

# City of Baker City, Oregon

Annual Financial Report

For the Fiscal Year Ended  
June 30, 2009



**BAKER CITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2009**

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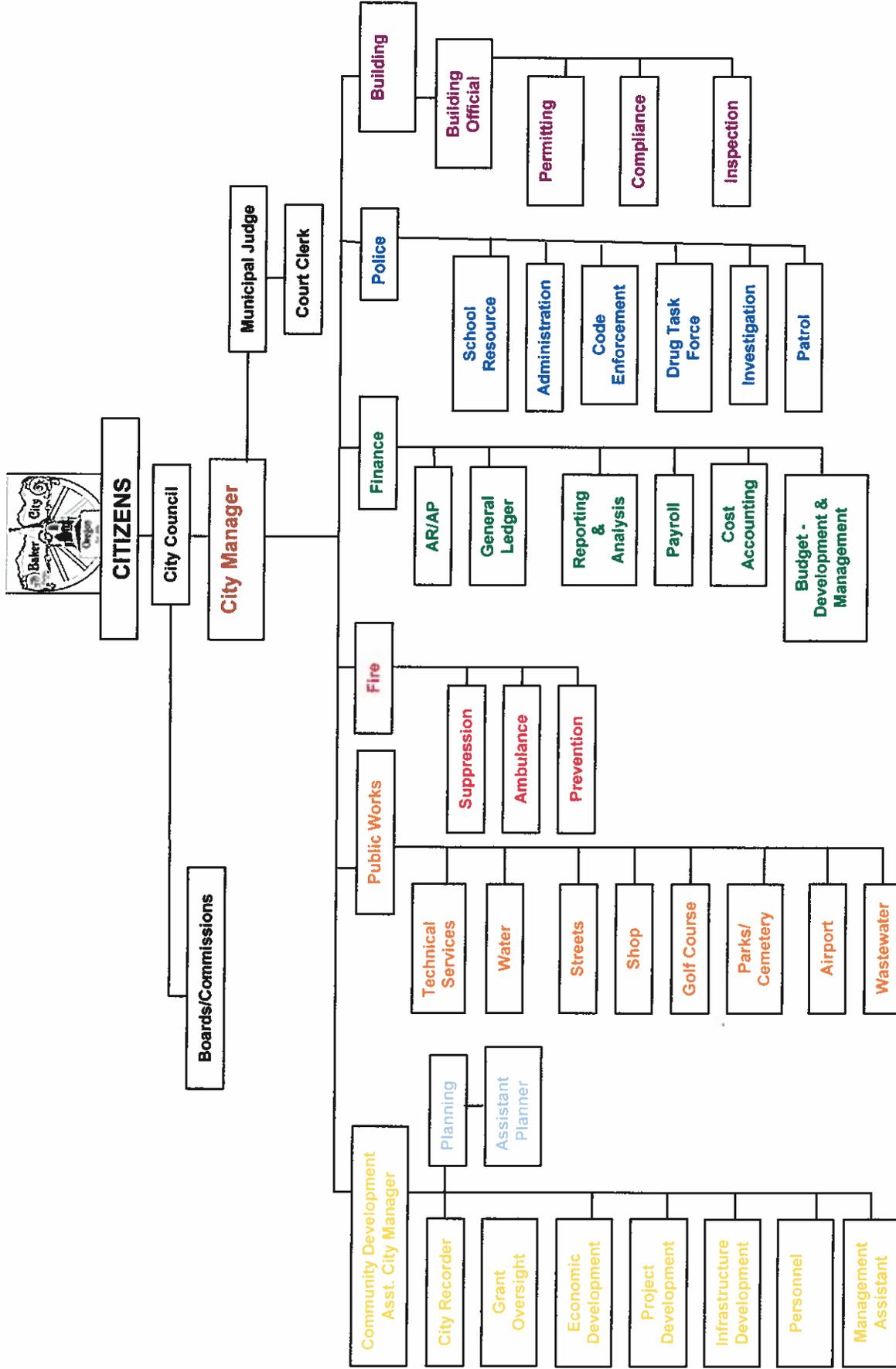


# Introductory Section





# 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, 2009**

	<b><u>Term Expiration</u></b>
<b><u>Mayor:</u></b>	
Dennis Dorrah 1549 Campbell	December 31, 2010
<b><u>Council Members:</u></b>	
Sam Bass 2450 19 <sup>th</sup> Street	December 31, 2012
Milo Pope 1990 3 <sup>rd</sup> Street	December 31, 2012
Aletha Bonebrake 2347 Campbell	December 31, 2012
Andrew Bryan 1917 Main Street	December 31, 2010
Beverly Calder 1246 Dewey Avenue	December 31, 2010
Clair Button 3555 Indiana	December 31, 2010

**APPOINTED CITY OFFICERS AS OF JUNE 30, 2009**

<b><u>City Manager:</u></b>	<b><u>City Finance Director:</u></b>
Timothy Collins – Pro Tem Effective June 10, 2009	Jeanie Dexter
<b><u>City Attorney:</u></b>	<b><u>Municipal Judge:</u></b>
Dan Van Thiel	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 29, 2010

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, 2009, which collectively comprise the City of Baker City, Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baker City, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

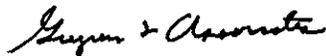
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010, on our consideration of the City of Baker City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Baker City. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, summary of property tax transactions and the schedule of expenditures of federal awards 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, 2009**

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, 2009. This Management's Discussion and analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

*The Statement of Net Assets.* The statement of net assets presents information on all of the 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, 2009**

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

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

The City maintains twelve governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Street Fund, LID Repayment Fund, and State and Federal Grants Fund which are considered to be major funds. The basic governmental fund financial statements can be found on pages 17-20 of this report. Data from the other governmental funds are combined into a single, aggregated presentation on these statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 47-48.

*Proprietary funds* - the City had eight proprietary funds however, one of those funds was eliminated during the year ended June 30, 2009. Functions that are intended to recover all or a significant portion of their costs through user fees and charges are accounted for in proprietary funds. Proprietary funds are further designated as either enterprise funds or internal service funds.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses three internal service funds to account for its technical services function, equipment maintenance and replacement function, and inventory function. During the year ended June 30, 2009 the City eliminated its Payroll Service Fund which was used to account for limited payroll functions.

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

*Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-40 of this report.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

*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 \$38,197,650 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (81 percent) reflects its investment in capital assets (e.g. land, buildings, and equipment), less any related debt that is still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is a summary of Net Assets:

**City of Baker City  
Summary of Net Assets  
June 30, 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>
<b>ASSETS</b>						
Current and Other Assets	\$ 4,423,307	\$ 5,908,765	\$ 3,268,272	\$ 3,422,429	\$ 7,691,579	\$ 9,331,194
Capital Assets	11,726,289	11,083,836	19,652,981	18,932,434	31,379,270	30,016,270
Total Assets	16,149,596	16,992,601	22,921,253	22,354,863	\$ 39,070,849	39,347,464
<b>LIABILITIES</b>						
Long-Term Liabilities	72,040	76,219	-	-	72,040	76,219
Other Liabilities	562,777	629,219	238,382	207,501	801,159	836,720
Total Liabilities	634,817	\$ 705,438	238,382	\$ 207,501	873,199	\$ 912,939
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 11,650,070	\$11,003,655	19,410,421	\$ 18,675,155	\$ 31,060,491	\$29,678,810
Restricted	799,324	791,783	-	-	799,324	791,783
Unrestricted	3,065,385	4,491,725	3,272,450	3,472,207	6,337,835	7,963,932
Total Net Assets	<u>\$ 15,514,779</u>	<u>\$16,287,163</u>	<u>22,682,871</u>	<u>\$ 22,147,362</u>	<u>\$ 38,197,650</u>	<u>\$38,434,525</u>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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 (\$6,337,835) may be used to meet the City's ongoing obligations to citizens and creditors.

Net asset for the City as a whole decreased by \$236,875 during the fiscal year ended June 30, 2009. The following is an analysis of this decrease.

**City of Baker City  
Summary of Changes in Net Assets  
June 30, 2009**

	Governmental Activities		Business-type Activities		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 811,890	\$ 801,540	\$ 3,306,564	\$ 3,036,098	\$ 4,118,454	\$ 3,837,638
Operating Grants/Contrib.	819,035	764,536	-	-	819,035	764,536
Capital Grants/Contrib.	615,388	528,838	52,457	11,040	667,845	539,878
<b>General Revenues:</b>						
Property Taxes	2,667,243	2,544,089	-	-	2,667,243	2,544,089
Franchise Taxes	856,074	874,608	-	-	856,074	874,608
Investment Earnings	98,685	263,316	59,603	118,271	158,288	381,587
Unrestricted Grants/Contrib.	223,530	211,100	-	-	223,530	211,100
Rental Income	18,950	22,987	6,781	6,782	25,731	29,769
Miscellaneous	2,541	45,076	67,594	61,844	70,135	106,920
<b>Total Revenues</b>	<b>\$ 6,113,336</b>	<b>\$ 6,056,090</b>	<b>\$ 3,492,999</b>	<b>\$ 3,234,035</b>	<b>\$ 9,606,335</b>	<b>\$ 9,290,125</b>
<b>EXPENSES</b>						
General Government	\$ 677,236	\$ 645,199	\$ -	\$ -	\$ 677,236	\$ 645,199
Public Safety	3,502,754	3,363,730	-	-	3,502,754	3,363,730
Transportation and Streets	1,829,035	1,789,529	-	-	1,829,035	1,789,529
Culture & Recreation	249,851	218,553	-	-	249,851	218,553
Economic Development	267,872	201,299	-	-	267,872	201,299
Cemetery	104,101	94,732	-	-	104,101	94,732
Airport	423,382	303,836	-	-	423,382	303,836
Hydro-Electric Plant	12,346	3,156	-	-	12,346	3,156
Interest on Long-Term Debt	11,077	23,343	-	-	11,077	23,343
Water	-	-	1,459,055	1,412,420	1,459,055	1,412,420
Wastewater	-	-	879,056	913,532	879,056	913,532
Golf Course	-	-	41,993	26,716	41,993	26,716
Building Department	-	-	385,452	355,276	385,452	355,276
<b>Total Expenses</b>	<b>7,077,654</b>	<b>6,643,377</b>	<b>2,765,556</b>	<b>2,707,944</b>	<b>9,843,210</b>	<b>9,351,321</b>
Operating Transfers	191,934	-	(191,934)	-	-	(61,196)
Change in Net Assets	(772,384)	(587,287)	535,509	526,091	(236,875)	(61,196)
Net Assets – Beginning of Year	16,287,163	16,874,450	22,147,362	21,621,271	38,434,525	38,495,721
Net Assets – End of Year	<b>\$ 15,514,779</b>	<b>\$ 16,287,163</b>	<b>\$ 22,682,871</b>	<b>\$ 22,147,362</b>	<b>\$ 38,197,650</b>	<b>\$ 38,434,525</b>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

*Analysis of Changes in Net Assets*

**Governmental activities:** Net assets of the governmental activities decreased by \$772,384. During 2008-09 the City began work on several major projects that it had previously been reserving money for. In addition the City continues to see a decline in revenue and an increase in expenses.

**Business-type activities:** Net assets of the business-type activities increased by \$535,509. 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 \$2.095 million to \$1.199 million. The decrease was the result of the purchase of the police building for \$612,447, a transfer from the General Fund to the Street Fund for D Street of \$120,000; a transfer to the Fire Equip Reserve Fund of \$60,000; to the Golf Fund for the parking lot paving project of \$10,000; to the State and Federal Grants Fund for the airport grant match \$7,500; a transfer to the Insurance Reserve Fund of \$6,178; a decrease in interest income of \$63,000; and an increase in operational expenditures. These decreases were partially offset by a one time transfer from the Payroll Service Fund of \$334,388 and a \$61,000 increase in property tax revenues.

**Street Fund:** The ending fund balance of the Street Fund decreased from \$785,675 to \$443,253. This decrease was due to the City's cost for the construction of D Street \$494,412; a decrease in highway tax revenues of \$47,424 and a decrease in interest income \$13,893. These decreases were offset partially by a transfer in from the General Fund of \$120,000; a one time transfer from the Payroll Service Fund of \$40,829; new sidewalk revenue of \$40,268 and an increase in property tax revenues of \$14,772.

**LID Repayment Fund:** The ending fund balance of the LID Repayment Fund increased from (\$205,003) to (\$131,902) due to LID repayments.

