5,000</u>	<u>15,006</u>	<u>-</u>	<u>15,006</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,545</u>	<u>\$ -</u>	<u>\$ 34,545</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>JOHN SCHMITZ TRUST FUND</b>					
Revenue:					
Interest	\$ 14,000	\$ 14,000	\$ 12,672	\$ -	\$ 12,672
Expenditures:					
Operating Contingency	<u>274,061</u>	<u>274,061</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers Out	<u>(14,000)</u>	<u>(14,000)</u>	<u>(12,672)</u>	<u>-</u>	<u>(12,672)</u>
Net Change in Fund Balance	(274,061)	(274,061)	-	-	-
Fund Balance, July 1, 2007	<u>274,061</u>	<u>274,061</u>	<u>274,061</u>	<u>-</u>	<u>274,061</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,061</u>	<u>\$ -</u>	<u>\$ 274,061</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>MASONIC LODGE ROAD TRUST FUND</b>					
Revenue:					
Charges for Services	\$ 1,560	\$ 1,560	\$ 1,398	\$ -	\$ 1,398
Interest	400	400	161	-	161
Total Revenues	1,960	1,960	1,559	-	1,559
Expenditures:					
Cemetery	4,460	4,460	1,306	-	1,306
Net Change in Fund Balance	(2,500)	(2,500)	253	-	253
Fund Balance, July 1, 2007	2,500	2,500	3,007	-	3,007
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,260</u>	<u>\$ -</u>	<u>\$ 3,260</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
<b>FIRE EQUIPMENT RESERVE FUND</b>					
Revenue:					
Interest	\$ 50	\$ 50	\$ 325	\$ -	\$ 325
Intergovernmental	-	106,020	106,025	-	106,025
Total Revenues	<u>50</u>	<u>106,070</u>	<u>106,350</u>	<u>-</u>	<u>106,350</u>
Expenditures:					
Fire Equipment	<u>8,790</u>	<u>114,810</u>	<u>114,190</u>	<u>-</u>	<u>114,190</u>
Excess (Deficit) of Revenues Over Expenditures	(8,740)	(8,740)	(7,840)	-	(7,840)
Other Financing Sources (Uses):					
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(8,740)	(8,740)	(7,840)	-	(7,840)
Fund Balance, July 1, 2007	<u>8,740</u>	<u>8,740</u>	<u>11,034</u>	<u>-</u>	<u>11,034</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,194</u>	<u>\$ -</u>	<u>\$ 3,194</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>MT HOPE TRUST FUND</b>					
Revenue:					
Charges for Services	\$ 9,000	\$ 9,000	\$ 8,456	\$ -	\$ 8,456
Interest	18,000	18,000	10,959	11,759	22,718
Total Revenues	27,000	27,000	19,415	11,759	31,174
Expenditures:					
Contingency	232,000	232,000	-	-	-
Total Expenditures	232,000	232,000	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(18,000)	(18,000)	(22,718)	-	(22,718)
Interfund Loan Transfers In	13,000	13,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	(5,000)	(5,000)	(2,718)	(20,000)	(22,718)
Net Change in Fund Balance	(210,000)	(210,000)	16,697	(8,241)	8,456
Fund Balance, July 1, 2007	210,000	210,000	220,611	265,519	486,130
Fund Balance, June 30, 2008	\$ -	\$ -	\$ 237,308	\$ 257,278	\$ 494,586

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>ONE HUNDRED YEAR TRUST</b>					
Revenue:					
Interest	\$ 95	\$ 95	\$ 116	\$ -	\$ 116
Net Change in Fund Balance	95	95	116	-	116
Fund Balance, July 1, 2007	2,445	2,445	2,460	-	2,460
Fund Balance, June 30, 2008	\$ 2,540	\$ 2,540	\$ 2,576	\$ -	\$ 2,576

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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.

