

# **City of Baker City, Oregon**

## **Annual Financial Report**

**For the Fiscal Year Ended  
June 30, 2010**





**BAKER CITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2010**

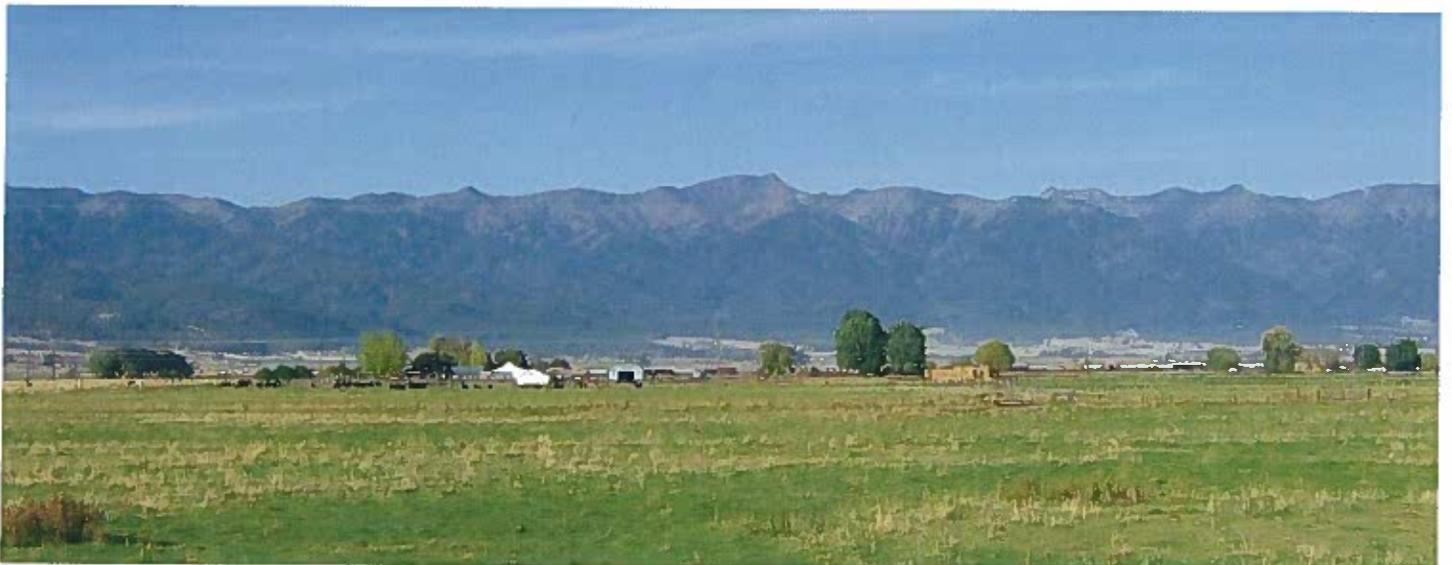
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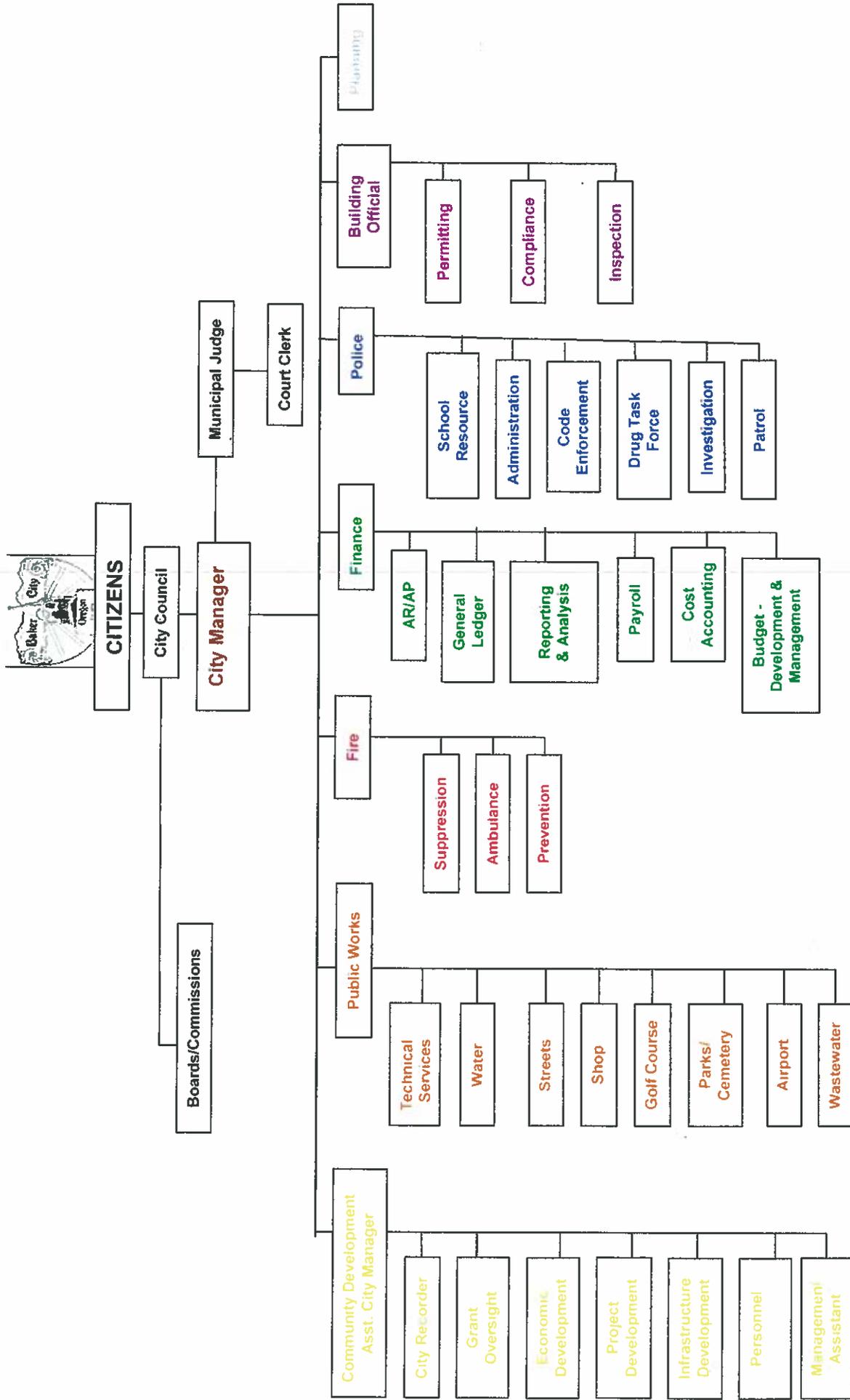