**State and Federal Grants Fund:** The ending fund balance of the State and Federal Grants Fund decreased from \$385,982 to \$286,202. This is mainly due to City's portion of the expenditures for the Leo Adler Memorial Parkway expansion of \$94,533

*Enterprise Funds*

**Water Fund:** The ending fund balance of the Water Fund increased from \$15,325,980 to \$15,621,192. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the mountain line project.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Wastewater Fund:** The ending fund balance of the Wastewater Fund increased from \$4,810,560 to \$5,089,710. This is due to a continued effort to set aside funds in anticipation of future restrictions on the treatment and disposal of wastewater.

**Golf Fund:** The ending fund balance of the Golf Fund increased from \$982,696 to \$1,007,871. The increase is the result of \$52,457 in donations and a \$10,000 transfer from the General Fund which were used to pave the parking lot August 2009.

**Building Inspections Fund:** The ending fund balance of the Building Inspections Fund decreased from \$308,990 to \$272,219. The City has accumulated a reserve to cover unanticipated changes and the potential decline in building permit sales due to the economy. The City began using those reserves during the year ended June 30, 2009 due to the decline in the housing economy.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Significant differences between the 2008-09 original budget as adopted and the final budget are as follows:

- The City's Hydro Electric Plant generator needed unforeseen repairs. In addition to the repairs OSHA required that safety features be installed by a specialized electrician and additional training be given to City employees. The repairs, safety features, fines and training required a transfer of \$57,000 from Contingency to the Hydro Electric Plant Department in the General Fund.
- An Oregon Department of Transportation grant of \$2,850 was received and appropriated in the State and Federal Grants Fund for the purchase of two radar units.
- A Department of Justice grant of \$44,427 was received and appropriated in the State and Federal Grants Fund for the purchase of equipment for the K9 Drug Unit.
- An Oregon Commission on Children and Families grant of \$1,500 was received and appropriated in the State and Federal Grants Fund for the construction of an interview room in the Police Building.
- The General Fund received a refund from City County Insurance Services of \$920 which was appropriated for the repair of the Police Department's windows.
- Due to an unusually heavy snowfall \$15,000 was transferred from the State Tax Street Fund's Contingency to the Snow and Ice Control Department.
- Due to unforeseen issues while repainting the Sam-O Swim pool, unforeseen pump repairs and additional regulatory requirements which necessitated expenditures that weren't budgeted \$4,500 was transferred from the General Fund's Contingency to Sam-O Swim Center Department.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

- The D Street Project required additional unforeseen public works labor due to an agreement with the State while the Street Construction Department was under spent. A transfer of \$10,000 was made from the State Tax Street Fund's Street Construction Department to the D Street Project Department.
- The golf course parking lot paving project required additional public works labor which was offset by savings in contracted services and materials. A transfer of \$6,000 was made in the Golf Course Operation Fund from Material & Services category to the Personal Services category.
- The Planning Director's time was allocated to the Building Inspection Fund for unanticipated work on special projects such as the upper story downtown development and QuickPermits system requiring a transfer of \$8,939 from Contingency to the Personal Services category in the Building Inspection Fund.

Significant differences between the 2008-09 final amended budget and the 2008-09 actual expenditures in the General Fund are as follows:

The City's final amended budget for the fiscal year ended 2008-09 included a contingency of \$50,624 and an unappropriated ending fund balance of \$710,987, for a total of \$761,611. The actual balance carried forward to 2008-09 is \$1,198,581. The difference of \$436,970 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
<b>REVENUE</b>				
Property Tax Revenue	\$ 1,973,198	\$2,073,185	\$ 99,987	Received more property taxes than anticipated.
Franchise Taxes	867,744	856,074	(11,670)	Received less Charter and OTEC franchise taxes than anticipated.
Investment Earnings	40,000	30,196	(9,804)	LGIP interest rate decreased in 08-09. Collected \$60,000 less in charges for services; a \$20,000 SHPO grant was not received until 09-10 and less fines/forfeitures were received then budgeted.
Other Revenue	1,592,840	1,509,728	<u>(83,112)</u>	
<b>Total Revenue Decreases</b>			<b>\$ (4,599)</b>	
<b>EXPENDITURES</b>				
Personal Services	3,825,293	3,595,866	(229,427)	Planning Director's hours were reduced and then the Planning Dept was contracted out in May. Human Resources position was reorganized. There was a Lieutenant vacancy and various patrol officer vacancies throughout the year.
Materials and Services	1,336,863	1,211,292	(125,571)	Fuel prices and insurance costs were lower than anticipated.
Capital Outlay	520,885	496,285	(24,600)	Council Chamber windows were not replaced until 09-10.
Debt Service	8,340	8,340	<u>-</u>	Debt payment was made as budgeted.
<b>Total Expenditure Savings</b>			<b>\$ 379,598</b>	
Operating Transfer In	382,070	350,846	(31,224)	Received less Cemetery interest due to LGIP interest rate decline. Received less from the transfer to eliminate the Payroll Service Fund due to a higher compensated absence accrual at July 1, 2008 than anticipated. Tree City revenues transferred to the Tree City Fund were less than anticipated.
Operating Transfer Out	(207,178)	(204,678)	2,500	
Beginning Fund Balance	1,804,318	1,895,013	<u>90,695</u>	Additional carryover from budgeted amount.
<b>Difference Budget &amp; Actual</b>			<b>\$ 436,970</b>	

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**CAPITAL ASSET AND DEBT ACTIVITY**

Capital asset activity for the fiscal year ended June 30, 2009 is summarized on pages 34-35 in the notes to the financial statements.

The following is a summary of the assets purchased or constructed during the fiscal year ended June 30, 2009:

Central Park Construction	\$ 27,631
Leo Adler Memorial Parkway (LAMP) Expansion Right of Way Acquisition & Engineering	189,583
LAMP Expansion Property Acquired	93,661
LAMP Irrigation System H St and Kirkway	15,000
Police Building & Land (Including \$15,000 Gifted Rent Included on Closing)	627,447
D Street Construction	494,412
D Street Overlay	96,473
Dump Truck w/Scraper	116,342
Airport Hangar Door	8,906
Airport Quad Roof	6,817
Airport Master Plan	37,184
Thermal Imaging Camera	9,975
Fire Department Live Fire Training System	264,990
Water System Enhancements	387,694
Mountain Line Project	320,885
Proscreen Screening System	15,700
Solid Waste Grinder	142,904
Wastewater System Enhancements	160,429
Wastewater Pipe Curing	79,250
Storm Water Facility Plan	13,344
Police Camera	5,060
Police Tactical Surveillance System	9,965
Police Vehicle	28,992
Drug K9 SUV	46,040
GPS System	32,505
Geiser Pollman Park Fence	28,850
Elkhorn Industrial Park Master Plan	7,500
Golf Course Parking Lot Paving & Improvements	63,351
Building Inspections Vehicle	19,913
Hydro Plant Generator Repairs & Disconnect System	48,856
Total	<u>\$ 3,399,659</u>

There was no new long-term debt issued during the fiscal year ended June 30, 2009.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**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) increased from \$33,938 in 2008-09 to \$37,070 in 2009-10.
- 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 2009-2010 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>
2009-2010				
Salary Increase	3%	3%	2%	0%
2010-2011				
Salary Increase	3%	3%	CPI(W)-March 2011 2% Min 4% Max	Undetermined
2011-2012				
Salary Increase	3%	3%	CPI(W)-March 2012 2% Min 4% Max	Undetermined
2012-2013				
Salary Increase	3%	3%	CPI(W)-March 2013 2% Min 4% Max	Undetermined

- An interim actuarial analysis of the City's PERS liability at December 31, 2008 was completed October 2009. The actuarial valuation was used to estimate future contribution rates for the period July 1, 2011 to June 30, 2013. Contributions rates will not be set for 2011 to 2013 until the December 31, 2009 actuarial valuation is completed in October 2010. The current rates and future estimated rates are listed in the table below.

	<u>Tier 1 &amp; Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police &amp; Fire</u>
Actual Rates			
For July 1, 2009 to June 30, 2011	11.93%	8.6%	11.31%
Estimated Rates			
for July 1, 2011 to June 30, 2013	18.16%	13.41%	16.12%

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

- 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 \$47,000 in 08-09. 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 project can be completed the City must first resolve legal matters with the use of federal lands.
- 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.

**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, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,368,149	\$ 2,592,984	\$ 5,961,133
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	218,035	142,643	360,678
Interest Receivable	697	-	697
Special Assessments Receivable	-	64,326	64,326
Prepaid Expenses	-	19,000	19,000
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	194,394	-	194,394
Intergovernmental Receivable	109,973	-	109,973
Contracts and Special Assessments Receivable	500,140	-	500,140
Internal Balances	(449,319)	449,319	-
Inventories	273,008	-	273,008
<b>Capital Assets (Net of Accumulated Depreciation):</b>			
Land	1,578,224	1,342,160	2,920,384
Construction in Process	769,033	397,727	1,166,760
Buildings	2,223,451	223,208	2,446,659
Improvements Other than Buildings	22,166	106,106	128,272
Machinery and Equipment	1,643,519	72,249	1,715,768
Infrastructure	5,489,896	17,511,531	23,001,427
Other Assets	208,230	-	208,230
<b>Total Assets</b>	<b>\$ 16,149,596</b>	<b>\$ 22,921,253</b>	<b>\$ 39,070,849</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 152,732	\$ 77,605	\$ 230,337
Accrued Payroll Taxes and Benefits Payable	163,772	55,058	218,830
Short Term Capital Lease Payable	2,201	8,802	11,003
Other Payables	5	-	5
Customer Deposits	-	20,146	20,146
Compensated Absences Payable	239,888	76,771	316,659
<b>Noncurrent Liabilities:</b>			
Due Within One Year	4,179	-	4,179
Due in More than One Year	72,040	-	72,040
<b>Total Liabilities</b>	<b>634,817</b>	<b>238,382</b>	<b>873,199</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	11,650,070	19,410,421	31,060,491
<b>Restricted for:</b>			
Bike and Pedestrian Paths	14,824	-	14,824
Cemetery Care	779,824	-	779,824
2089 Celebration	2,632	-	2,632
Unrestricted	3,067,429	3,272,450	6,339,879
<b>Total Net Assets</b>	<b>\$ 15,514,779</b>	<b>\$ 22,682,871</b>	<b>\$ 38,197,650</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, 2009

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	\$ 677,236	\$ 100,399	\$ 958	\$ -	\$ (575,879)	\$ -	\$ (575,879)
Public Safety	3,502,754	589,009	73,139	330,052	(2,510,554)	-	(2,510,554)
Highways and Streets	1,829,035	47,573	492,420	-	(1,289,042)	-	(1,289,042)
Culture and Recreation	249,851	-	245	250,027	421	-	421
Airport	423,382	8,908	114,273	35,309	(264,892)	-	(264,892)
Cemetery	104,101	44,922	-	-	(59,179)	-	(59,179)
Hydro-electric Plant	12,346	21,079	-	-	8,733	-	8,733
Economic and Community Development	267,872	-	138,000	-	(129,872)	-	(129,872)
Interest on Long Term Debt	11,077	-	-	-	(11,077)	-	(11,077)
<b>Total Governmental Activities</b>	<b>7,077,654</b>	<b>811,890</b>	<b>819,035</b>	<b>615,388</b>	<b>(4,831,341)</b>	<b>-</b>	<b>(4,831,341)</b>
<b>Business-type Activities:</b>							
Water Utility	1,459,055	1,918,711	-	-	-	459,656	459,656
Wastewater Utility	879,056	1,061,696	-	-	-	182,640	182,640
Golf Operation	41,993	5,000	-	52,457	-	15,464	15,464
Building Inspection	385,452	321,157	-	-	-	(64,295)	(64,295)
<b>Total Business-type Activities</b>	<b>2,765,556</b>	<b>3,306,564</b>	<b>-</b>	<b>52,457</b>	<b>-</b>	<b>593,465</b>	<b>593,465</b>
<b>Total Government</b>	<b>9,843,210</b>	<b>4,118,454</b>	<b>819,035</b>	<b>667,845</b>	<b>(4,831,341)</b>	<b>593,465</b>	<b>(4,237,876)</b>
<b>General Revenues:</b>							
Property Taxes					2,667,243	-	2,667,243
Franchise Taxes					856,074	-	856,074
Grants and Contributions Not Restricted to a Particular Program					223,530	-	223,530
Rental Income					18,950	6,781	25,731
Interest on Investments					98,685	59,603	158,288
Miscellaneous					2,541	67,594	70,135
Transfers:							
Operating					191,934	(191,934)	-
<b>Total General Revenues and Transfers</b>					<b>4,058,957</b>	<b>(57,956)</b>	<b>4,001,001</b>
<b>Change in Net Assets</b>					<b>(772,384)</b>	<b>535,509</b>	<b>(236,875)</b>
<b>Net Assets July 1, 2008</b>					<b>16,287,163</b>	<b>22,147,362</b>	<b>38,434,525</b>
<b>Net Assets June 30, 2009</b>					<b>\$ 15,514,779</b>	<b>\$ 22,682,871</b>	<b>\$ 38,197,650</b>