**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, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WATER UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 1,735,000	\$ 1,735,000	\$ 1,774,928	\$ -	\$ 1,774,928
Interest	52,000	52,000	80,006	2,124	82,130
Miscellaneous	15,000	15,000	19,040	-	19,040
Sales to Other Funds	13,000	13,000	77,841	(77,841)	-
<b>Total Revenues</b>	<b>1,815,000</b>	<b>1,815,000</b>	<b>1,951,815</b>	<b>(75,717)</b>	<b>1,876,098</b>
Expenses:					
Maintenance	1,249,412	1,249,412	1,206,607	(101,274)	1,105,333
Construction	839,756	839,756	402,797	(402,797)	-
Depreciation	-	-	-	282,638	282,638
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<b>2,289,168</b>	<b>2,289,168</b>	<b>1,609,404</b>	<b>(221,433)</b>	<b>1,387,971</b>
Excess (Deficit) of Revenues Over Expenses	(474,168)	(474,168)	342,411	145,716	488,127
Other Financing Sources (Uses):					
Interfund Loan Transfers In	62,482	62,482	62,482	(62,482)	-
Total Other Financing Sources (Uses)	62,482	62,482	62,482	(62,482)	-
Net Change in Fund Balance	(411,686)	(411,686)	404,893	83,234	488,127
Fund Balance, July 1, 2007	1,255,884	1,255,884	1,666,401	13,171,452	14,837,853
Fund Balance, June 30, 2008	<b>\$ 844,198</b>	<b>\$ 844,198</b>	<b>\$ 2,071,294</b>	<b>\$ 13,254,686</b>	<b>\$ 15,325,980</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WASTEWATER UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 820,000	\$ 820,000	\$ 873,454	\$ -	\$ 873,454
Rental Income	3,780	3,780	3,782	-	3,782
Interest	17,000	17,000	19,006	2,176	21,182
Special Assessments/LID Repayments	-	-	2,176	(2,176)	-
Miscellaneous	25,000	25,000	45,804	-	45,804
<b>Total Revenues</b>	<b>865,780</b>	<b>865,780</b>	<b>944,222</b>	<b>-</b>	<b>944,222</b>
Expenses:					
Maintenance	646,470	681,470	679,859	-	679,859
Construction	650,207	650,207	549,280	(549,280)	-
Depreciation	-	-	-	208,589	208,589
Operating Contingency	40,000	5,000	-	-	-
<b>Total Expenses</b>	<b>1,336,677</b>	<b>1,336,677</b>	<b>1,229,139</b>	<b>(340,691)</b>	<b>888,448</b>
<b>Net Change in Fund Balance</b>	<b>(470,897)</b>	<b>(470,897)</b>	<b>(284,917)</b>	<b>340,691</b>	<b>55,774</b>
Fund Balance, July 1, 2007	526,218	526,218	568,298	4,186,488	4,754,786
<b>Fund Balance, June 30, 2008</b>	<b>\$ 55,321</b>	<b>\$ 55,321</b>	<b>\$ 283,381</b>	<b>\$ 4,527,179</b>	<b>\$ 4,810,560</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	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	\$ 22,500	\$ 5,000	\$ 27,500
Miscellaneous	5,000	5,000	16,040	(5,000)	11,040
<b>Total Revenues</b>	<b>27,500</b>	<b>27,500</b>	<b>38,540</b>	<b>-</b>	<b>38,540</b>
Expenses:					
Maintenance	-	-	-	-	-
Debt Service	-	-	-	11,759	11,759
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	14,957	14,957
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,716</b>	<b>26,716</b>
Excess (Deficit) of Revenues Over Expenses	27,500	27,500	38,540	(26,716)	11,824
Other Financing Sources (Uses):					
Interfund Loan Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>20,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>7,500</b>	<b>7,500</b>	<b>18,540</b>	<b>(6,716)</b>	<b>11,824</b>
Fund Balance, July 1, 2007	16,288	16,288	18,851	952,021	970,872
<b>Fund Balance, June 30, 2008</b>	<b>\$ 23,788</b>	<b>\$ 23,788</b>	<b>\$ 37,391</b>	<b>\$ 945,305</b>	<b>\$ 982,696</b>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>BUILDING INSPECTIONS FUND</b>					
Revenue:					
Charges for Services	\$ 335,700	\$ 335,700	\$ 360,216	\$ -	\$ 360,216
Interest	4,000	4,000	14,959	-	14,959
Miscellaneous	600	600	-	-	-
<b>Total Revenues</b>	<b>340,300</b>	<b>340,300</b>	<b>375,175</b>	<b>-</b>	<b>375,175</b>
Expenditures:					
Personal Services	207,538	222,538	220,430	-	220,430
Materials and Services	132,757	132,757	131,325	-	131,325
Capital Outlay	5	5	-	-	-
Operating Contingency	230,000	215,000	-	-	-
<b>Total Expenses</b>	<b>570,300</b>	<b>570,300</b>	<b>351,755</b>	<b>-</b>	<b>351,755</b>
Excess (Deficit) of Revenues Over Expenses	(230,000)	(230,000)	23,420	-	23,420
Fund Balance, July 1, 2007	230,000	230,000	285,570	-	285,570
<b>Fund Balance, June 30, 2008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 308,990</b>	<b>\$ -</b>	<b>\$ 308,990</b>