# Introductory Section





# CITY OF BAKER CITY







# Financial Section





# Guyer & Associates

Certified Public Accountants  
A Professional Corporation

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

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

Megan R. Adams  
Jacob J. Collier

Robert C. Gaslin

January 18, 2011

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, 2010, which collectively comprise the City of Baker City, Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baker City, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the managements discussion and analysis and budgetary comparison information on pages 5 through 14 and 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit this information and express no opinion on it. The budgetary comparison schedules and the notes to required supplementary information on pages 41 through 45 have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

2790 Main Street  
Baker City, OR 97814  
541-523-4471  
541-523-3340 fax

Members of  
American Institute of Certified Public Accountants  
Oregon Society of Certified Public Accountants  
visit us at [www.glbm.net](http://www.glbm.net)

1005 Adams Avenue  
La Grande, OR 97850  
541-963-6009  
541-963-5589 fax

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and the schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and summary of property tax transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Guyer & Associates  
Certified Public Accountants  
A Professional Corporation

By   
Robert P. Seymour, a principal

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010. 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, 2010**

*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 eleven 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, 2010. Functions that are intended to recover all or a significant portion of their costs through user fees and charges are accounted for in proprietary funds. Proprietary funds are further designated as either enterprise funds or internal service funds.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses three internal service funds to account for its equipment maintenance and replacement, inventory and insurance reserve functions. During the year ended June 30, 2010 the City eliminated its Technical Service Fund which was used to account for technical services needed for the construction, maintenance and repair of the facilities of the City. These functions are now being provided by the funds that it was previously serving.

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, 2010**

*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 \$40,497,034 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (83 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, 2010**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009-10</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2008-09</b>
<b>ASSETS</b>						
Current and Other Assets	\$ 4,403,651	\$ 4,423,307	\$ 3,032,027	\$ 3,268,272	\$ 7,435,678	\$ 7,691,579
Capital Assets	13,400,519	11,726,289	20,666,200	19,652,981	34,066,719	1,379,270
Total Assets	17,804,170	16,149,596	23,698,227	22,921,253	\$ 41,502,397	\$39,070,849
<b>LIABILITIES</b>						
Long-Term Liabilities	67,633	72,040	-	-	67,633	72,040
Other Liabilities	495,770	562,777	441,960	238,382	937,730	801,159
Total Liabilities	563,403	634,817	441,960	238,382	1,005,363	873,199
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 13,328,479	\$ 11,650,070	20,441,997	19,410,421	\$ 33,770,476	\$ 31,060,491
Restricted	764,702	797,280	-	-	764,702	799,324
Unrestricted	3,147,586	3,067,429	2,814,270	3,272,450	5,961,856	6,337,835
Total Net Assets	<u>\$ 17,240,767</u>	<u>\$ 15,514,779</u>	<u>23,256,267</u>	<u>22,682,871</u>	<u>\$ 40,497,034</u>	<u>\$ 38,197,650</u>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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 (\$5,961,856) may be used to meet the City's ongoing obligations to citizens and creditors.

Net asset for the City as a whole increased by \$2,299,384 during the fiscal year ended June 30, 2010. The following is an analysis of this increase.

**City of Baker City  
Summary of Changes in Net Assets  
June 30, 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009-10</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2008-09</u>
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 902,558	\$ 811,890	\$ 3,239,645	\$ 3,306,564	\$ 4,142,203	\$ 4,118,454
Operating Grants/Contrib.	675,790	819,035	-	-	675,790	819,035
Capital Grants/Contrib.	2,991,930	615,388	-	52,457	2,991,930	667,845
<b>General Revenues:</b>						
Property Taxes	2,785,875	2,667,243	-	-	2,785,875	2,667,243
Franchise Taxes	830,481	856,074	-	-	830,481	856,074
Investment Earnings	52,761	98,685	35,145	59,603	87,906	158,288
Unrestricted Grants/Contrib.	209,922	223,530	-	-	209,922	223,530
Rental Income	29,134	18,950	6,906	6,781	36,040	25,731
Miscellaneous	86,794	2,541	102,606	67,594	187,400	70,135
Total Revenues	<u>\$ 8,565,245</u>	<u>\$ 6,113,336</u>	<u>\$ 3,384,302</u>	<u>\$ 3,492,999</u>	<u>\$ 11,947,547</u>	<u>\$ 9,606,335</u>
<b>EXPENSES</b>						
General Government	\$ 540,665	\$ 677,236	\$ -	\$ -	\$ 540,665	\$ 677,236
Public Safety	3,332,653	3,502,754	-	-	3,332,653	3,502,754
Transportation and Streets	2,009,651	1,829,035	-	-	2,009,651	1,829,035
Culture & Recreation	260,893	249,851	-	-	260,893	249,851
Economic Development	290,657	267,872	-	-	290,657	267,872
Cemetery	125,526	104,101	-	-	125,526	104,101
Airport	242,846	423,382	-	-	242,846	423,382
Hydro-Electric Plant	8,063	12,346	-	-	8,063	12,346
Interest on Long-Term Debt	5,803	11,077	-	-	5,803	11,077
Water	-	-	1,543,354	1,459,055	1,543,354	1,459,055
Wastewater	-	-	898,953	879,056	898,953	879,056
Golf Course	-	-	36,044	41,993	36,044	41,993
Building Department	-	-	355,055	385,452	355,055	385,452
Total Expenses	<u>6,816,757</u>	<u>7,077,654</u>	<u>2,833,406</u>	<u>2,765,556</u>	<u>9,650,163</u>	<u>9,843,210</u>
Operating Transfers	<u>(22,500)</u>	<u>191,934</u>	<u>22,500</u>	<u>(191,934)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,725,988	(772,384)	573,396	535,509	2,299,384	(236,875)
Net Assets – Beginning of Year	15,514,779	16,287,163	22,682,871	22,147,362	38,197,650	38,434,525
Net Assets – End of Year	<u>\$ 17,240,767</u>	<u>\$ 15,514,779</u>	<u>\$ 23,256,267</u>	<u>\$ 22,682,871</u>	<u>\$ 40,497,034</u>	<u>\$ 38,197,650</u>

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

*Analysis of Changes in Net Assets*

**Governmental activities:** Net assets of the governmental activities increased by \$1,725,988. During 2009-10 the Oregon Department of Transportation donated the improvements on D Street and Birch Street valued at \$2,303,496 to the City. The Oregon Department of Transportation also provided to the City \$488,103 of the preliminary engineering, right of way acquisition and construction costs for the Leo Adler Parkway expansion from Washington to south of Madison.