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

**BAKER CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<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	\$ 1,275,381	\$ 445,744	\$ 60,980	\$ 305,913	\$ 654,468	\$ 2,742,486
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	214,725	3,140	-	-	8	217,873
Interest Receivable	-	-	697	-	-	697
Taxes Receivable	153,358	35,905	-	-	5,131	194,394
Contracts and Special Assessments Receivable	-	-	209,831	290,309	-	500,140
Due From Other Funds	-	-	-	-	18,193	18,193
Advances to Other Funds	-	-	-	-	224,367	224,367
Intergovernmental Receivable	75,200	33,273	-	1,500	-	109,973
Other Assets	207,342	-	-	-	888	208,230
<b>Total Assets</b>	<u>\$ 1,926,006</u>	<u>\$ 518,062</u>	<u>\$ 271,508</u>	<u>\$ 597,722</u>	<u>\$ 903,055</u>	<u>\$ 4,216,353</u>
<b>Liabilities:</b>						
Accounts Payable	\$ 84,406	\$ 27,538	\$ -	\$ 15,350	\$ 2,611	\$ 129,905
Payroll Taxes and Benefits Payable	122,637	10,636	-	5,861	-	139,134
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	46,452	-	-	46,452
Advances from Other funds	-	-	146,430	-	-	146,430
Deferred Revenue	520,377	36,635	210,528	290,309	4,795	1,062,644
<b>Total Liabilities</b>	<u>727,425</u>	<u>74,809</u>	<u>403,410</u>	<u>311,520</u>	<u>7,406</u>	<u>1,524,570</u>
<b>Fund Balance (Deficit):</b>						
Reserved for Cemetery Care	-	-	-	-	779,824	779,824
Reserved for Bike and Pedestrian Paths	-	14,824	-	-	-	14,824
Reserved for 2089 Celebration	-	-	-	-	2,632	2,632
Unreserved (Deficit), Reported In:						
General Fund	1,198,581	-	-	-	-	1,198,581
Special Revenue Funds	-	428,429	(131,902)	286,202	64,731	647,460
Capital Projects Fund	-	-	-	-	48,462	48,462
<b>Total Fund Balance (Deficit)</b>	<u>1,198,581</u>	<u>443,253</u>	<u>(131,902)</u>	<u>286,202</u>	<u>895,649</u>	<u>2,691,783</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,926,006</u>	<u>\$ 518,062</u>	<u>\$ 271,508</u>	<u>\$ 597,722</u>	<u>\$ 903,055</u>	<u>\$ 4,216,353</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, 2009**

Fund Balances of Governmental Funds	\$ 2,691,783
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.	1,062,644
Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	11,145,654
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.	(283,655)
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.	1,590,232
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.	<u>(691,879)</u>
Net assets of governmental activities	<u><u>\$ 15,514,779</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, 2009**

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:						
Taxes:						
Property	\$ 2,073,185	\$ 485,411	\$ -	\$ -	\$ 69,317	\$ 2,627,913
Franchise	856,074	-	-	-	-	856,074
Licenses and Permits	46,320	-	-	-	-	46,320
Intergovernmental	408,044	492,420	-	88,583	259,160	1,248,207
Charges for Services	650,685	47,573	-	-	11,177	709,435
Fines and Forfeitures	36,024	-	-	3,565	-	39,589
Rental Income	18,950	-	-	-	-	18,950
Interest	30,196	16,213	12,661	1,858	19,034	79,962
Miscellaneous	41,213	-	66,970	22,945	-	131,128
<b>Total Revenue</b>	<u>4,160,691</u>	<u>1,041,617</u>	<u>79,631</u>	<u>116,951</u>	<u>358,688</u>	<u>5,757,578</u>
Expenditures:						
Current:						
General Government	642,214	-	138	1,015	-	643,367
Public Safety	3,259,487	-	-	21,979	-	3,281,466
Highways and Streets	-	935,505	-	-	-	935,505
Parks and Recreation	102,816	-	-	15,290	53,278	171,384
Airport	75,613	-	-	10	-	75,623
Cemetery	99,505	-	-	-	3,260	102,765
Hydro-electric Plant	12,346	-	-	-	-	12,346
Economic and Community Development	252,792	-	-	9,799	-	262,591
Debt Service:						
Principal	3,962	-	-	-	-	3,962
Interest	4,378	307	6,392	-	-	11,077
Capital Outlay:						
General Government	-	-	-	-	-	-
Public Safety	646,499	-	-	46,040	274,965	967,504
Parks and Recreation	28,850	-	-	80,776	-	109,626
Highways and Streets	-	608,529	-	-	-	608,529
Airport	15,723	-	-	37,184	-	52,907
Cemetery	-	-	-	-	-	-
Hydro-electric Plant	48,856	-	-	-	-	48,856
Economic and Community Development	10,250	-	-	12,250	-	22,500
<b>Total Expenditures:</b>	<u>5,203,291</u>	<u>1,544,341</u>	<u>6,530</u>	<u>224,343</u>	<u>331,503</u>	<u>7,310,008</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(1,042,600)</u>	<u>(502,724)</u>	<u>73,101</u>	<u>(107,392)</u>	<u>27,185</u>	<u>(1,552,430)</u>
Other Financing Sources (Uses):						
Transfers In	350,846	160,829	-	7,612	72,800	592,087
Transfers Out	(204,678)	(527)	-	-	(16,558)	(221,763)
<b>Total Other Financing Sources (Uses)</b>	<u>146,168</u>	<u>160,302</u>	<u>-</u>	<u>7,612</u>	<u>56,242</u>	<u>370,324</u>
<b>Net Change in Fund Balance</b>	<u>(896,432)</u>	<u>(342,422)</u>	<u>73,101</u>	<u>(99,780)</u>	<u>83,427</u>	<u>(1,182,106)</u>
<b>Fund Balance (Deficit), July 1, 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>
<b>Fund Balance (Deficit), June 30, 2009</b>	<u>\$ 1,198,581</u>	<u>\$ 443,253</u>	<u>\$ (131,902)</u>	<u>\$ 286,202</u>	<u>\$ 895,649</u>	<u>\$ 2,691,783</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, 2009**

Net change in fund balances - total governmental funds	\$ (1,182,106)
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.	(32,302)
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.	370,073
Donations of capital assets are not reported in the fund financial statements as they do not affect current resources. However, the resulting increase in net assets is reported in the Statement of Activities.	255,064
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. Changes in the compensated absence accrual are not reported in the fund financial statements as they will not be liquidated with current resources. 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.	(201,273)
Internal Service Funds are used by management to charge the costs of certain activities, such as technical services and fleet management. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(9,097)
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>27,257</u>
Change in net assets of governmental activities	<u><u>\$ (772,384)</u></u>

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

**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<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	\$ 2,016,790	\$ 293,525	\$ 13	\$ 282,656	\$ 2,592,984	\$ 625,663
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	88,816	48,740	5,000	87	142,643	162
Prepaid Expenses	-	19,000	-	-	19,000	-
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	46,452
Inventories	-	-	-	-	-	273,008
<b>Total Current Assets</b>	<u>2,105,606</u>	<u>364,742</u>	<u>5,013</u>	<u>282,743</u>	<u>2,758,104</u>	<u>945,285</u>
<b>Noncurrent Assets:</b>						
Advances to Other Funds	-	-	-	-	-	146,430
Special Assessments Receivable	-	60,849	-	-	60,849	-
<b>Capital Assets:</b>						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	397,727	-	-	-	397,727	-
Buildings	224,731	35,037	106,146	-	365,914	39,524
Improvements other than Buildings	-	-	290,347	-	290,347	-
Infrastructure	17,661,476	7,820,435	-	-	25,481,911	-
Machinery, Equipment, and Vehicles	168,022	402,632	193,605	19,913	784,172	2,399,112
Less: Accumulated Depreciation	(4,968,184)	(3,636,949)	(402,480)	(1,637)	(9,009,250)	(1,858,001)
<b>Total Capital Assets</b>	<u>13,664,030</u>	<u>4,724,953</u>	<u>1,245,722</u>	<u>18,276</u>	<u>19,652,981</u>	<u>580,635</u>
<b>Total Noncurrent Assets</b>	<u>13,664,030</u>	<u>4,785,802</u>	<u>1,245,722</u>	<u>18,276</u>	<u>19,713,830</u>	<u>727,065</u>
<b>Total Assets</b>	<u>\$ 15,769,636</u>	<u>\$ 5,150,544</u>	<u>\$ 1,250,735</u>	<u>\$ 301,019</u>	<u>\$ 22,471,934</u>	<u>\$ 1,672,350</u>
<b>Liabilities:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 47,228	\$ 15,599	\$ 210	\$ 14,568	\$ 77,605	\$ 22,827
Customer Deposits	20,146	-	-	-	20,146	-
Short Term Capital Lease Payable	6,601	2,201	-	-	8,802	-
Due to Other Funds	-	-	18,193	-	18,193	-
Accrued Payroll Taxes and Benefits Payable	30,164	15,805	94	8,995	55,058	24,638
Compensated Absences Payable	44,305	27,229	-	5,237	76,771	34,653
<b>Total Current Liabilities</b>	<u>148,444</u>	<u>60,834</u>	<u>18,497</u>	<u>28,800</u>	<u>256,575</u>	<u>82,118</u>
<b>Long-Term Liabilities:</b>						
Advances From Other Funds	-	-	224,367	-	224,367	-
<b>Total Long-Term Liabilities</b>	<u>-</u>	<u>-</u>	<u>224,367</u>	<u>-</u>	<u>224,367</u>	<u>-</u>
<b>Total Liabilities</b>	<u>148,444</u>	<u>60,834</u>	<u>242,864</u>	<u>28,800</u>	<u>480,942</u>	<u>82,118</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	13,664,030	4,724,953	1,003,162	18,276	19,410,421	580,635
Unrestricted	1,957,162	364,757	4,709	253,943	2,580,571	1,009,597
<b>Total Net Assets</b>	<u>\$ 15,621,192</u>	<u>\$ 5,089,710</u>	<u>\$ 1,007,871</u>	<u>\$ 272,219</u>	<u>21,990,992</u>	<u>\$ 1,590,232</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Assets of Business-type Activities					691,879	
<b>Net Assets of Business-Type Activities</b>					<u>\$ 22,682,871</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, 2009**