## **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.

**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.

**Payroll Service Fund:** This fund is used to account for vacation, exchange and holiday pay that is accrued by the City's employees.

**Technical Services Fund:** This fund is used to account for the City's staff that provides engineering and other technical services needed for the construction, maintenance and repair of the facilities of the City.

**BAKER CITY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2008**

	<u>Equipment and Vehicle</u>	<u>Payroll Service</u>	<u>Technical Services</u>	<u>Total Internal Service Funds</u>
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 540,196	\$ 561,916	\$ 12,822	\$ 1,114,934
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	215	-	101	316
Due From Other Funds	78,890	-	-	78,890
Inventories	-	-	-	-
Total Current Assets	<u>619,301</u>	<u>561,916</u>	<u>12,923</u>	<u>1,194,140</u>
Noncurrent Assets:				
Advances to Other Funds	189,422	-	-	189,422
Capital Assets:				
Buildings	39,526	-	-	39,526
Equipment and Vehicles	2,282,767	-	-	2,282,767
Less: Accumulated Depreciation	<u>(1,756,774)</u>	<u>-</u>	<u>-</u>	<u>(1,756,774)</u>
Total Capital Assets	565,519	-	-	565,519
Total Noncurrent Assets	<u>754,941</u>	<u>-</u>	<u>-</u>	<u>754,941</u>
Total Assets	<u>\$ 1,374,242</u>	<u>\$ 561,916</u>	<u>\$ 12,923</u>	<u>\$ 1,949,081</u>
Current Liabilities:				
Accounts Payable	\$ 21,020	\$ -	\$ 1,693	\$ 22,713
Accrued Payroll Taxes and Benefits Payable	7,381	996	11,230	19,607
Compensated Absences Payable	-	307,433	-	307,433
Total Current Liabilities	<u>28,401</u>	<u>308,429</u>	<u>12,923</u>	<u>349,753</u>
Net Assets:				
Invested in Capital Assets	565,519	-	-	565,519
Unrestricted	780,322	253,487	-	1,033,809
Total Net Assets	<u>\$ 1,345,841</u>	<u>\$ 253,487</u>	<u>\$ -</u>	<u>\$ 1,599,328</u>

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Equipment and Vehicle	Payroll Service	Technical Services	Total Internal Service Funds
<b>Operating Revenue:</b>				
Charges for Sales and Services	\$ 348,815	\$ -	\$ 307,756	\$ 656,571
Total Revenue	<u>348,815</u>	<u>-</u>	<u>307,756</u>	<u>656,571</u>
<b>Operating Expenses:</b>				
Cost of Sales and Services	324,146	45,114	307,756	677,016
Depreciation	102,877	-	-	102,877
Total Expenses	<u>427,023</u>	<u>45,114</u>	<u>307,756</u>	<u>779,893</u>
Operating Income (Loss)	(78,208)	(45,114)	-	(123,322)
<b>Nonoperating Revenue (Expense):</b>				
Interest Income	40,844	25,957	-	66,801
Gain on Equipment Sale	-	-	-	-
Total Nonoperating Revenue (Expense)	<u>40,844</u>	<u>25,957</u>	<u>-</u>	<u>66,801</u>
Change in Net Assets	(37,364)	(19,157)	-	(56,521)
Net Assets, July 1, 2007	<u>1,383,205</u>	<u>272,644</u>	<u>-</u>	<u>1,655,849</u>
Net Assets June 30, 2008	<u>\$ 1,345,841</u>	<u>\$ 253,487</u>	<u>\$ -</u>	<u>\$ 1,599,328</u>