**Business-type activities:** Net assets of the business-type activities increased by \$573,396. 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 \$1.199 million to \$1.187 million. The decrease was the result of transfers to the Street Fund of \$117,000 for D Street, the Golf Fund of \$22,500 to replace the abated contract payment from Seven Iron; and the State and Federal Grants Fund of \$7,500 for the airport grant match which were offset by an increase in property tax revenues of \$116,365 and a decrease in expenditures.

**Street Fund:** The ending fund balance of the Street Fund increased from \$443,253 to \$499,580. This increase was due to the transfer received from the General Fund of \$117,000 for D Street which was offset by a transfer to the Sidewalk Utility Fund of \$95,000. In addition property and highway taxes increased \$27,245 and \$31,766, respectfully, while interest income continues to decline.

**LID Repayment Fund:** The ending fund balance of the LID Repayment Fund increased from (\$131,902) to (\$106,967) due to LID repayments.

**State and Federal Grants Fund:** The ending fund balance of the State and Federal Grants Fund decreased from \$286,202 to \$220,227. This is mainly due to the City's portion of expenditures for the Leo Adler Memorial Parkway expansion of \$133,515 offset by grants and donations received for the LAMP project of \$84,469.

*Enterprise Funds*

**Water Fund:** The ending fund balance of the Water Fund increased from \$15,621,192 to \$16,062,768. 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, 2010**

**Wastewater Fund:** The ending fund balance of the Wastewater Fund increased from \$5,089,710 to \$5,241,654. This is due to a continued effort to set aside funds for wastewater effluent treatment changes due to future restrictions on the treatment and disposal of wastewater.

**Golf Fund:** The ending fund balance of the Golf Fund increased from \$1,007,871 to \$1,021,581. This increase is the result of a \$22,500 transfer from the General Fund offset in part by debt service and maintenance expenditures.

**Building Inspections Fund:** The ending fund balance of the Building Inspections Fund decreased from \$272,219 to \$266,181. 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 and continues to use them with the decline in the housing economy.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Significant differences between the 2009-10 original budget as adopted and the final budget are as follows:

- The City's Hydro Electric Plant generator needed unforeseen repairs. The repairs of \$5,200 were transferred from Contingency to the Hydro Electric Plant Department in the General Fund.
- An \$80,000 cost savings in the General Fund's Administrative Services Department along with a \$37,000 transfer from Contingency were used to increase Transfers by \$117,000. This transfer was to the State Tax Street Fund for an unanticipated grant match in the State Tax Street Fund for the D Street Project.
- After the adoption of the budget the City Council voted to abate Seven Iron's \$22,500 contract payment which was necessary to pay the Mt. Hope Trust Fund loan. This amount was moved from Contingency to Transfers.
- Due to a light snowfall \$10,000 was transferred from the State Tax Street Fund's Snow and Ice Control Department to the Street Fund's D Street Project Department for unanticipated construction costs.
- The City's Sidewalk Utility Fund's Personal Services category incurred unforeseen expenditures for labor required to process grants, inspect sidewalk construction for grant applicants, and other administrative labor needs. Therefore, \$3,000 was transferred from the Sidewalk Utility Fund's Materials and Services category to the Personal Services category.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

Significant differences between the 2009-10 final amended budget and the 2009-10 actual expenditures in the General Fund are as follows:

The City's final amended budget for the fiscal year ended 2009-10 included a contingency of \$59,424 and an unappropriated ending fund balance of \$571,486, for a total of \$630,910. The actual balance carried forward to 2010-11 is \$1,187,247. The difference of \$556,337 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
<b>REVENUE</b>				
Property Tax Revenue	\$ 2,136,176	\$ 2,189,550	\$ 53,374	Received more property taxes than anticipated.
Franchise Taxes	901,744	830,481	(71,263)	Received less Cascade Natural Gas, OTEC and Charter franchise taxes than anticipated.
Investment Earnings	13,500	20,400	6,900	Moved cash from LGIP to Banner Bank Savings for an additional 1.5% to 1.25% in interest earnings.
Other Revenue	1,635,926	1,637,091	1,165	More charges for services, rental income and miscellaneous income were offset by less intergovernmental income and fines and forfeitures.
<b>Total Revenue Decreases</b>			<b>\$ (9,824)</b>	
<b>EXPENDITURES</b>				
Personal Services	3,675,595	3,323,394	(352,201)	The Police Lieutenant position was vacant all year. The Fire Chief went back on shift and didn't replace a Fire Lieutenant. Various other retirements and terminations lead to other vacancies throughout the year.
Materials and Services	1,336,076	1,210,409	(125,667)	Didn't start \$20,000 Urban Renewal project budgeted, Heilner building hangar door repairs budgeted for \$22,000 weren't completed because the cost of the project exceeded the amount budgeted. In addition fuel prices and insurance costs were lower than anticipated.
Capital Outlay	35,000	29,706	(5,294)	Less was expended on Council Chamber windows than budgeted.
Debt Service	8,340	8,340	-	Debt payment was made as budgeted.
<b>Total Expenditure Savings</b>			<b>\$ 483,162</b>	
Operating Transfer In	132,225	29,993	(102,232)	Received less Cemetery interest due to interest rate decline. Did not receive the transfer from the Street Fund of \$100,000.
Operating Transfer Out	(147,000)	(147,000)	-	Transfers were paid as budgeted.
Beginning Fund Balance	1,013,350	1,198,581	185,231	Additional carryover from budgeted amount.
<b>Difference Budget &amp; Actual</b>			<b>\$ 556,337</b>	

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSET AND DEBT ACTIVITY**

Capital asset activity for the fiscal year ended June 30, 2010 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, 2010:

Central Park Construction and Property Acquisition	\$ 53,739
Leo Adler Memorial Parkway (LAMP) Expansion Right of Way Acquisition, Engineering & Construction	229,901
LAMP Expansion Property & Easements Acquired	337,981
D Street Construction	1,771,670
Birch Street Construction	562,149
Dynapac Roller	26,821
Trailer for Roller	5,509
Taxiway Rehabilitation Design	23,600
Dump Box Conversion	20,074
Airport Master Plan	29,562
Hazard House	19,890
Power Cot	10,715
Water System Enhancements	959,455
Mountain Line Project	308,424
Utility Easements	28,600
Backup Wastewater Trash Pump	52,188
Wastewater System Enhancements	58,396
Wastewater Pipe Curing	100,239
Storm Water Facility Plan	29,457
Mausoleum Marble Repair	5,002
3 New Council Chamber Windows	14,706
2010 Ford F350 Crew Cab	24,669
Multi Pro 1250 Sprayer (Sold to Seven Iron)	25,200
Rail Spur Switch Design	50,138
Total	<u>\$ 4,748,085</u>

There was no new long-term debt issued during the fiscal year ended June 30, 2010.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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 \$37,070 in 2009-10 to \$46,680 in 2010-11.
- 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 2010-2011 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>
2010-2011				
Salary Increase	3%	3%	3%	Undetermined
2011-2012			CPI(W)-March 2012	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined
2012-2013			CPI(W)-March 2013	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined

- An actuarial analysis of the City's PERS liability at December 31, 2009 was completed September 2010. The actuarial valuation was used to set future contribution rates for the period July 1, 2011 to June 30, 2013. The current rates and future 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>
Rates for July 1, 2009 to June 30, 2011	11.93%	8.6%	11.31%
Rates for July 1, 2011 to June 30, 2013	16.04%	10.77%	13.48%

- Street fund resources (mainly state gas taxes and 18.47% of property taxes) are not sufficient to maintain the City's streets in their current condition. If the City's streets are not properly maintained (i.e. overlays, chip sealing, fog sealing, crack sealing) they will continue to deteriorate.

**BAKER CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

- In 2001 and again in 2008 and 2010 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, 2010 the City raised wastewater rates to \$15.50 (for residential). Public works staff project that the current rate increase will not be enough for significant system modernization, rehabilitation and modification when required by state and federal agencies.

**REQUESTS FOR INFORMATION**

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

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# Basic Financial Statements



**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,267,831	\$ 2,332,071	\$ 5,599,902
Certificate of Deposit	20,000	-	20,000
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	234,004	152,284	386,288
Interest Receivable	696	-	696
Special Assessments Receivable	-	60,849	60,849
Prepaid Expenses	-	19,000	19,000
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	237,709	-	237,709
Intergovernmental Receivable	162,843	2,743	165,586
Note Receivable	-	25,200	25,200
Contracts and Special Assessments Receivable	445,120	-	445,120
Internal Balances	(439,880)	439,880	-
Inventories	256,285	-	256,285
Capital Assets (Net of Accumulated Depreciation):			
Land	1,946,919	1,342,160	3,289,079
Construction in Process	665,306	706,151	1,371,457
Buildings	2,137,703	214,717	2,352,420
Improvements Other than Buildings	17,870	91,630	109,500
Machinery and Equipment	1,454,945	128,517	1,583,462
Infrastructure	7,177,776	18,183,025	25,360,801
Other Assets	219,043	-	219,043
<b>Total Assets</b>	<b>\$ 17,804,170</b>	<b>\$ 23,698,227</b>	<b>\$ 41,502,397</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 220,670	\$ 310,263	\$ 530,933
Accrued Payroll Taxes and Benefits Payable	58,358	15,167	73,525
Other Payables	155	-	155
Customer Deposits	-	21,901	21,901
Compensated Absences Payable	212,180	94,629	306,809
Noncurrent Liabilities:			
Due Within One Year	4,407	-	4,407
Due in More than One Year	67,633	-	67,633
<b>Total Liabilities</b>	<b>\$ 563,403</b>	<b>\$ 441,960</b>	<b>\$ 1,005,363</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	13,328,479	20,441,997	33,770,476
Restricted for:			
Cemetery Care	759,961	-	759,961
2089 Celebration	2,669	-	2,669
Street Trees	2,072	-	2,072
Unrestricted	3,147,586	2,814,270	5,961,856
<b>Total Net Assets</b>	<b>\$ 17,240,767</b>	<b>\$ 23,256,267</b>	<b>\$ 40,497,034</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, 2010

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	\$ 540,665	\$ 95,772	\$ 795	\$ 32,475	\$ (411,623)	\$ -	\$ (411,623)
Public Safety	3,332,653	618,398	22,181	18,896	(2,673,178)	-	(2,673,178)
Highways and Streets	2,009,651	63,860	516,794	2,330,517	901,520	-	901,520
Culture and Recreation	260,893	-	20	581,861	320,988	-	320,988
Airport	242,846	6,728	-	28,181	(207,937)	-	(207,937)
Cemetery	125,526	56,727	-	-	(68,799)	-	(68,799)
Hydro-electric Plant	8,063	61,073	-	-	53,010	-	53,010
Economic and Community Development	290,657	-	136,000	-	(154,657)	-	(154,657)
Interest on Long Term Debt	5,803	-	-	-	(5,803)	-	(5,803)
<b>Total Governmental Activities</b>	<b>6,816,757</b>	<b>902,558</b>	<b>675,790</b>	<b>2,991,930</b>	<b>(2,246,479)</b>	<b>-</b>	<b>(2,246,479)</b>
<b>Business-type Activities:</b>							
Water Utility	1,543,354	1,877,033	-	-	-	333,679	333,679
Wastewater Utility	898,953	990,002	-	-	-	91,049	91,049
Golf Operation	36,044	27,500	-	-	-	(8,544)	(8,544)
Building Inspection	355,055	345,110	-	-	-	(9,945)	(9,945)
<b>Total Business-type Activities</b>	<b>2,833,406</b>	<b>3,239,645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>406,239</b>	<b>406,239</b>
<b>Total Government</b>	<b>\$ 9,650,163</b>	<b>\$ 4,142,203</b>	<b>\$ 675,790</b>	<b>\$ 2,991,930</b>	<b>(2,246,479)</b>	<b>406,239</b>	<b>(1,840,240)</b>
<b>General Revenues:</b>							
Property Taxes					2,785,875	-	2,785,875
Franchise Taxes					830,481	-	830,481
Grants and Contributions Not Restricted to a Particular Program					209,922	-	209,922
Rental Income					29,134	6,906	36,040
Interest on Investments					52,761	35,145	87,906
Miscellaneous					86,794	102,606	189,400
Transfers:							
Operating					(22,500)	22,500	-
<b>Total General Revenues and Transfers</b>					<b>3,972,467</b>	<b>167,157</b>	<b>4,139,624</b>
<b>Change in Net Assets</b>					<b>1,725,988</b>	<b>573,396</b>	<b>2,299,384</b>
<b>Net Assets July 1, 2009</b>					<b>15,514,779</b>	<b>22,682,871</b>	<b>38,197,650</b>
<b>Net Assets June 30, 2010</b>					<b>\$ 17,240,767</b>	<b>\$ 23,256,267</b>	<b>\$ 40,497,034</b>