	<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>	
Operating Revenue:						
Charges for Sales and Services	\$ 1,918,711	\$ 1,061,696	\$ -	\$ 321,157	\$ 3,301,564	\$ 906,669
Miscellaneous	7,702	59,488	-	404	67,594	-
Total Operating Revenue	<u>1,926,413</u>	<u>1,121,184</u>	<u>-</u>	<u>321,561</u>	<u>3,369,158</u>	<u>906,669</u>
Operating Expenses:						
Cost of Sales and Services	1,155,812	682,002	-	383,122	2,220,936	857,054
Depreciation	289,935	183,798	-	1,637	475,370	101,227
Total Operating Expenses	<u>1,445,747</u>	<u>865,800</u>	<u>-</u>	<u>384,759</u>	<u>2,696,306</u>	<u>958,281</u>
Operating Income (Loss)	<u>480,666</u>	<u>255,384</u>	<u>-</u>	<u>(63,198)</u>	<u>672,852</u>	<u>(51,612)</u>
Nonoperating Revenue (Expense):						
Investment Earnings	45,100	7,420	-	7,083	59,603	18,723
Grants and Gifts	-	-	52,457	-	52,457	-
Comp Absence Accrual Assumption Gov Activities	-	-	-	-	-	202,183
Gain on Sale of Equipment	-	-	-	-	-	-
Rental Income	3,000	3,781	5,000	-	11,781	-
Depreciation and Expenses - Rental Property	-	-	(36,812)	-	(36,812)	-
Interest Expense	-	-	(5,181)	-	(5,181)	-
Total Nonoperating Revenue (Expense)	<u>48,100</u>	<u>11,201</u>	<u>15,464</u>	<u>7,083</u>	<u>81,848</u>	<u>220,906</u>
Income Before Contributions and Transfers	<u>528,766</u>	<u>266,585</u>	<u>15,464</u>	<u>(56,115)</u>	<u>754,700</u>	<u>169,294</u>
Transfers In	30,270	14,730	10,000	19,414	74,414	278,741
Transfers Out	<u>(263,824)</u>	<u>(2,165)</u>	<u>(289)</u>	<u>(70)</u>	<u>(266,348)</u>	<u>(457,131)</u>
Total Transfers In (Out)	<u>(233,554)</u>	<u>12,565</u>	<u>9,711</u>	<u>19,344</u>	<u>(191,934)</u>	<u>(178,390)</u>
Change in Net Assets	295,212	279,150	25,175	(36,771)	562,766	(9,096)
Net Assets, July 1, 2008	<u>15,325,980</u>	<u>4,810,560</u>	<u>982,696</u>	<u>308,990</u>		<u>1,599,328</u>
Net Assets, June 30, 2009	<u>\$ 15,621,192</u>	<u>\$ 5,089,710</u>	<u>\$ 1,007,871</u>	<u>\$ 272,219</u>		<u>\$ 1,590,232</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					<u>(27,257)</u>	
Change in Net Assets of Business-Type Activities					<u>\$ 535,509</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, 2009**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities-- Internal Service Funds</b>
	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Golf Course Operation</b>	<b>Building Inspections</b>	<b>Totals</b>	
<b>Cash From Operating Activities:</b>						
Receipts from Customers and Users	\$ 1,897,929	\$ 1,057,446	\$ -	\$ 323,884	\$ 3,279,259	\$ 2,315
Receipts from Interfund Services Provided	-	-	-	-	-	904,381
Other Receipts	7,702	59,488	-	404	67,594	126
Payments to Suppliers	(256,409)	(151,376)	-	(114,825)	(522,610)	(392,687)
Payments to Employees	(623,442)	(346,414)	-	(237,221)	(1,207,077)	(464,946)
Payments for Interfund Services Used	(303,421)	(194,770)	-	(28,051)	(526,242)	(1,223)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>722,359</b>	<b>424,374</b>	<b>-</b>	<b>(55,809)</b>	<b>1,090,924</b>	<b>47,966</b>
<b>Cash Flows From Non Capital Financing Activities:</b>						
Grants and Gifts	-	-	52,457	-	52,457	-
Advances from (to) Other Funds	71,535	38,502	9,711	23,977	143,725	(515,048)
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	10,240	-	-	-	10,240	75,430
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>81,775</b>	<b>41,979</b>	<b>62,168</b>	<b>23,977</b>	<b>209,899</b>	<b>(439,618)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchases of Capital Assets	-	-	-	-	-	(116,342)
Acquisition/Construction of Capital Assets	(737,180)	(386,883)	(63,351)	(19,913)	(1,207,327)	-
Principal Paid on Interfund Debt	-	-	(14,719)	-	(14,719)	-
Interest Paid on Interfund Debt	-	-	(5,181)	-	(5,181)	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>(737,180)</b>	<b>(386,883)</b>	<b>(83,251)</b>	<b>(19,913)</b>	<b>(1,227,227)</b>	<b>(116,342)</b>
<b>Cash Flows From Investing Activities:</b>						
Rental Income	3,000	3,782	-	-	6,782	-
Expenses Rental Property	-	-	(16,295)	-	-	-
Gain on Sale of Equipment	-	-	-	-	-	-
Interest on Investments	45,100	7,420	-	7,083	59,603	18,723
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>48,100</b>	<b>11,202</b>	<b>(16,295)</b>	<b>7,083</b>	<b>50,090</b>	<b>18,723</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>115,054</b>	<b>90,672</b>	<b>(37,378)</b>	<b>(44,662)</b>	<b>123,686</b>	<b>(489,271)</b>
Cash and Cash Equivalents, July 1, 2008	1,901,736	202,853	37,391	327,318	2,469,298	1,114,934
<b>Cash and Cash Equivalents, June 30, 2009</b>	<b>\$ 2,016,790</b>	<b>\$ 293,525</b>	<b>\$ 13</b>	<b>\$ 282,656</b>	<b>\$ 2,592,984</b>	<b>\$ 625,663</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
<b>Operating Income (Loss)</b>	<b>\$ 480,666</b>	<b>\$ 255,384</b>	<b>\$ -</b>	<b>\$ (63,198)</b>	<b>\$ 672,852</b>	<b>\$ (51,612)</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation Expense	289,935	183,798	-	1,637	475,370	101,227
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(26,887)	(4,249)	-	2,727	(28,409)	154
(Increase) Decrease in Prepaid Expenses	-	(19,000)	-	-	(19,000)	-
(Increase) Decrease in Inventories	41,282	-	-	-	41,282	(10,294)
Increase (Decrease) in Customer Deposits	6,105	-	-	-	6,105	-
Increase (Decrease) in Accounts Payable	(72,447)	8,155	-	1,010	(63,282)	114
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	1,775	(1,005)	-	1,411	2,181	6,027
Increase (Decrease) in Compensated Absences Payable	1,930	1,291	-	604	3,825	2,350
<b>Total Adjustments</b>	<b>241,693</b>	<b>168,990</b>	<b>-</b>	<b>7,389</b>	<b>418,072</b>	<b>99,578</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 722,359</b>	<b>\$ 424,374</b>	<b>\$ -</b>	<b>\$ (55,809)</b>	<b>\$ 1,090,924</b>	<b>\$ 47,966</b>

A capital asset was purchased with non cash capital lease financing of \$6,601 in the Water Fund and \$2,201 in the Wastewater Fund.

A non cash liability transfer of \$105,249 for accrued compensated absences was transferred from the Payroll Service Fund. The liability was transferred to the Water Fund \$42,375, the Wastewater Fund \$25,938, the Building Inspection Fund \$4,633 and Internal Service Funds \$32,303.

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, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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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, 2009**

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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 and inventory 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, 2009**

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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, 2009**

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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, 2009**

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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, 2009.

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

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

**Compensated Absences**

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

**Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize issuance costs, as well as premiums and discounts during the current period. The face amount of debt issued is

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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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, 2009.

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

On November 15, 1989, the City entered into a trust agreement which established the One Hundred Year Trust Fund. The terms of this agreement require the principal and interest to accumulate for 100 years. In the year 2089 the funds are to be used as follows:

1. A community wide celebration and
2. \$5,000 to establish the next one hundred year trust fund and
3. construction of a public amenity related to public recreation.

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, 2009**

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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, 2009, expenditures exceeded appropriations (the legal level of budgetary control) as follows:

Fund	Department/ Category Budgeted	Appropriation	Expenditure	Amount Over Expended
General Fund	Samo Swim	\$ 49,409	\$ 49,717	\$ 308

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

**Deficit Fund Equity**

The LID Repayment Fund had a deficit fund balance of \$131,902 as of June 30, 2009. 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.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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**3. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

At June 30, 2009, the City's carrying amount of deposits was \$1,478,865 and the bank balance was \$1,540,890.

**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 (ORS) for managing custodial credit risk. Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts. ORS Chapter 295 requires depository banks to deposit with a third party bank custodian securities having a value of 10%, 25% or 110% of public funds on deposit in excess of FDIC insurance limits depending on the capitalization level of the depository bank. This collateral is to be in the name of the Oregon State Treasurer (Treasurer). Should a bank holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City's banks participate in this program.

As of June 30, 2009 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 502,243
Collateralized under the provisions of ORS 295	<u>1,038,647</u>
Total	<u>\$ 1,540,890</u>

At June 30, 2009 the City also has an investment of \$4,481,797 in the Oregon Short Term Fund (OSTF), an external investment pool administered by the Oregon State Treasurer. The OSTF is regulated under the statutes of the State of Oregon (ORS 294.805-294.895). The OSTF invests in US Agency Securities, Corporate Bonds, Commercial Paper and Certificates of Deposit. The OSTF's investment policy requires a minimum weighted average credit rating for its investment holdings of AA and Aa2 or AA for Standard and Poor's, Moody's or Fitch, respectively. The OSTF fund is not rated. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

**Receivables**

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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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	\$ -	\$ -	\$ 697	\$ -	\$ -	\$ 697
Property Taxes	153,358	35,905	-	-	5,131	194,394
Franchise Taxes	40,135	-	-	-	-	40,135
Trade Accounts	290,535	3,521	-	-	8	294,064
Special Assessments	-	-	-	290,309	-	290,309
LID Receivables	-	-	209,831	-	-	209,831
Intergovernmental	75,200	33,273	-	1,500	-	109,973
Gross Receivables	559,228	72,699	210,528	291,809	5,139	1,139,403
Less: Allowance for Uncollectibles	(115,945)	(381)	-	-	-	(116,326)
Total Receivables	\$ 443,283	\$ 72,318	\$ 210,528	\$ 291,809	\$ 5,139	\$ 1,023,077

Internal Service Funds have trade account receivables at year end of \$162 which are included with governmental activities in the Statement of Net Assets.

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

	Water Utility Fund	Wastewater Utility Fund	Building Inspection Fund	Golf Course Operation Fund	Total
Trade Accounts	\$ 93,442	\$ 51,000	\$ 87	\$ 5,000	\$ 149,529
Special Assessments	-	64,326	-	-	64,326
Intergovernmental	-	-	-	-	-
Gross Receivables	93,442	115,326	87	5,000	213,855
Less: Allowance for Uncollectibles	(4,626)	(2,260)	-	-	(6,886)
Total Receivables	\$ 88,816	\$ 113,066	\$ 87	\$ 5,000	\$ 206,969

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	\$ 173,119
Delinquent Property Taxes Receivable	181,346
Special Assessments Not Due	290,309
Local Improvement District Receivables Not Due	209,831
Interest Receivable	697
Oregon Trail Electric Cooperative Capital Credits	207,342
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,062,644

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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 \$207,342, special assessments receivable in the amount of \$290,309 and local improvement district receivables of \$209,831 are not expected to be collected within one year.

**Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in process	\$ 37,379	\$ 762,154	\$ (30,500)	\$ 769,033
Land	1,396,563	181,661	-	1,578,224
<b>Total capital assets, not being depreciated</b>	<b>1,433,942</b>	<b>943,815</b>	<b>(30,500)</b>	<b>2,347,257</b>
<b>Capital assets, being depreciated:</b>				
Buildings	4,099,520	593,170	(34,925)	4,657,765
Improvements other than buildings	102,730	-	-	102,730
Machinery and equipment	4,174,730	536,721	-	4,711,451
Infrastructure	23,499,271	140,323	-	23,639,594
<b>Total capital assets being depreciated</b>	<b>31,876,251</b>	<b>1,270,214</b>	<b>(34,925)</b>	<b>33,111,540</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(2,336,603)	(101,058)	3,348	(2,434,313)
Improvements other than buildings	(76,268)	(4,296)	-	(80,564)
Machinery and equipment	(2,797,057)	(270,876)	-	(3,067,933)
Infrastructure	(17,016,429)	(1,133,269)	-	(18,149,698)
<b>Total accumulated depreciation</b>	<b>(22,226,357)</b>	<b>(1,509,499)</b>	<b>3,348</b>	<b>(23,732,508)</b>
<b>Total capital assets, being depreciated, net</b>	<b>9,649,849</b>	<b>(239,285)</b>	<b>(31,577)</b>	<b>9,379,032</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 11,083,836</b>	<b>\$ 704,530</b>	<b>\$ (62,077)</b>	<b>\$ 11,726,289</b>

Construction in process for governmental activities of \$769,033 is comprised of \$37,184 of an \$82,500 master plan for the airport; an additional \$13,344 for a total of \$20,223 towards a \$60,000 Storm Water Facility Plan; \$494,412 for D Street; and \$189,583 for the Leo Adler Parkway from Madison to Court Street; and \$27,631 for Central Park. The Elkhorn Industrial Plan of \$30,500 was completed and transferred to land.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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	\$ 76,842	\$ 320,885	\$ -	\$ 397,727
Land	<u>1,342,160</u>	<u>-</u>	<u>-</u>	<u>1,342,160</u>
Total capital assets, not being depreciated	1,419,002	320,885	-	1,739,887
Capital assets, being depreciated:				
Buildings	365,914	-	-	365,914
Machinery and equipment	722,555	61,617	-	784,172
Improvements other than buildings	226,996	63,351	-	290,347
Infrastructure	<u>24,711,634</u>	<u>770,277</u>	<u>-</u>	<u>25,481,911</u>
Total capital assets, being depreciated	26,027,099	895,245	-	26,922,344
Less accumulated depreciation for:				
Buildings	(134,215)	(8,491)	-	(142,706)
Machinery and equipment	(693,008)	(18,915)	-	(711,923)
Improvements other than buildings	(170,837)	(13,404)	-	(184,241)
Infrastructure	<u>(7,515,607)</u>	<u>(454,773)</u>	<u>-</u>	<u>(7,970,380)</u>
Total accumulated depreciation	<u>(8,513,667)</u>	<u>(495,583)</u>	<u>-</u>	<u>(9,009,250)</u>
Total capital assets, being depreciated, net	<u>17,513,432</u>	<u>399,662</u>	<u>-</u>	<u>17,913,094</u>
Business-type activities capital assets, net	<u>\$ 18,932,434</u>	<u>\$ 720,547</u>	<u>\$ -</u>	<u>\$ 19,652,981</u>

Construction in process for business-type activities of \$397,727 is comprised of pipe and legal costs for the Forest Service portion of the mountain line water improvement project.