**BAKER CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Equipment and Vehicle</u>	<u>Payroll Service</u>	<u>Technical Services</u>	<u>Total Internal Service Funds</u>
Cash from Operating Activities:				
Receipts from Customers and Users	\$ 6,593	\$ -	\$ -	\$ 6,593
Receipts from Interfund Services Provided	342,151	-	307,655	649,806
Other Receipts	-	-	-	-
Payments to Suppliers	(162,664)	-	(34,629)	(197,293)
Payments to Employees	(142,329)	(26,869)	(272,949)	(442,147)
Payments for Interfund Services Used	(2,940)	-	-	(2,940)
Net Cash Provided (Used) by Operating Activities	<u>40,811</u>	<u>(26,869)</u>	<u>77</u>	<u>14,019</u>
Cash Flows from Non Capital Financing Activities:				
Advances from (to) Other Funds	-	-	-	-
Repayments from (to) Other Funds	67,884	-	-	67,884
Net Cash Provided (Used) by Noncapital Financing Activities	<u>67,884</u>	<u>-</u>	<u>-</u>	<u>67,884</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of Capital Assets	(93,208)	-	-	(93,208)
Net Cash Provided (Used) by Capital Financing Activities	<u>(93,208)</u>	<u>-</u>	<u>-</u>	<u>(93,208)</u>
Cash Flows from Investing Activities:				
Receipts on Sale of Capital Assets	-	-	-	-
Interest on Investments	40,844	25,957	-	66,801
Net Cash Provided (Used) by Investing Activities	<u>40,844</u>	<u>25,957</u>	<u>-</u>	<u>66,801</u>
Net Increase (Decrease) in Cash and Cash Equivalents	56,331	(912)	77	55,496
Cash and Cash Equivalents, July 1, 2007	483,865	562,828	12,745	1,059,438
Cash and Cash Equivalents, June 30, 2008	<u>\$ 540,196</u>	<u>\$ 561,916</u>	<u>\$ 12,822</u>	<u>\$ 1,114,934</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	<u>\$ (78,208)</u>	<u>\$ (45,114)</u>	<u>\$ -</u>	<u>\$ (123,322)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	102,877	-	-	102,877
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(71)	-	(101)	(172)
(Increase) Decrease in Inventories	-	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	14,323	-	(485)	13,838
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	1,890	901	663	3,454
Increase (Decrease) in Compensated Absences Payable	-	17,344	-	17,344
Total Adjustments	<u>119,019</u>	<u>18,245</u>	<u>77</u>	<u>137,341</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,811</u>	<u>\$ (26,869)</u>	<u>\$ 77</u>	<u>\$ 14,019</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>EQUIPMENT &amp; VEHICLE FUND</b>					
Revenue:					
Charges for Services	\$ 421,105	\$ 421,105	\$ 348,815	\$ -	\$ 348,815
Interest	34,000	34,000	24,208	16,636	40,844
Gain on Equipment Sale	-	-	-	-	-
Total Revenues	<u>455,105</u>	<u>455,105</u>	<u>373,023</u>	<u>16,636</u>	<u>389,659</u>
Expenses:					
Equipment Operations	343,807	361,807	321,716	-	321,716
Equipment Purchases	121,000	121,000	95,638	(93,208)	2,430
Depreciation	-	-	-	102,877	102,877
Operating Contingency	414,084	396,084	-	-	-
Total Expenses	<u>878,891</u>	<u>878,891</u>	<u>417,354</u>	<u>9,669</u>	<u>427,023</u>
Excess (Deficit) of Revenues Over Expenses	<u>(423,786)</u>	<u>(423,786)</u>	<u>(44,331)</u>	<u>6,967</u>	<u>(37,364)</u>
Other Financing Sources:					
Interfund Loan Transfers In	88,786	88,786	84,521	(84,521)	-
Net Change in Fund Balance	<u>(335,000)</u>	<u>(335,000)</u>	<u>40,190</u>	<u>(77,554)</u>	<u>(37,364)</u>
Fund Balance, July 1, 2007	<u>335,000</u>	<u>335,000</u>	<u>471,819</u>	<u>911,386</u>	<u>1,383,205</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512,009</u>	<u>\$ 833,832</u>	<u>\$ 1,345,841</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>PAYROLL SERVICE FUND</b>					
Revenue:					
Charges for Services	\$ 46,134	\$ 46,134	\$ -	\$ -	\$ -
Interest	15,000	15,000	25,957	-	25,957
Total Revenues	61,134	61,134	25,957	-	25,957
Expenses:					
Employee Benefits	56,222	56,222	45,114	-	45,114
Operating Contingency	304,912	304,912	-	-	-
Total Expenses	361,134	361,134	45,114	-	45,114
Net Change in Fund Balance	(300,000)	(300,000)	(19,157)	-	(19,157)
Fund Balance, July 1, 2007	300,000	300,000	272,644	-	272,644
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,487</u>	<u>\$ -</u>	<u>\$ 253,487</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TECHNICAL SERVICES FUND:</b>					
Revenue:					
Charges for Services	\$ 427,162	\$ 427,162	\$ 307,756	\$ -	\$ 307,756
Total Revenues	427,162	427,162	307,756	-	307,756
Expenses:					
Personal Services	320,125	320,125	273,612	-	273,612
Materials and Services	37,625	37,625	34,144	-	34,144
Contingency	69,412	69,412	-	-	-
Total Expenses	427,162	427,162	307,756	-	307,756
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2007	-	-	-	-	-
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BAKER CITY**  
**SUMMARY OF PROPERTY TAX TRANSACTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Tax Year	2007-2008 Tax					Taxes Receivable June 30, 2008	
	Taxes Receivable June 30, 2007	Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments		Less Collections
2007-08		\$ 2,595,641	\$ (64,294)	\$ 969	\$ (1,445)	\$ (2,442,728)	\$ 88,143
2006-07	\$ 96,693			2,607	(1,328)	(62,783)	35,189
2005-06	41,915			2,025	69	(22,831)	21,178
2004-05	20,389			2,062	7	(13,943)	8,515
2003-04	7,498			1,097	9	(6,351)	2,253
Prior	3,011			417	(161)	(840)	2,427
	\$ 169,506	\$ 2,595,641	\$ (64,294)	\$ 9,177	\$ (2,849)	\$ (2,549,476)	\$ 157,705