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

**BAKER CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<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	\$ 1,183,582	\$ 483,262	\$ 40,056	\$ 219,720	\$ 688,638	\$ 2,615,258
Certificate of Deposit	-	-	-	20,000	-	20,000
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	230,121	3,581	-	-	-	233,702
Interest Receivable	-	-	696	-	-	696
Taxes Receivable	187,529	43,905	-	-	6,275	237,709
Contracts and Special Assessments Receivable	-	-	187,380	257,740	-	445,120
Due From Other Funds	-	-	-	-	18,764	18,764
Advances to Other Funds	-	-	-	-	205,439	205,439
Intergovernmental Receivable	75,109	35,473	-	52,261	-	162,843
Other Assets	218,155	-	-	-	888	219,043
<b>Total Assets</b>	<u>\$ 1,894,496</u>	<u>\$ 566,221</u>	<u>\$ 228,132</u>	<u>\$ 549,721</u>	<u>\$ 920,004</u>	<u>\$ 4,158,574</u>
<b>Liabilities:</b>						
Accounts Payable	\$ 102,959	\$ 23,821	\$ -	\$ 71,606	\$ 2,281	\$ 200,667
Payroll Taxes and Benefits Payable	51,742	4,614	-	148	150	56,654
Other Payables	155	-	-	-	-	155
Due to Other Funds	-	-	46,108	-	-	46,108
Advances from Other funds	-	-	100,915	-	-	100,915
Deferred Revenue	552,393	38,206	188,076	257,740	5,063	1,041,478
<b>Total Liabilities</b>	<u>707,249</u>	<u>66,641</u>	<u>335,099</u>	<u>329,494</u>	<u>7,494</u>	<u>1,445,977</u>
<b>Fund Balance (Deficit):</b>						
Reserved for Cemetery Care	-	-	-	-	759,961	759,961
Reserved for Sidewalks	-	-	-	-	66,295	66,295
Reserved for Bike and Pedestrian Paths	-	-	-	-	-	-
Reserved for 2089 Celebration	-	-	-	-	2,669	2,669
Unreserved (Deficit), Reported In:						
General Fund	1,187,247	-	-	-	-	1,187,247
Special Revenue Funds	-	499,580	(106,967)	220,227	46,356	659,196
Capital Projects Fund	-	-	-	-	37,229	37,229
<b>Total Fund Balance (Deficit)</b>	<u>1,187,247</u>	<u>499,580</u>	<u>(106,967)</u>	<u>220,227</u>	<u>912,510</u>	<u>2,712,597</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,894,496</u>	<u>\$ 566,221</u>	<u>\$ 228,132</u>	<u>\$ 549,721</u>	<u>\$ 920,004</u>	<u>\$ 4,158,574</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, 2010**

Fund Balances of Governmental Funds	\$	2,712,597
<p>The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.</p>		
		1,041,478
<p>Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.</p>		
		12,863,670
<p>All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.</p>		
		(269,374)
<hr/>		
<p>Internal service funds are proprietary-type funds and are not reported with the governmental funds. However, because internal service funds are expected to benefit primarily governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets.</p>		
		1,556,479
<hr/>		
<p>That portion of internal service fund net assets arising from transactions with enterprise-type funds are included in internal balances between governmental activities and business-type activities on the Statement of Net Assets.</p>		
		<u>(664,083)</u>
Net assets of governmental activities	\$	<u><u>17,240,767</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, 2010**

	<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	\$ 2,189,550	\$ 512,656	\$ -	\$ -	\$ 73,209	\$ 2,775,415
Franchise	830,481	-	-	-	-	830,481
Licenses and Permits	48,293	-	-	-	-	48,293
Intergovernmental	378,397	546,794	-	104,533	18,896	1,048,620
Charges for Services	742,214	63,860	-	-	136	806,210
Fines and Forfeitures	32,090	-	-	2,496	-	34,586
Rental Income	29,134	-	-	-	-	29,134
Interest	20,400	5,428	4,666	991	11,005	42,490
Miscellaneous	39,498	259	21,929	100,506	7,120	169,312
Total Revenue	<u>4,310,057</u>	<u>1,128,997</u>	<u>26,595</u>	<u>208,526</u>	<u>110,366</u>	<u>5,784,541</u>
Expenditures:						
Current:						
General Government	496,128	-	18	1,116	-	497,262
Public Safety	3,114,421	-	-	31,170	-	3,145,591
Highways and Streets	-	1,037,390	-	-	-	1,037,390
Sidewalks	-	-	-	-	25,769	25,769
Parks and Recreation	87,580	-	-	3,215	88,602	179,397
Airport	58,470	-	-	-	-	58,470
Cemetery	124,778	-	-	-	-	124,778
Hydro-electric Plant	8,063	-	-	-	-	8,063
Economic and Community Development	286,896	-	-	9,682	-	296,578
Debt Service:						
Principal	4,179	-	-	-	-	4,179
Interest	4,161	-	1,642	-	-	5,803
Capital Outlay:						
General Government	14,706	-	-	-	-	14,706
Public Safety	-	-	-	-	30,605	30,605
Parks and Recreation	-	-	-	133,518	-	133,518
Highways and Streets	-	59,780	-	-	-	59,780
Airport	-	-	-	53,162	-	53,162
Cemetery	5,002	-	-	-	-	5,002
Hydro-electric Plant	-	-	-	-	-	-
Economic and Community Development	-	-	-	50,138	-	50,138
Total Expenditures:	<u>4,204,384</u>	<u>1,097,170</u>	<u>1,660</u>	<u>282,001</u>	<u>144,976</u>	<u>5,730,191</u>
Excess (Deficit) of Revenues Over Expenditures	<u>105,673</u>	<u>31,827</u>	<u>24,935</u>	<u>(73,475)</u>	<u>(34,610)</u>	<u>54,350</u>
Other Financing Sources (Uses):						
Transfers In	29,993	119,500	-	7,500	95,000	251,993
Transfers Out	(147,000)	(95,000)	-	-	(32,493)	(274,493)
Total Other Financing Sources (Uses)	<u>(117,007)</u>	<u>24,500</u>	<u>-</u>	<u>7,500</u>	<u>62,507</u>	<u>(22,500)</u>
Net Change in Fund Balance	(11,334)	56,327	24,935	(65,975)	27,897	31,850
Fund Balance (Deficit), July 1, 2009	<u>1,198,581</u>	<u>443,253</u>	<u>(131,902)</u>	<u>286,202</u>	<u>884,613</u>	<u>2,680,747</u>
Fund Balance (Deficit), June 30, 2010	<u>\$ 1,187,247</u>	<u>\$ 499,580</u>	<u>\$ (106,967)</u>	<u>\$ 220,227</u>	<u>\$ 912,510</u>	<u>\$ 2,712,597</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, 2010**