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

<b>Governmental activities:</b>	
General government	\$ 33,399
Public safety	189,986
Highway and streets, including depreciation of general infrastructure assets	872,187
Culture and recreation	77,894
Airport	233,486
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	101,227
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 1,509,499</u></u>
<b>Business-type activities:</b>	
Water utility	\$ 289,935
Wastewater utility	183,798
Building inspections	1,637
Golf operation	20,213
<b>Total depreciation expense-business-type activities</b>	<u><u>\$ 495,583</u></u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	46,452
Mt Hope Trust	Golf	18,193
Total		<u>\$ 64,645</u>

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

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	146,430
Mt Hope Trust	Golf	224,367
Total		<u>\$ 370,797</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, 2009 are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>S&amp;F Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
<b>Transfer from:</b>							
General Fund	\$ -	\$ 120,000	\$ 7,500	\$ 67,178	\$ -	\$ 10,000	\$ 204,678
Street Fund	-	-	-	527	-	-	527
Non Major							
Governmental Funds	16,558	-	-	-	-	-	16,558
Enterprise Funds	-	-	-	3,634	262,714	-	266,348
Internal Service Fund	334,288	40,829	112	1,461	16,027	64,414	457,131
Total Transfers	<u>\$350,846</u>	<u>\$ 160,829</u>	<u>\$ 7,612</u>	<u>\$ 72,800</u>	<u>\$ 278,741</u>	<u>\$ 74,414</u>	<u>\$ 945,242</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. The transfer to the Street Fund from the General Fund was for D Street construction and improvements. The transfer to the Enterprise Fund from the General Fund was to help pay to pave the golf course parking lot.

This year the City eliminated the Payroll Service Fund and transferred the balance to other funds based on the amount they had previously transferred to that fund. The City also set up an Insurance Reserve Fund to pay for insurance penalties incurred from the City's risk based insurance policy.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**Contracts, Notes and Capital Lease Obligations**

The City incurred short term debt in the form of a capital lease for the purchase of a GPS unit purchased between the Water Fund, Sewer Fund and the State Tax Street Fund. The following schedules summarize the capital lease activity for the year ended June 30, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Short term capital lease payable	\$ -	\$ 6,501	\$ 4,300	\$ 2,201
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Short term capital lease payable	\$ -	\$ 26,005	\$ 17,203	\$ 8,802

The following is a summary of the City's governmental outstanding debt at June 30, 2009:

	<u>General Fund Long-Term Obligations</u>
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%	\$ 76,219
Total Governmental Activity Long-Term Liabilities	<u>\$ 76,219</u>

The following is a summary of maturities of the Governmental Activity Long-term Liability as of June 30, 2009:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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
2013-2014	5,169	3,171	8,340
2014-2019	30,398	11,304	41,701
2019-2022	22,518	2,502	25,021
Total	<u>\$ 76,219</u>	<u>\$ 32,203</u>	<u>\$ 108,422</u>

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Transfers Out</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>						
Note payable - OR Economic Development Department	\$ 80,181	\$ -	\$ -	\$ (3,962)	\$ 76,219	\$ 4,179
Compensated absences	307,433	(105,250)	338,270	(300,565)	239,888	239,888
Governmental activity Long-term liabilities	<u>\$ 387,614</u>	<u>\$ (105,250)</u>	<u>\$ 338,270</u>	<u>\$ (304,527)</u>	<u>\$ 316,107</u>	<u>\$ 244,067</u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

	Beginning Balance	Transfers In	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business Type Activities:</b>						
Compensated absences	\$ -	\$ 105,250	\$ 87,204	\$ (115,683)	\$ 76,771	\$ 76,771

At the beginning of the fiscal year the liability for compensated absences, as well as the resources to fund the liabilities were transferred from the Internal Service Fund Payroll Service Fund back to the funds from which the liability related.

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.

**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.

**BAKER CITY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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**4. OTHER INFORMATION (Continued)**

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

- 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, 2009 was 14.17% (11.93% effective July 1, 2009). 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 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 (8.6% and 11.31% effective July 1, 2009).
  
  - 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>
06/30/07	\$ 615,102	100%	\$ -
06/30/08	\$ 676,449	100%	\$ -
06/30/09	\$ 734,314	100%	\$ -

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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**4. OTHER INFORMATION (Continued)**

**Commitments, Contingencies and Subsequent Events**

Accrued liabilities do not include sick leave of approximately \$683,607 which was earned as of June 30, 2009, but is payable only for a valid absence from work under the City's sick leave plan.

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

A notice of tort claim has been filed by a former City Manager through his attorney. This notice indicates that they "expect to file an action in the United States Federal Court in the near future." To date no action has been filed, no other threats have been made and no amount of damages has been specified. This matter has been turned over to the City's insurance carrier. The City is unable to determine the effect, if any; an action would have on the financial position of the City.

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

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# 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, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GENERAL FUND</b>					
Revenue:					
Property Taxes	\$ 1,973,198	\$ 1,973,198	\$ 2,073,185	\$ -	\$ 2,073,185
Franchise Taxes	867,744	867,744	856,074	-	856,074
Licenses and Permits	44,950	44,950	46,320	-	46,320
Intergovernmental	425,500	425,500	408,044	-	408,044
Charges for Services	711,145	711,145	650,685	-	650,685
Fines and Forfeitures	53,450	53,450	36,024	-	36,024
Rental Income	21,725	21,725	18,950	-	18,950
Interest	40,000	40,000	30,196	-	30,196
Miscellaneous	35,150	36,070	41,213	-	41,213
Overhead Charges to Other Funds	300,000	300,000	308,492	(308,492)	-
<b>Total Revenues</b>	<b>4,472,862</b>	<b>4,473,782</b>	<b>4,469,183</b>	<b>(308,492)</b>	<b>4,160,691</b>
Expenditures:					
General Government:					
Administration	1,136,496	1,136,496	1,063,608	(594,288)	469,320
Planning	239,503	239,503	172,894	-	172,894
<b>Total General Government</b>	<b>1,375,999</b>	<b>1,375,999</b>	<b>1,236,502</b>	<b>(594,288)</b>	<b>642,214</b>
Public Safety:					
Police	2,232,868	2,233,788	2,072,010	485,796	2,557,806
Fire	1,380,312	1,380,312	1,348,180	-	1,348,180
<b>Total Public Safety</b>	<b>3,613,180</b>	<b>3,614,100</b>	<b>3,420,190</b>	<b>485,796</b>	<b>3,905,986</b>
Parks and Recreation:					
Parks	96,792	96,792	81,949	-	81,949
Samo Swim Center	44,909	49,409	49,717	-	49,717
<b>Total Parks &amp; Recreation</b>	<b>141,701</b>	<b>146,201</b>	<b>131,666</b>	<b>-</b>	<b>131,666</b>
Airport	107,327	107,327	91,336	-	91,336
Debt Service - Airport	8,340	8,340	8,340	-	8,340
Cemetery	112,974	112,974	99,505	-	99,505
Hydro Electric Plant	4,216	61,216	61,202	-	61,202
Community Development	265,224	265,224	263,042	-	263,042
Operating Contingency	112,124	50,624	-	-	-
<b>Total Expenditures</b>	<b>5,741,085</b>	<b>5,742,005</b>	<b>5,311,783</b>	<b>(108,492)</b>	<b>5,203,291</b>
Excess (Deficit) of Revenues Over Expenditures	(1,268,223)	(1,268,223)	(842,600)	(200,000)	(1,042,600)
Other Financing Sources (Uses):					
Transfers In	382,070	382,070	350,846	-	350,846
Transfers Out	(207,178)	(207,178)	(204,678)	-	(204,678)
<b>Total Other Financing Sources (Uses)</b>	<b>174,892</b>	<b>174,892</b>	<b>146,168</b>	<b>-</b>	<b>146,168</b>
<b>Net Change in Fund Balance</b>	<b>(1,093,331)</b>	<b>(1,093,331)</b>	<b>(696,432)</b>	<b>(200,000)</b>	<b>(896,432)</b>
Fund Balance, July 1, 2008	1,804,318	1,804,318	1,895,013	200,000	2,095,013
<b>Fund Balance, June 30, 2009</b>	<b>\$ 710,987</b>	<b>\$ 710,987</b>	<b>\$ 1,198,581</b>	<b>\$ -</b>	<b>\$ 1,198,581</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, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE TAX STREET FUND</b>					
Revenue:					
Taxes	\$ 461,972	\$ 461,972	\$ 485,411	\$ -	\$ 485,411
Intergovernmental	2,552,687	2,552,687	492,420	-	492,420
Charges for Services	8,500	8,500	47,573	-	47,573
Interest	13,000	13,000	16,213	-	16,213
Miscellaneous	200	200	-	-	-
<b>Total Revenues</b>	<b>3,036,359</b>	<b>3,036,359</b>	<b>1,041,617</b>	<b>-</b>	<b>1,041,617</b>
Expenditures:					
Maintenance	535,280	535,280	446,527	-	446,527
Storm Water Maintenance	135,955	135,955	79,250	-	79,250
Preventative Maintenance	502,637	502,637	366,314	-	366,314
Street Lighting	75,593	75,593	66,023	-	66,023
Snow and Ice Control	69,400	84,400	76,630	-	76,630
Street Construction	31,141	21,141	14,878	-	14,878
D Street Project	495,404	505,404	494,412	-	494,412
Resort Street Project	2,000,000	2,000,000	-	-	-
Debt Service	-	-	-	307	307
Operating Contingency	50,000	35,000	-	-	-
<b>Total Expenditures</b>	<b>3,895,410</b>	<b>3,895,410</b>	<b>1,544,034</b>	<b>307</b>	<b>1,544,341</b>
Excess (Deficit) of Revenues Over Expenditures	(859,051)	(859,051)	(502,417)	(307)	(502,724)
Other Financing Sources (Uses):					
Transfers In	161,898	161,898	160,829	-	160,829
Transfers Out	(527)	(527)	(527)	-	(527)
Interfund Loan Transfers Out	(10,750)	(10,750)	(10,547)	10,547	-
<b>Total Other Financing Sources (Uses)</b>	<b>150,621</b>	<b>150,621</b>	<b>149,755</b>	<b>10,547</b>	<b>160,302</b>
<b>Net Change in Fund Balance</b>	<b>(708,430)</b>	<b>(708,430)</b>	<b>(352,662)</b>	<b>10,240</b>	<b>(342,422)</b>
Fund Balance, July 1, 2008	715,963	715,963	795,915	(10,240)	785,675
<b>Fund Balance, June 30, 2009</b>	<b>\$ 7,533</b>	<b>\$ 7,533</b>	<b>\$ 443,253</b>	<b>\$ -</b>	<b>\$ 443,253</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - LID REPAYMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>LID REPAYMENT FUND</b>					
<b>Revenue:</b>					
Interest	\$ 15,000	\$ 15,000	\$ 929	\$ 11,732	\$ 12,661
Special Assessments/LID Repayments	35,000	35,000	78,702	(11,732)	66,970
<b>Total Revenues</b>	<u>50,000</u>	<u>50,000</u>	<u>79,631</u>	<u>-</u>	<u>79,631</u>
<b>Expenditures:</b>					
Administration	1,500	1,500	138	-	138
Debt Service	-	-	-	6,392	6,392
Contingency	-	-	-	-	-
<b>Total Expenditures</b>	<u>1,500</u>	<u>1,500</u>	<u>138</u>	<u>6,392</u>	<u>6,530</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	48,500	48,500	79,493	(6,392)	73,101
<b>Other Financing Sources (Uses):</b>					
Interfund Loan Transfers Out	(84,500)	(84,500)	(81,823)	81,823	-
<b>Total Other Financing Sources (Uses):</b>	<u>(84,500)</u>	<u>(84,500)</u>	<u>(81,823)</u>	<u>81,823</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(36,000)	(36,000)	(2,330)	75,431	73,101
<b>Fund Balance, July 1, 2008</b>	<u>60,000</u>	<u>60,000</u>	<u>63,310</u>	<u>(268,313)</u>	<u>(205,003)</u>
<b>Fund Balance, June 30, 2009</b>	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 60,980</u>	<u>\$ (192,882)</u>	<u>\$ (131,902)</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, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE &amp; FEDERAL GRANTS FUND</b>					
Revenue:					
Intergovernmental	\$ 804,414	\$ 853,191	\$ 88,583	\$ -	\$ 88,583
Forfeitures	-	-	3,565	-	3,565
Interest	2,400	2,400	1,858	-	1,858
Miscellaneous	22,810	22,810	22,945	-	22,945
<b>Total Revenues</b>	<b>829,624</b>	<b>878,401</b>	<b>116,951</b>	<b>-</b>	<b>116,951</b>
Expenditures:					
Administration	810	810	1,015	-	1,015
Public Safety	64,008	112,785	68,019	-	68,019
Parks and Recreation	677,196	677,196	96,066	-	96,066
Airport	197,500	197,500	37,194	-	37,194
Economic/Community Development	251,000	251,000	22,049	-	22,049
Operating Contingency	15,615	15,615	-	-	-
<b>Total Expenditures</b>	<b>1,206,129</b>	<b>1,254,906</b>	<b>224,343</b>	<b>-</b>	<b>224,343</b>
Excess (Deficit) of Revenues Over Expenditures	(376,505)	(376,505)	(107,392)	-	(107,392)
Other Financing Sources:					
Transfers In	7,615	7,615	7,612	-	7,612
<b>Total Other Financing Sources</b>	<b>7,615</b>	<b>7,615</b>	<b>7,612</b>	<b>-</b>	<b>7,612</b>
<b>Net Change in Fund Balance</b>	<b>(368,890)</b>	<b>(368,890)</b>	<b>(99,780)</b>	<b>-</b>	<b>(99,780)</b>
Fund Balance, July 1, 2008	373,090	373,090	385,982	-	385,982
<b>Fund Balance, June 30, 2009</b>	<b>\$ 4,200</b>	<b>\$ 4,200</b>	<b>\$ 286,202</b>	<b>\$ -</b>	<b>\$ 286,202</b>