**Taxes Receivable June 30, 2008 by Fund**

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2007-08	\$ 69,536	\$ 16,280	\$ 2,327
2006-07	27,761	6,499	929
2005-06	16,707	3,912	559
2004-05	6,717	1,573	225
2003-04	1,777	416	59
Prior	1,915	448	64
	\$ 124,413	\$ 29,128	\$ 4,162

**Collections by Fund**

Current Year	Collections by Fund			
	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Levy	\$ 2,441,759	\$ 1,926,328	\$ 451,017	\$ 64,414
Interest	969	764	179	26
Total	\$ 2,442,728	\$ 1,927,092	\$ 451,196	\$ 64,439

Prior Years	Taxes & Interest
\$ 106,748	\$ 84,216
	\$ 19,716
	\$ 2,816

**BAKER CITY**  
**AUDIT COMMENTS, DISCLOSURES AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

BAKER CITY  
AUDIT COMMENTS, DISCLOSURES AND RECOMMENDATIONS  
June 30, 2008

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1. Internal Control & Other Recommendations:

A. Report on Internal Control Structure:

We have audited the financial statements of Baker City, Oregon, (the City) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum standards for audits of Oregon Municipal Corporations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud.

The management of the City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of internal accounting control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the City's basic financial statements for the year ended June 30, 2008, we obtained an understanding of the internal accounting control. With respect to the internal accounting control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal accounting controls. Accordingly, we do not express such an opinion.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any significant deficiencies in internal control during our audit.

A material weakness is a significant deficiency in which the design or operation of the specific internal accounting control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

BAKER CITY  
AUDIT COMMENTS, DISCLOSURES AND RECOMMENDATIONS, CONTINUED  
June 30, 2008

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1. Internal Control & Other Recommendations, Continued:

A. Report on Internal Control Structure, Continued:

Our consideration of the internal accounting control would not necessarily disclose all matters in the internal accounting control that might be control deficiencies and, accordingly, would not necessarily disclose all significant deficiencies including those that we would consider to be material weaknesses as defined above. However, we noted no matters regarding the internal control over financial reporting and its operation that we consider to be a material weakness. As required by SAS 112 we have issued a separate letter which contains our report on this matter.

This report is intended solely for the information of the management, the City Council, grantors and the State of Oregon, Secretary of State, Division of Audits.