Net change in fund balances - total governmental funds	\$ 31,850
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.	(21,166)
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.	(1,071,382)
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.	2,791,599
Proceeds from the issuance of long-term debt provide current financial resources and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases or decreases in noncurrent liabilities in the Statement of Net Assets.	12,080
Internal Service Funds are used by management to charge the costs of certain activities, such as inventory and fleet management. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(44,789)
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>27,796</u>
Change in net assets of governmental activities	<u>\$ 1,725,988</u>

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

**BAKER CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	<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>Assets:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 1,638,681	\$ 420,827	\$ -	\$ 272,563	\$ 2,332,071	\$ 652,573
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	82,519	42,134	27,500	131	152,284	302
Prepaid Expenses	-	19,000	-	-	19,000	-
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	2,743	2,743	-
Note Receivable	-	-	4,727	-	4,727	-
Due From Other Funds	31,762	-	-	-	31,762	46,108
Inventories	-	-	-	-	-	256,285
<b>Total Current Assets</b>	<b>1,752,962</b>	<b>485,438</b>	<b>32,227</b>	<b>275,437</b>	<b>2,546,064</b>	<b>955,268</b>
<b>Noncurrent Assets:</b>						
Advances to Other Funds	-	-	-	-	-	100,915
Special Assessments Receivable	-	57,372	-	-	57,372	-
Note Receivable	-	-	20,473	-	20,473	-
<b>Capital Assets:</b>						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	706,151	-	-	-	706,151	-
Buildings	224,731	35,037	106,146	-	365,914	39,524
Improvements other than Buildings	-	-	290,347	-	290,347	-
Infrastructure	18,649,530	7,979,070	-	-	26,628,600	-
Machinery, Equipment, and Vehicles	192,691	454,820	193,605	19,913	861,029	2,433,016
Less: Accumulated Depreciation	(5,270,077)	(3,831,764)	(422,531)	(3,629)	(9,528,001)	(1,935,691)
<b>Total Capital Assets</b>	<b>14,683,284</b>	<b>4,740,961</b>	<b>1,225,671</b>	<b>16,284</b>	<b>20,666,200</b>	<b>536,849</b>
<b>Total Noncurrent Assets</b>	<b>14,683,284</b>	<b>4,798,333</b>	<b>1,246,144</b>	<b>16,284</b>	<b>20,744,045</b>	<b>637,764</b>
<b>Total Assets</b>	<b>\$ 16,436,246</b>	<b>\$ 5,283,771</b>	<b>\$ 1,278,371</b>	<b>\$ 291,721</b>	<b>\$ 23,290,109</b>	<b>\$ 1,593,032</b>
<b>Liabilities:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 284,020	\$ 8,464	\$ 825	\$ 16,954	\$ 310,263	\$ 20,003
Customer Deposits	21,901	-	-	-	21,901	-
Due to Other Funds	-	-	50,526	-	50,526	-
Accrued Payroll Taxes and Benefits Payable	8,721	4,191	-	2,255	15,167	1,704
Compensated Absences Payable	58,836	29,462	-	6,331	94,629	14,846
<b>Total Current Liabilities</b>	<b>373,478</b>	<b>42,117</b>	<b>51,351</b>	<b>25,540</b>	<b>492,486</b>	<b>36,553</b>
<b>Long-Term Liabilities:</b>						
Advances From Other Funds	-	-	205,439	-	205,439	-
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>205,439</b>	<b>-</b>	<b>205,439</b>	<b>-</b>
<b>Total Liabilities</b>	<b>373,478</b>	<b>42,117</b>	<b>256,790</b>	<b>25,540</b>	<b>697,925</b>	<b>36,553</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	14,683,284	4,740,961	969,706	16,284	20,410,235	536,849
Unrestricted	1,379,484	500,693	51,875	249,897	2,181,949	1,019,630
<b>Total Net Assets</b>	<b>\$ 16,062,768</b>	<b>\$ 5,241,654</b>	<b>\$ 1,021,581</b>	<b>\$ 266,181</b>	<b>22,592,184</b>	<b>\$ 1,556,479</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Assets of Business-type Activities					664,083	
<b>Net Assets of Business-Type Activities</b>					<b>\$ 23,256,267</b>	

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

**BAKER CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
<b>Operating Revenue:</b>						
Charges for Sales and Services	\$ 1,877,033	\$ 990,002	\$ -	\$ 345,110	\$ 3,212,145	\$ 513,436
Miscellaneous	61,935	40,479	-	192	102,606	-
<b>Total Operating Revenue</b>	<b>1,938,968</b>	<b>1,030,481</b>	<b>-</b>	<b>345,302</b>	<b>3,314,751</b>	<b>513,436</b>
<b>Operating Expenses:</b>						
Cost of Sales and Services	1,223,256	694,231	-	353,133	2,270,620	475,627
Depreciation	301,893	194,815	-	1,992	498,700	92,869
<b>Total Operating Expenses</b>	<b>1,525,149</b>	<b>889,046</b>	<b>-</b>	<b>355,125</b>	<b>2,769,320</b>	<b>568,496</b>
<b>Operating Income (Loss)</b>	<b>413,819</b>	<b>141,435</b>	<b>-</b>	<b>(9,823)</b>	<b>545,431</b>	<b>(55,060)</b>
<b>Nonoperating Revenue (Expense):</b>						
Investment Earnings	24,632	6,728	-	3,785	35,145	10,271
Rental Income	3,125	3,781	27,500	-	34,406	-
Depreciation and Expenses - Rental Property	-	-	(34,647)	-	(34,647)	-
Interest Expense	-	-	(1,643)	-	(1,643)	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>27,757</b>	<b>10,509</b>	<b>(8,790)</b>	<b>3,785</b>	<b>33,261</b>	<b>10,271</b>
<b>Income Before Contributions and Transfers</b>	<b>441,576</b>	<b>151,944</b>	<b>(8,790)</b>	<b>(6,038)</b>	<b>578,692</b>	<b>(44,789)</b>
<b>Other Financing Sources:</b>						
Transfers In	-	-	22,500	-	22,500	-
<b>Change in Net Assets</b>	<b>441,576</b>	<b>151,944</b>	<b>13,710</b>	<b>(6,038)</b>	<b>601,192</b>	<b>(44,789)</b>
Net Assets, July 1, 2009	15,621,192	5,089,710	1,007,871	272,219		1,601,268
<b>Net Assets, June 30, 2010</b>	<b>\$ 16,062,768</b>	<b>\$ 5,241,654</b>	<b>\$ 1,021,581</b>	<b>\$ 266,181</b>		<b>\$ 1,556,479</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(27,796)	
Change in Net Assets of Business-Type Activities					<u>\$ 573,396</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, 2010**