**BAKER CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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	\$ (696,432)	\$ (352,662)	\$ (2,330)	\$ (99,780)
<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.	(308,492)	-	-	-
<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.	308,492	-	-	-
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.	-	10,240	75,431	-
<i>GAAP expenditures not qualifying as budget expenditures:</i>				
Ernest money payments applied to the purchase of the new police building are expenditures on a GAAP basis.	(200,000)			
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$285,796 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net change in fund balance - GAAP basis	<u>\$ (896,432)</u>	<u>\$ (342,422)</u>	<u>\$ 73,101</u>	<u>\$ (99,780)</u>

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# Other Supplementary Information





## **Non Major Governmental Funds**

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

**Sam-O Swim Maintenance Levy Fund:** This fund accounts for property tax monies specifically levied and collected for the maintenance of the City swimming pool.

**John Schmitz Memorial Trust Fund:** This fund accounts for monies left to the City by the late John Schmitz. His will designated these monies to be used for the cemetery. The 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 was to accumulate funds until 300 plots were sold and a hard surface road was constructed through the Masonic section of the cemetery. The road was constructed during the fiscal year ended June 30, 2008 and the remaining funds were refunded to the Masonic Lodge.

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

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

**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.

**BAKER CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	Special Revenue				Capital Projects			Permanent Funds		Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Masonic Lodge Road Trust	Insurance Reserve Fund	Tree City Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust		
Assets:										
Cash and Cash Equivalents	\$ 53,918	\$ 274,061	\$ -	\$ 11,036	\$ 2,044	\$ 48,462	\$ 262,315	\$ 2,632	\$ 654,468	
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	-	-	-	-	8	-	8	
Taxes Receivable	5,131	-	-	-	-	-	-	-	5,131	
Due from Other Funds	-	-	-	-	-	-	18,193	-	18,193	
Advances to Other Funds	-	-	-	-	-	-	224,367	-	224,367	
Other Investments	-	-	-	-	-	-	888	-	888	
Total Assets	\$ 59,049	\$ 274,061	\$ -	\$ 11,036	\$ 2,044	\$ 48,462	\$ 505,771	\$ 2,632	\$ 903,055	
Liabilities:										
Accounts Payable	\$ 2,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,611	
Deferred Revenue	4,787	-	-	-	-	-	8	-	4,795	
Total Liabilities	7,398	-	-	-	-	-	8	-	7,406	
Fund Balance:										
Reserved for Cemetery Care	-	274,061	-	-	-	-	505,763	-	779,824	
Reserved for 2089 Celebration	-	-	-	-	-	-	-	2,632	2,632	
Unreserved, Undesignated	51,651	-	-	11,036	2,044	48,462	-	-	113,193	
Total Fund Balance	51,651	274,061	-	11,036	2,044	48,462	505,763	2,632	895,649	
Total Liabilities and Fund Balance	\$ 59,049	\$ 274,061	\$ -	\$ 11,036	\$ 2,044	\$ 48,462	\$ 505,771	\$ 2,632	\$ 903,055	

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	Special Revenue				Capital Projects			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Masonic Lodge Road Trust	Insurance Reserve Fund	Tree City Fund	Permanent Funds		
						Equipment Reserve	Mount Hope Trust	
Revenue:								
Taxes	\$ 69,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,317
Intergovernmental Charges for Services	-	-	-	-	-	259,160	-	259,160
Interest	1,067	5,942	-	236	44	1,073	11,177	11,177
Total Revenue	70,384	5,942	-	236	44	260,233	21,793	358,688
Expenditures:								
Public Safety	-	-	-	-	-	274,965	-	274,965
Parks and Recreation	53,278	-	-	-	-	-	-	53,278
Cemetery	-	-	3,260	-	-	-	-	3,260
Total Expenditures	53,278	-	3,260	-	-	274,965	-	331,503
Excess (Deficit) of Revenues Over Expenditures	17,106	5,942	(3,260)	236	44	(14,732)	21,793	27,185
Other Financing Sources (Uses):								
Transfers In	-	-	-	10,800	2,000	60,000	-	72,800
Transfers Out	-	(5,942)	-	-	-	-	(10,616)	(16,558)
Total Other Financing Sources (Uses)	-	(5,942)	-	10,800	2,000	60,000	(10,616)	56,242
Net Change in Fund Balance	17,106	-	(3,260)	11,036	2,044	45,268	11,177	83,427
Fund Balance, July 1, 2008	34,545	274,061	3,260	-	-	3,194	494,586	812,222
Fund Balance, June 30, 2009	\$ 51,651	\$ 274,061	\$ -	\$ 11,036	\$ 2,044	\$ 48,462	\$ 505,763	\$ 895,649

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SAMO SWIM MAINTENANCE FUND</b>					
Revenue:					
Taxes	\$ 66,032	\$ 66,032	\$ 69,317	\$ -	\$ 69,317
Interest	750	750	1,067	-	1,067
Total Revenues	<u>66,782</u>	<u>66,782</u>	<u>70,384</u>	<u>-</u>	<u>70,384</u>
Expenditures:					
Samo Swim Center	64,000	64,000	53,278	-	53,278
Contingency	27,782	27,782	-	-	-
Total Expenditures	<u>91,782</u>	<u>91,782</u>	<u>53,278</u>	<u>-</u>	<u>53,278</u>
Excess (Deficit) of Revenues Over Expenditures	(25,000)	(25,000)	17,106	-	17,106
Fund Balance, July 1, 2008	25,000	25,000	34,545	-	34,545
Fund Balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,651</u>	<u>\$ -</u>	<u>\$ 51,651</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	\$ 5,942	\$ -	\$ 5,942
Expenditures:					
Operating Contingency	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(14,000)	(14,000)	(5,942)	-	(5,942)
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2008	274,061	274,061	274,061	-	274,061
Fund Balance, June 30, 2009	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ -</u>	<u>\$ 274,061</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>MASONIC LODGE ROAD TRUST FUND</b>					
Revenue:					
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Cemetery	3,500	3,500	3,260	-	3,260
Net Change in Fund Balance	(3,500)	(3,500)	(3,260)	-	(3,260)
Fund Balance, July 1, 2008	3,500	3,500	3,260	-	3,260
Fund Balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -	\$ -

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>INSURANCE RESERVE FUND</b>					
Revenue:					
Interest	\$ -	\$ -	\$ 236	\$ -	\$ 236
Total Revenues	-	-	236	-	236
Expenditures:					
Insurance Penalty	10,800	10,800	-	-	-
Other Financing Sources:					
Transfers In	10,800	10,800	10,800	-	10,800
Net Change in Fund Balance	-	-	11,036	-	11,036
Fund Balance, July 1, 2008	-	-	-	-	-
Fund Balance, June 30, 2009	\$ -	\$ -	\$ 11,036	\$ -	\$ 11,036

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TREE CITY FUND</b>					
Revenue:					
Charges for Services	\$ 10,500	\$ 10,500	\$ -	\$ -	\$ -
Interest	-	-	44	-	44
Total Revenues	<u>10,500</u>	<u>10,500</u>	<u>44</u>	<u>-</u>	<u>44</u>
Expenditures:					
Community Development	<u>15,000</u>	<u>15,000</u>	-	-	-
Other Financing Sources:					
Transfers In	<u>4,500</u>	<u>4,500</u>	2,000	-	2,000
Net Change in Fund Balance	-	-	2,044	-	2,044
Fund Balance, July 1, 2008	-	-	-	-	-
Fund Balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,044</u>	<u>\$ -</u>	<u>\$ 2,044</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
<b>FIRE EQUIPMENT RESERVE FUND</b>					
Revenue:					
Interest	\$ 1,300	\$ 1,300	\$ 1,073	\$ -	\$ 1,073
Intergovernmental	251,750	251,750	259,160	-	259,160
Total Revenues	<u>253,050</u>	<u>253,050</u>	<u>260,233</u>	<u>-</u>	<u>260,233</u>
Expenditures:					
Fire Equipment	<u>275,000</u>	<u>275,000</u>	<u>274,965</u>	<u>-</u>	<u>274,965</u>
Excess (Deficit) of Revenues Over Expenditures	(21,950)	(21,950)	(14,732)	-	(14,732)
Other Financing Sources (Uses):					
Transfers In	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Net Change in Fund Balance	38,050	38,050	45,268	-	45,268
Fund Balance, July 1, 2008	<u>3,150</u>	<u>3,150</u>	<u>3,194</u>	<u>-</u>	<u>3,194</u>
Fund Balance, June 30, 2009	<u>\$ 41,200</u>	<u>\$ 41,200</u>	<u>\$ 48,462</u>	<u>\$ -</u>	<u>\$ 48,462</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	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	\$ 11,177	\$ -	\$ 11,177
Interest	11,000	11,000	5,435	5,181	10,616
Total Revenues	20,000	20,000	16,612	5,181	21,793
Expenditures:					
Contingency	20,000	20,000	-	-	-
Total Expenditures	20,000	20,000	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(282,000)	(282,000)	(267,895)	257,279	(10,616)
Interfund Loan Transfers In	278,000	278,000	277,179	(277,179)	-
Total Other Financing Sources (Uses)	(4,000)	(4,000)	9,284	(19,900)	(10,616)
Net Change in Fund Balance	(4,000)	(4,000)	25,896	(14,719)	11,177
Fund Balance, July 1, 2008	235,000	235,000	237,308	257,278	494,586
Fund Balance, June 30, 2009	<u>\$ 231,000</u>	<u>\$ 231,000</u>	<u>\$ 263,204</u>	<u>\$ 242,559</u>	<u>\$ 505,763</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>ONE HUNDRED YEAR TRUST</b>					
Revenue:					
Interest	\$ 60	\$ 60	\$ 56	\$ -	\$ 56
Net Change in Fund Balance	60	60	56	-	56
Fund Balance, July 1, 2008	2,560	2,560	2,576	-	2,576
Fund Balance, June 30, 2009	<u>\$ 2,620</u>	<u>\$ 2,620</u>	<u>\$ 2,632</u>	<u>\$ -</u>	<u>\$ 2,632</u>