2. Accounting Records:

We found the City's accounting records adequate for audit.

3. Tax Levies, Budgeting and Legal Compliances:

A. Tax Levies:

The City's fiscal 2007-08 and 2008-09 tax levies were made in compliance with Article XI, Section 11, of the Oregon Constitution.

On November 7, 1989, the voters of Baker City approved a five year levy of \$350,000 per year for street maintenance. This special levy commenced in fiscal 1990-91. On May 16, 1995 the voters approved another five year levy which commenced in 1995-96. For the 1998-99 Budget year this levy has been combined with the City's base value to make one single rate of 6.3314 per \$1,000 of assessed value.

On June 26, 1990, the voters of Baker City approved a five year, \$50,000 per year, swimming pool operating levy. This special levy commenced in fiscal 1990-91. On March 28, 1995 the voters approved another five year, \$50,000 per year, swimming pool operating levy which commenced in fiscal 1995-96. For the 1998-99 Budget year this levy has been combined with the City's base value to make one single rate of 6.3314 per \$1,000 of assessed value.

B. Budgeting:

The preparation, adoption and execution of City budget for fiscal 2007-08 and 2008-09, complied with ORS 294 and other appropriate Oregon laws and regulations except:

- (1) In three instances, the first preceding year beginning fund balances were not actual amounts as required by ORS 294.376.
- (2) There was an over expenditure in the 2007-08 fiscal year where a transfer out from the permanent fund Mount Hope Trust exceeded budgetary authority by \$4,718. Interest income received in that fund is to be transferred to the General Fund for cemetery maintenance and this interest income exceeded the budgeted amount.

BAKER CITY  
AUDIT COMMENTS, DISCLOSURES AND RECOMMENDATIONS, CONTINUED  
June 30, 2008

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4. Collateral for Bank Deposits:

The cash in bank demand deposits were covered by federal depository insurance or by the required collateral held by the City's agent in the City's name, for the year ended June 30, 2008.

5. Indebtedness:

The bonded debt of the City is in compliance with the limitations imposed by O.R.S. 223.295 and 287.004 and the City Charter.

6. Investments:

The City complied with all legal requirements regarding its investments during the fiscal year ended June 30, 2008.

7. Highway Funds:

In reviewing the City's State Tax Street Fund revenues and expenses, we noted no matters where the City did not comply with the legal requirements, as contained in Article IX, Section 3a of the Oregon Constitution, pertaining to the use of revenue from taxes on motor vehicle use fuel, nor did we note any matters of noncompliance with Statutory requirements pertaining to the use of road funds, as contained in ORS 294.368 and 294.373.

8. Public Contracts and Purchasing:

We believe the City has complied with ORS 279 pertaining to awarding of public contracts and construction of public improvements except:

(1) During our testing of the City's public contracting, we noted one instance of non-compliance with ORS 279, where the City did not obtain quotes for the specific type of product they purchased. We performed sufficient testing in this area, and believe this was an isolated issue.

9. Insurance and Fidelity Bonds:

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2008. We noted no matters which indicated such policies were not in force or not in compliance with any legal requirements relating to insurance coverage. We are not trained to comment on the adequacy of the insurance policies covering City owned property at June 30, 2008. We suggest you consult regularly with your insurance counsel regarding these matters.

10. Programs Funded from Outside Sources:

We reviewed and tested, to the extent deemed appropriate, transactions and reports of the Federal and State programs in which the City participates. Our audit opinion on the City's basic financial statements does not cover each individual grant. Grants were examined on a test basis only.

BAKER CITY  
AUDIT COMMENTS, DISCLOSURES AND RECOMMENDATIONS, CONTINUED  
June 30, 2008

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11. Programs Funded from Outside Sources, Continued:

Each grant is subject to audit by the grantor agency and any adjustments may become a liability of the appropriate fund.

12. Schedule of Accountability for Independently Elected Officials:

None of Baker City's independently elected officials were responsible for collecting or receiving money in the operation of the City for the year ended June 30, 2008.

12. Deficit fund equity:

The LID Repayment Fund had a deficit balance of \$205,003 as of June 30, 2008. The City funded this deficit through interfund loans. This interfund loan will be repaid with future revenues. This Fund does not have a deficit fund balance for compliance with Oregon Local Budget Law.