	Business-type Activities - Enterprise Funds					Governmental Activities-- Internal Service Funds
	Water Utility	Wastewater Utility	Golf Course Operation	Building Inspections	Totals	
<b>Cash From Operating Activities:</b>						
Receipts from Customers and Users	\$ 1,885,085	\$ 996,608	\$ -	\$ 342,323	\$ 3,224,016	\$ 6,189
Receipts from Interfund Services Provided	-	-	-	-	-	507,107
Receipts from Compensated Absence Accrual Transfer	16,613	6,391	-	-	23,004	-
Other Receipts	61,935	40,479	-	192	102,606	-
Payments for Compensated Absence Accrual Transfer	-	-	-	-	-	(24,083)
Payments to Suppliers	(248,198)	(165,844)	-	(95,721)	(509,763)	(287,198)
Payments to Employees	(783,219)	(388,488)	-	(233,007)	(1,404,714)	(193,184)
Payments for Interfund Services Used	(249,502)	(163,282)	-	(27,665)	(440,449)	(4)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>682,714</b>	<b>325,864</b>	<b>-</b>	<b>(13,878)</b>	<b>994,700</b>	<b>8,827</b>
<b>Cash Flows From Non Capital Financing Activities:</b>						
Advances from (to) Other Funds	(31,762)	-	54,262	-	22,500	-
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	-	-	-	-	-	45,859
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(31,762)</b>	<b>3,477</b>	<b>54,262</b>	<b>-</b>	<b>25,977</b>	<b>45,859</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchases of Capital Assets	-	-	(25,200)	-	(25,200)	(49,083)
Acquisition/Construction of Capital Assets	(1,050,217)	(210,347)	-	-	(1,260,564)	-
Repayments of Short Term Capital Lease Payables	(6,601)	(2,201)	-	-	(8,802)	-
Principal Paid on Interfund Debt	-	-	(18,357)	-	(18,357)	-
Interest Paid on Interfund Debt	-	-	(1,643)	-	(1,643)	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>(1,056,818)</b>	<b>(212,548)</b>	<b>(45,200)</b>	<b>-</b>	<b>(1,314,566)</b>	<b>(49,083)</b>
<b>Cash Flows From Investing Activities:</b>						
Rental Income	3,125	3,781	5,000	-	11,906	-
Expenses Rental Property	-	-	(14,075)	-	-	-
Interest on Investments	24,632	6,728	-	3,785	35,145	10,271
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>27,757</b>	<b>10,509</b>	<b>(9,075)</b>	<b>3,785</b>	<b>32,976</b>	<b>10,271</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(378,109)</b>	<b>127,302</b>	<b>(13)</b>	<b>(10,093)</b>	<b>(260,913)</b>	<b>15,874</b>
Cash and Cash Equivalents, July 1, 2009	2,016,790	293,525	13	282,656	2,592,984	636,699
<b>Cash and Cash Equivalents, June 30, 2010</b>	<b>\$ 1,638,681</b>	<b>\$ 420,827</b>	<b>\$ -</b>	<b>\$ 272,563</b>	<b>\$ 2,332,071</b>	<b>\$ 652,573</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$ 413,819	\$ 141,435	\$ -	\$ (9,823)	\$ 545,431	\$ (55,060)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation Expense	301,893	194,815	-	1,992	498,700	92,869
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	6,297	6,606	-	(2,787)	10,116	(140)
(Increase) Decrease in Inventories	-	-	-	-	-	16,723
Increase (Decrease) in Customer Deposits	1,755	-	-	-	1,755	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	(34,138)	(7,611)	-	2,386	(39,363)	(2,824)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	(21,443)	(11,614)	-	(6,740)	(39,797)	(22,934)
Increase (Decrease) in Compensated Absences Payable	14,531	2,233	-	1,094	17,858	(19,807)
<b>Total Adjustments</b>	<b>268,895</b>	<b>184,429</b>	<b>-</b>	<b>(4,055)</b>	<b>449,269</b>	<b>63,887</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 682,714</b>	<b>\$ 325,864</b>	<b>\$ -</b>	<b>\$ (13,878)</b>	<b>\$ 994,700</b>	<b>\$ 8,827</b>

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

\*Increase (Decrease) in Accounts Payable Related to the Acquisition/Construction of Capital Assets is as follows - Water Fund \$270,931 and Wastewater Fund \$476.

A non cash transaction occurred in the Golf Course Operations Fund when a capital asset was sold for \$22,500 in return for a Notes Receivable.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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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, 2010**

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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, 2010**

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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, 2010**

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. For example, the General Fund charges other funds for centralized expenses. The revenue and expenses in the General Fund are reduced by the centralized expenses that are charged to other funds. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater Utility, and the Building Inspections funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For example, the revenue and expenses associated with the lease of the City's 18 hole golf course with Seven Iron LLC (effective until December 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, 2010**

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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, 2010**

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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, 2010.

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, 2010**

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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, 2010.

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.

**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.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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**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.

**Deficit Fund Equity**

The LID Repayment Fund had a deficit fund balance of \$106,967 as of June 30, 2010. The City funded this deficit through interfund loans. This Fund does not have a deficit fund balance for purposes of compliance with Oregon Local Budget Law.

**3. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

At June 30, 2010, the City's carrying amount of deposits was \$5,582,783 and the bank balance was \$5,706,289.