## **Major Business-Type Funds**

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

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

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

**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, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WATER UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 1,935,887	\$ 1,935,887	\$ 1,918,711	\$ -	\$ 1,918,711
Interest	40,000	40,000	44,793	307	45,100
Miscellaneous	18,000	18,000	10,702	-	10,702
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
<b>Total Revenues</b>	<b>2,006,887</b>	<b>2,006,887</b>	<b>1,987,206</b>	<b>(12,693)</b>	<b>1,974,513</b>
Expenses:					
Maintenance	1,275,879	1,275,879	1,181,714	(25,902)	1,155,812
Construction	956,977	956,977	724,279	(724,279)	-
Depreciation	-	-	-	289,935	289,935
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<b>2,432,856</b>	<b>2,432,856</b>	<b>1,905,993</b>	<b>(460,246)</b>	<b>1,445,747</b>
Excess (Deficit) of Revenues Over Expenses	(425,969)	(425,969)	81,213	447,553	528,766
Other Financing Sources (Uses):					
Interfund Loan Transfers In	10,750	10,750	10,547	(10,547)	-
Transfer In	35,123	35,123	30,270	-	30,270
Transfer Out	(301,110)	(301,110)	(263,824)	-	(263,824)
<b>Total Other Financing Sources (Uses)</b>	<b>(255,237)</b>	<b>(255,237)</b>	<b>(223,007)</b>	<b>(10,547)</b>	<b>(233,554)</b>
<b>Net Change in Fund Balance</b>	<b>(681,206)</b>	<b>(681,206)</b>	<b>(141,794)</b>	<b>437,006</b>	<b>295,212</b>
Fund Balance, July 1, 2008	2,015,758	2,015,758	2,071,294	13,254,686	15,325,980
<b>Fund Balance, June 30, 2009</b>	<b>\$ 1,334,552</b>	<b>\$ 1,334,552</b>	<b>\$ 1,929,500</b>	<b>\$ 13,691,692</b>	<b>\$ 15,621,192</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>WASTEWATER UTILITY FUND</b>					
Revenue:					
Charges for Services	\$ 968,000	\$ 968,000	\$ 1,061,696	\$ -	\$ 1,061,696
Rental Income	3,780	3,780	3,781	-	3,781
Interest	5,000	5,000	4,872	2,548	7,420
Special Assessments/LID Repayments	7,750	7,750	2,548	(2,548)	-
Miscellaneous	30,000	30,000	59,488	-	59,488
<b>Total Revenues</b>	<b>1,014,530</b>	<b>1,014,530</b>	<b>1,132,385</b>	<b>-</b>	<b>1,132,385</b>
Expenses:					
Maintenance	737,156	737,156	705,302	(23,300)	682,002
Construction	424,820	424,820	382,583	(382,583)	-
Depreciation	-	-	-	183,798	183,798
Operating Contingency	40,000	40,000	-	-	-
<b>Total Expenses</b>	<b>1,201,976</b>	<b>1,201,976</b>	<b>1,087,885</b>	<b>(222,085)</b>	<b>865,800</b>
Other Financing Sources (Uses):					
Transfers In	17,552	17,552	14,730	-	14,730
Transfer Out	(2,165)	(2,165)	(2,165)	-	(2,165)
<b>Total Other Financing Sources (Uses)</b>	<b>15,387</b>	<b>15,387</b>	<b>12,565</b>	<b>-</b>	<b>12,565</b>
<b>Net Change in Fund Balance</b>	<b>(172,059)</b>	<b>(172,059)</b>	<b>57,065</b>	<b>222,085</b>	<b>279,150</b>
Fund Balance, July 1, 2008	202,607	202,607	283,381	4,527,179	4,810,560
<b>Fund Balance, June 30, 2009</b>	<b>\$ 30,548</b>	<b>\$ 30,548</b>	<b>\$ 340,446</b>	<b>\$ 4,749,264</b>	<b>\$ 5,089,710</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GOLF COURSE OPERATION FUND</b>					
Revenue:					
Donations	\$ 65,000	\$ 65,000	\$ 52,457	\$ -	\$ 52,457
Rental Income	22,500	22,500	-	5,000	5,000
Miscellaneous	5,000	5,000	5,000	(5,000)	-
<b>Total Revenues</b>	<b>92,500</b>	<b>92,500</b>	<b>57,457</b>	<b>-</b>	<b>57,457</b>
Expenses:					
Maintenance	96,211	96,211	79,950	(63,351)	16,599
Debt Service	-	-	-	5,181	5,181
Depreciation	-	-	-	20,213	20,213
Operating Contingency	5,000	5,000	-	-	-
<b>Total Expenses</b>	<b>101,211</b>	<b>101,211</b>	<b>79,950</b>	<b>(37,957)</b>	<b>41,993</b>
Excess (Deficit) of Revenues Over Expenses	(8,711)	(8,711)	(22,493)	37,957	15,464
Other Financing Sources (Uses):					
Interfund Transfers In	268,000	268,000	267,279	(257,279)	10,000
Transfers Out	(289)	(289)	(289)	-	(289)
Interfund Transfers Out	(278,000)	(278,000)	(277,179)	277,179	-
<b>Total Other Financing Sources (Uses)</b>	<b>(10,289)</b>	<b>(10,289)</b>	<b>(10,189)</b>	<b>19,900</b>	<b>9,711</b>
<b>Net Change in Fund Balance</b>	<b>(19,000)</b>	<b>(19,000)</b>	<b>(32,682)</b>	<b>57,857</b>	<b>25,175</b>
Fund Balance, July 1, 2008	26,351	26,351	37,391	945,305	982,696
<b>Fund Balance, June 30, 2009</b>	<b>\$ 7,351</b>	<b>\$ 7,351</b>	<b>\$ 4,709</b>	<b>\$ 1,003,162</b>	<b>\$ 1,007,871</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>BUILDING INSPECTIONS FUND</b>					
Revenue:					
Charges for Services	\$ 368,981	\$ 368,981	\$ 321,157	\$ -	\$ 321,157
Interest	6,000	6,000	7,083	-	7,083
Miscellaneous	500	500	404	-	404
<b>Total Revenues</b>	<b>375,481</b>	<b>375,481</b>	<b>328,644</b>	<b>-</b>	<b>328,644</b>
Expenditures:					
Personal Services	230,349	239,288	239,236	-	239,236
Materials and Services	164,274	164,274	143,886	-	143,886
Capital Outlay	20,000	20,000	19,913	(19,913)	-
Depreciation	-	-	-	1,637	1,637
Operating Contingency	20,000	11,061	-	-	-
<b>Total Expenses</b>	<b>434,623</b>	<b>434,623</b>	<b>403,035</b>	<b>(18,276)</b>	<b>384,759</b>
Other Financing Sources (Uses):					
Transfers In	19,140	19,140	19,414	-	19,414
Transfers Out	(70)	(70)	(70)	-	(70)
<b>Total Other Financing Sources</b>	<b>19,070</b>	<b>19,070</b>	<b>19,344</b>	<b>-</b>	<b>19,344</b>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>(40,072)</b>	<b>(40,072)</b>	<b>(55,047)</b>	<b>18,276</b>	<b>(36,771)</b>
Fund Balance, July 1, 2008	285,000	285,000	308,990	-	308,990
<b>Fund Balance, June 30, 2009</b>	<b>\$ 244,928</b>	<b>\$ 244,928</b>	<b>\$ 253,943</b>	<b>\$ 18,276</b>	<b>\$ 272,219</b>

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## **Internal Service Funds**

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

**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 was previously used to account for vacation, exchange and holiday pay that is accrued by the City's employees. This fund was closed at the beginning of the fiscal year ended June 30, 2009.

**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.

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

**BAKER CITY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2009**

	<u>Central Stores</u>	<u>Equipment and Vehicle</u>	<u>Payroll Service</u>	<u>Technical Services</u>	<u>Total Internal Service Funds</u>
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 7,032	\$ 577,077	\$ -	\$ 41,554	\$ 625,663
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	162	-	-	162
Due From Other Funds	-	46,452	-	-	46,452
Inventories	273,008	-	-	-	273,008
<b>Total Current Assets</b>	<u>280,040</u>	<u>623,691</u>	<u>-</u>	<u>41,554</u>	<u>945,285</u>
<b>Noncurrent Assets:</b>					
Advances to Other Funds	-	146,430	-	-	146,430
<b>Capital Assets:</b>					
Buildings	-	39,524	-	-	39,524
Equipment and Vehicles	-	2,399,112	-	-	2,399,112
Less: Accumulated Depreciation	-	(1,858,001)	-	-	(1,858,001)
<b>Total Capital Assets</b>	<u>-</u>	<u>580,635</u>	<u>-</u>	<u>-</u>	<u>580,635</u>
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>727,065</u>	<u>-</u>	<u>-</u>	<u>727,065</u>
<b>Total Assets</b>	<u>\$ 280,040</u>	<u>\$ 1,350,756</u>	<u>\$ -</u>	<u>\$ 41,554</u>	<u>\$ 1,672,350</u>
<b>Current Liabilities:</b>					
Accounts Payable	\$ 11,707	\$ 10,866	\$ -	\$ 254	\$ 22,827
Accrued Payroll Taxes and Benefits Payable	-	7,421	-	17,217	24,638
Compensated Absences Payable	-	10,570	-	24,083	34,653
<b>Total Current Liabilities</b>	<u>11,707</u>	<u>28,857</u>	<u>-</u>	<u>41,554</u>	<u>82,118</u>
<b>Net Assets:</b>					
Invested in Capital Assets	-	580,635	-	-	580,635
Unrestricted	268,333	741,264	-	-	1,009,597
<b>Total Net Assets</b>	<u>\$ 268,333</u>	<u>\$ 1,321,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,590,232</u>

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Central Stores</u>	<u>Equipment and Vehicle</u>	<u>Payroll Service</u>	<u>Technical Services</u>	<u>Total Internal Service Funds</u>
Operating Revenue:					
Charges for Sales and Services	\$ 190,973	\$ 379,093	\$ -	\$ 336,603	\$ 906,669
Total Revenue	<u>190,973</u>	<u>379,093</u>	<u>-</u>	<u>336,603</u>	<u>906,669</u>
Operating Expenses:					
Cost of Sales and Services	189,184	326,076	-	341,794	857,054
Depreciation	-	101,227	-	-	101,227
Total Expenses	<u>189,184</u>	<u>427,303</u>	<u>-</u>	<u>341,794</u>	<u>958,281</u>
Operating Income (Loss)	1,789	(48,210)	-	(5,191)	(51,612)
Nonoperating Revenue (Expense):					
Interest Income	-	18,723	-	-	18,723
Compensated Absence Accrual Governmental Activities	-	-	202,183	-	202,183
Gain on Equipment Sale	-	-	-	-	-
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>18,723</u>	<u>202,183</u>	<u>-</u>	<u>220,906</u>
Other Financing Sources (Uses):					
Interfund Transfer In	266,544	6,951	-	5,246	278,741
Interfund Transfer Out	-	(1,406)	(455,670)	(55)	(457,131)
Total Other Financing Sources	<u>266,544</u>	<u>5,545</u>	<u>(455,670)</u>	<u>5,191</u>	<u>(178,390)</u>
Change in Net Assets	268,333	(23,942)	(253,487)	-	(9,096)
Net Assets, July 1, 2008	-	1,345,841	253,487	-	1,599,328
Net Assets June 30, 2009	<u>\$ 268,333</u>	<u>\$ 1,321,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,590,232</u>

**BAKER CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Central Stores	Equipment and Vehicle	Payroll Service	Technical Services	Total Internal Service Funds
<b>Cash from Operating Activities:</b>					
Receipts from Customers and Users	\$ 763	\$ 1,552	\$ -	\$ -	\$ 2,315
Receipts from Interfund Services Provided	190,210	377,593	-	336,578	904,381
Other Receipts	-	-	-	126	126
Payments to Suppliers	(187,771)	(167,950)	-	(36,966)	(392,687)
Payments to Employees	-	(167,505)	-	(297,441)	(464,946)
Payments for Interfund Services Used	-	(1,223)	-	-	(1,223)
Net Cash Provided (Used) by Operating Activities	<u>3,202</u>	<u>42,467</u>	<u>-</u>	<u>2,297</u>	<u>47,966</u>
<b>Cash Flows from Non Capital Financing Activities:</b>					
Advances from (to) Other Funds	3,830	16,603	(561,916)	26,435	(515,048)
Repayments from (to) Other Funds	-	75,430	-	-	75,430
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,830</u>	<u>92,033</u>	<u>(561,916)</u>	<u>26,435</u>	<u>(439,618)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Purchases of Capital Assets	-	(116,342)	-	-	(116,342)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(116,342)</u>	<u>-</u>	<u>-</u>	<u>(116,342)</u>
<b>Cash Flows from Investing Activities:</b>					
Receipts on Sale of Capital Assets	-	-	-	-	-
Interest on Investments	-	18,723	-	-	18,723
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>18,723</u>	<u>-</u>	<u>-</u>	<u>18,723</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,032	36,881	(561,916)	28,732	(489,271)
Cash and Cash Equivalents, July 1, 2008	-	540,196	561,916	12,822	1,114,934
Cash and Cash Equivalents, June 30, 2009	<u>\$ 7,032</u>	<u>\$ 577,077</u>	<u>\$ -</u>	<u>\$ 41,554</u>	<u>\$ 625,663</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	<u>\$ 1,789</u>	<u>\$ (48,210)</u>	<u>\$ -</u>	<u>\$ (5,191)</u>	<u>\$ (51,612)</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Depreciation Expense	-	101,227	-	-	101,227
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	-	53	-	101	154
(Increase) Decrease in Inventories	(10,294)	-	-	-	(10,294)
(Increase) Decrease in Prepaid Items	-	-	-	-	-
Increase (Decrease) in Accounts Payable	11,707	(10,154)	-	(1,439)	114
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	40	-	5,987	6,027
Increase (Decrease) in Compensated Absences Payable	-	(489)	-	2,839	2,350
Total Adjustments	<u>1,413</u>	<u>90,677</u>	<u>-</u>	<u>7,488</u>	<u>99,578</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,202</u>	<u>\$ 42,467</u>	<u>\$ -</u>	<u>\$ 2,297</u>	<u>\$ 47,966</u>

A non cash inventory transfer of \$262,714 was made from the Water Fund to the Central Stores Fund.

A non cash liability transfer of \$105,249 for accrued compensated absences was transferred from the Payroll Service Fund. The liability was transferred to the Equipment and Vehicle Fund \$11,059, the Technical Service Fund \$21,244, and the Enterprise Funds \$72,946.

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>CENTRAL STORES FUND</b>					
Revenue:					
Charges for Services	\$ 325,000	\$ 325,000	\$ 190,973	\$ -	\$ 190,973
Total Revenues	325,000	325,000	190,973	-	190,973
Expenses:					
Cost of Inventory Sold	325,000	325,000	189,184	-	189,184
Total Expenses	325,000	325,000	189,184	-	189,184
Other Financing Sources:					
Interfund Transfer In	303,931	303,931	266,544	-	266,544
Total Other Financing Sources	303,931	303,931	266,544	-	266,544
Net Change in Fund Balance	303,931	303,931	268,333	-	268,333
Fund Balance, July 1, 2008	-	-	-	-	-
Fund Balance, June 30, 2009	<u>\$ 303,931</u>	<u>\$ 303,931</u>	<u>\$ 268,333</u>	<u>\$ -</u>	<u>\$ 268,333</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, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>PAYROLL SERVICE FUND</b>					
Revenue:					
Compensated Absence Accrual Governmental Activities Funds	\$ 191,339	\$ 191,339	\$ 202,184	\$ -	\$ 202,184
<b>Total Revenues</b>	<b>191,339</b>	<b>191,339</b>	<b>202,184</b>	<b>-</b>	<b>202,184</b>
Other Financing (Uses):					
Interfund Transfer Out	474,743	474,743	455,670	-	455,670
<b>Total Other Financing Sources (Uses)</b>	<b>474,743</b>	<b>474,743</b>	<b>455,670</b>	<b>-</b>	<b>455,670</b>
 Net Change in Fund Balance	 (283,404)	 (283,404)	 (253,486)	 -	 (253,486)
Fund Balance, July 1, 2008	283,404	283,404	253,486	-	253,486
<b>Fund Balance, June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TECHNICAL SERVICES FUND</b>					
Revenue:					
Charges for Services	\$ 419,324	\$ 419,324	\$ 336,603	\$ -	\$ 336,603
<b>Total Revenues</b>	<b>419,324</b>	<b>419,324</b>	<b>336,603</b>	<b>-</b>	<b>336,603</b>
Expenses:					
Personal Services	347,719	347,719	306,267	-	306,267
Materials and Services	42,011	42,011	35,527	-	35,527
Contingency	36,319	36,319	-	-	-
<b>Total Expenses</b>	<b>426,049</b>	<b>426,049</b>	<b>341,794</b>	<b>-</b>	<b>341,794</b>
Other Financing Sources (Uses):					
Interfund Transfer In	6,780	6,780	5,246	-	5,246
Interfund Transfer Out	(55)	(55)	(55)	-	(55)
<b>Total Other Financing Sources</b>	<b>6,725</b>	<b>6,725</b>	<b>5,191</b>	<b>-</b>	<b>5,191</b>
 Net Change in Fund Balance	 -	 -	 -	 -	 -
Fund Balance, July 1, 2008	-	-	-	-	-
<b>Fund Balance, June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>EQUIPMENT &amp; VEHICLE FUND</b>					
Revenue:					
Charges for Services	\$ 467,481	\$ 467,481	\$ 379,093	\$ -	\$ 379,093
Interest	11,000	11,000	12,331	6,392	18,723
Gain on Equipment Sale	-	-	-	-	-
<b>Total Revenues</b>	<b>478,481</b>	<b>478,481</b>	<b>391,424</b>	<b>6,392</b>	<b>397,816</b>
Expenses:					
Equipment Operations	355,859	355,859	326,076	-	326,076
Equipment Purchases	120,000	120,000	116,342	(116,342)	-
Depreciation	-	-	-	101,227	101,227
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<b>675,859</b>	<b>675,859</b>	<b>442,418</b>	<b>(15,115)</b>	<b>427,303</b>
Excess (Deficit) of Revenues Over Expenses	(197,378)	(197,378)	(50,994)	21,507	(29,487)
Other Financing Sources:					
Interfund Transfers In	90,634	90,634	88,774	(81,823)	6,951
Interfund Transfer Out	(1,406)	(1,406)	(1,406)	-	(1,406)
<b>Total Other Financing Sources (Uses)</b>	<b>89,228</b>	<b>89,228</b>	<b>87,368</b>	<b>(81,823)</b>	<b>5,545</b>
<b>Net Change in Fund Balance</b>	<b>(108,150)</b>	<b>(108,150)</b>	<b>36,374</b>	<b>(60,316)</b>	<b>(23,942)</b>
Fund Balance, July 1, 2008	470,000	470,000	512,009	833,832	1,345,841
<b>Fund Balance, June 30, 2009</b>	<b>\$ 361,850</b>	<b>\$ 361,850</b>	<b>\$ 548,383</b>	<b>\$ 773,516</b>	<b>\$ 1,321,899</b>

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**BAKER CITY**  
**SUMMARY OF PROPERTY TAX TRANSACTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**BAKER CITY**  
**SUMMARY OF PROPERTY TAX TRANSACTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Tax Year	2008-2009 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2009
2008-09	\$ 2,726,865	\$ (66,115)	\$ 966	\$ (4,908)	\$ (2,550,637)	\$ 106,171
2007-08	\$ 88,143		1,662	(687)	(39,919)	49,199
2006-07	\$ 35,189		1,192	(615)	(12,086)	23,680
2005-06	\$ 21,178		2,049	(594)	(13,149)	9,484
2004-05	\$ 8,515		1,219	(504)	(6,813)	2,417
Prior	\$ 4,680		53	(1,072)	(217)	3,444
	\$ 157,705	\$ (66,115)	\$ 7,141	\$ (8,380)	\$ (2,622,821)	\$ 194,395

**Taxes Receivable June 30, 2009 by Fund**

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2008-09	\$ 83,758	\$ 19,610	\$ 2,803
2007-08	\$ 38,813	\$ 9,087	\$ 1,298
2006-07	\$ 18,681	\$ 4,374	\$ 625
2005-06	\$ 7,482	\$ 1,752	\$ 250
2004-05	\$ 1,907	\$ 446	\$ 64
Prior	\$ 2,717	\$ 636	\$ 91
	\$ 153,358	\$ 35,905	\$ 5,132

**Collections by Fund**

Current Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Levy	\$ 2,549,671	\$ 2,011,461	\$ 67,260
Interest	966	762	25
Total	\$ 2,550,637	\$ 2,012,223	\$ 67,286
<b>Prior Years Taxes &amp; Interest</b>	\$ 72,184	\$ 13,332	\$ 1,904

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

**CITY OF BAKER CITY**  
Audit Comments and Disclosures  
Required by State Regulations  
Year Ended June 30, 2009

1. Internal Control & Other Recommendations:

Our report on internal controls is located at the beginning of the Report in Compliance with the Single Audit Act of 1984 and OMB Circular A-133.

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 2008-09 and 2009-10, complied with ORS 294 and other appropriate Oregon laws and regulations.

The City appropriates funds by department for funds with more than one department and by object classification for all other funds. For the fiscal year ended June 30, 2009, expenditures exceeded appropriations (the legal level of budgetary control) in the Samo Swim Department of the General Fund by \$308. These expenditures are in violation of ORS 294.435 but were funded with available resources.

**CITY OF BAKER CITY**  
Audit Comments and Disclosures  
Required by State Regulations  
Year Ended June 30, 2009

4. Collateral for Bank Deposits:

The statute governing required collateral for deposits, ORS 295 was amended effective July 1, 2009 which rescinded the collateralization requirements for individual municipalities and replaced them with a program where banks are required to pledge collateral to the state treasurer to cover municipal deposits. The requirement for the City is that any deposits in excess of the FDIC insurance limits must be at a bank approved by the Oregon State Treasurer. The City was in compliance with these provisions during the 2008-2009 fiscal year.

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, 2009.

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.

9. Insurance and Fidelity Bonds:

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2009. 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, 2009. We suggest you consult regularly with your insurance counsel regarding these matter

**CITY OF BAKER CITY**  
Audit Comments and Disclosures  
Required by State Regulations  
Year Ended June 30, 2009

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

11. Schedule of Accountability for Independently Elected Officials:

None of the City 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, 2009.

12. Deficit fund equity:

The LID Repayment Fund had a deficit balance of \$131,902 as of June 30, 2009. 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.

**REPORT IN COMPLIANCE WITH THE SINGLE AUDIT ACT OF 1984 AND OMB  
CIRCULAR A-133**

# Guyer & Associates

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Robert C. Gaslin

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, 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, 2009, which collectively comprise the City of Baker City's (City) basic financial statements and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow managements 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 combination of deficiencies that adversely affects the City'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 on the City's financial statements that are more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

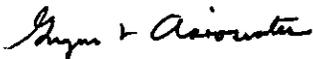
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated January 29, 2010.

This report is intended solely for the information and use of management, the Mayor, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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Baker City, Oregon

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the compliance of the City of Baker City, Oregon with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Baker City's (City) major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

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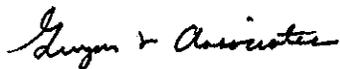
expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affect the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Mayor, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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Baker City, Oregon

**CITY OF BAKER CITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

FEDERAL GRANTOR - PASS THROUGH GRANTOR - PROGRAM TITLE	Federal CFDA Number	Pass - Through Entity identifying Number	Federal Expenditures
<b>PASSED THROUGH THE OREGON DEPARTMENT OF TRANSPORTATION:</b>			
Highway Planning and Construction Program	20.205		\$ 230,099
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Assistance to Firefighters Grant	97.044		\$ 251,750 *
Commercial Equip Direct Assistance Program	97.096		\$ 9,965
<b>FEDERAL AVIATION ADMINISTRATION</b>			
Airport Improvement Program	20.106		\$ 35,306
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
COPS Methamphetamine Initiative	16.710		\$ 44,427 *
Total Expenditures of Federal Awards			<u>\$ 571,547</u>

\* Audited as a major program.

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

**CITY OF BAKER CITY**  
Notes To Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

1. Scope of Audit Pursuant to OMB Circular A-133:

All Federal grant expenditures of the City of Baker City, are included in the scope of the Circular A-133 audit. The Single Audit was performed in accordance with the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments.

The United States Federal Emergency Management Agency is the City's cognizant oversight agency for the Single Audit.

2. Fiscal Period Audited:

This report relates to Single Audit testing procedures performed for program transactions occurring during the fiscal year ended June 30, 2009.

3. Summary of Significant Accounting Policies:

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. The reported expenditures were incurred during the period ending June 30, 2009.

4. Identification of Major Programs:

The City had no programs with over \$300,000 of Federal expenditures (Type A). Two program with Federal expenditures less than \$300,000 (Type B) were determined to be high risk type Bs, and were audited as major programs to meet the required 50% audit coverage. These high risk type Bs were the Assistance to Firefighters Grant and the COPS Methamphetamine Initiative Grant.

5. Federal Program Fund Classification:

Federal programs listed above are recorded in the State and Federal Grants Fund and Fire Equipment Reserve Fund.

**CITY OF BAKER CITY**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Baker City.
2. There were no Control deficiencies relating to the audit of the financial statements that are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Baker City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs (listed above) for the City of Baker City expresses an unqualified opinion on its major federal program.
6. There are no audit findings that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as a major program include:
  - Federal Emergency Management Agency:
    1. Assistance to Firefighters Grant - CFDA #97.044.
  - United States Department of Justice:
    2. COPS Methamphetamine Initiative - CFDA #16.710.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Baker City did not qualify as a low-risk auditee.

**CITY OF BAKER CITY**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no finding or questioned costs noted during our audit.

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