**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

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**Deposits and Investments (Continued)**

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, 2010 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 583,013
Collateralized under the provisions of ORS 295	<u>5,143,276</u>
Total	<u>\$ 5,726,289</u>

At June 30, 2010 the City had an investment in a fully collateralized \$20,000 certificate of deposit. At June 30, 2010 the City had an investment of \$16,645 in the Oregon Short Term Fund (OSTF), an external investment pool administered by the Oregon State Treasurer. The OSTF is regulated under the statutes of the State of Oregon (ORS 294.805-294.895). The OSTF invests in US Agency Securities, Corporate Bonds, Commercial Paper and Certificates of Deposit. The OSTF's investment policy requires a minimum weighted average credit rating for its investment holdings of AA and Aa2 or AA for Standard and Poor's, Moody's or Fitch, respectively. The OSTF fund is not rated. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

**Receivables**

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

	General Fund	Street Fund	LID Repayment Fund	State and Federal Grants Fund	Non-major and Other Funds	Total
Interest	\$ -	\$ -	\$ 696	\$ -	\$ -	\$ 696
Property Taxes	187,529	43,905	-	-	6,275	237,709
Franchise Taxes	39,350	-	-	-	-	39,350
Trade Accounts	318,699	4,170	-	-	-	322,869
Special Assessments	-	-	-	257,740	-	257,740
LID Receivables	-	-	187,380	-	-	187,380
Intergovernmental	75,109	35,473	-	52,261	-	162,843
Gross Receivables	620,687	83,548	188,076	310,001	6,275	1,208,587
Less: Allowance for Uncollectibles	(127,928)	(589)	-	-	-	(128,517)
Total Receivables	<u>\$ 492,759</u>	<u>\$ 82,959</u>	<u>\$ 188,076</u>	<u>\$ 310,001</u>	<u>\$ 6,275</u>	<u>\$ 1,080,070</u>

Internal Service Funds have trade account receivables at year end of \$302 which are included with governmental activities in the Statement of Net Assets.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

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	\$ 86,707	\$ 44,279	\$ 131	\$ 27,500	\$ 158,486
Special Assessments	-	60,849	-	-	60,849
Intergovernmental	-	-	2,743	-	2,874
Gross Receivables	86,707	105,128	2,874	27,500	222,209
Less: Allowance for Uncollectibles	(4,188)	(2,145)	-	-	(6,333)
Total Receivables	<u>\$ 82,519</u>	<u>\$ 102,983</u>	<u>\$ 2,874</u>	<u>\$ 27,500</u>	<u>\$ 215,876</u>

On July 10, 2009 the City sold a sprayer to Seven Iron, LLC in return for a five year \$25,200 promissory note with interest at 3%. As of June 30, 2010 the note is scheduled to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010-2011	4,727	786	5,513
2011-2012	4,890	623	5,513
2012-2013	5,039	474	5,513
2013-2014	5,193	320	5,513
2014-2015	5,351	162	5,513
Total	<u>\$ 25,200</u>	<u>\$ 2,365</u>	<u>\$ 27,565</u>

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

	<u>Deferred Revenue</u>
Trade Accounts Receivable	\$ 185,701
Delinquent Property Taxes Receivable	191,806
Special Assessments Not Due	257,740
Local Improvement District Receivables Not Due	187,380
Interest Receivable	696
Oregon Trail Electric Cooperative Capital Credits	218,155
Total Deferred/Unearned Revenue – Governmental Funds	<u>\$ 1,041,478</u>

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$218,155, special assessments receivable in the amount of \$257,740 and local improvement district receivables of \$187,380 are not expected to be collected within one year.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 769,033	\$ 390,685	\$ (494,412)	\$ 665,306
Land	<u>1,578,224</u>	<u>368,695</u>	<u>-</u>	<u>1,946,919</u>
Total capital assets, not being depreciated	<u>2,347,257</u>	<u>759,380</u>	<u>(494,412)</u>	<u>2,612,225</u>
Capital assets, being depreciated:				
Buildings	4,657,765	14,706	-	4,672,471
Improvements other than buildings	102,730	-	-	102,730
Machinery and equipment	4,711,451	83,009	(43,185)	4,751,275
Infrastructure	<u>23,639,594</u>	<u>2,828,231</u>	<u>-</u>	<u>26,467,825</u>
Total capital assets being depreciated	<u>33,111,540</u>	<u>2,925,946</u>	<u>(43,185)</u>	<u>35,994,301</u>
Less accumulated depreciation for:				
Buildings	(2,434,313)	(100,454)	-	(2,534,767)
Improvements other than buildings	(80,564)	(4,296)	-	(84,860)
Machinery and equipment	(3,067,933)	(268,262)	39,864	(3,296,331)
Infrastructure	<u>(18,149,698)</u>	<u>(1,140,351)</u>	<u>-</u>	<u>(19,290,049)</u>
Total accumulated depreciation	<u>(23,732,508)</u>	<u>(1,513,363)</u>	<u>39,864</u>	<u>(25,206,007)</u>
Total capital assets, being depreciated, net	<u>9,379,032</u>	<u>1,412,583</u>	<u>(3,321)</u>	<u>10,788,294</u>
Governmental activities capital assets, net	<u>\$ 11,726,289</u>	<u>\$ 2,171,963</u>	<u>\$ (497,733)</u>	<u>\$ 13,400,519</u>

Construction in process for governmental activities of \$665,306 is comprised of \$66,746 of an \$82,500 master plan for the airport; \$23,600 for taxiway rehab design plan in process; an additional \$29,457 for a total of \$49,680 towards a \$60,000 Storm Water Facility Plan; \$50,138 towards the rail spur design for the industrial park \$5,002 of \$7,144 marble repair to the Mausoleum and \$419,484 for the Leo Adler Parkway from Madison to south of Washington; and \$50,656 for Central Park.

D Street from 1<sup>st</sup> to Cedar and Birch Street from D to H were constructed by the Oregon Department of Transportation and donated to the City upon completion. The donated value of these streets totaled \$2,303,496. The City's cost for construction paid during the fiscal years ended June 30, 2009 and June 30, 2010 totaled \$524,735.

During the year ended June 30, 2010 the Oregon Department of Transportation was also in the process of expanding the Leo Adler Memorial Parkway from Washington to south of Madison on behalf of the City. The City contributed \$79,779 in addition to the \$488,103 of preliminary engineering, right of way acquisition and construction costs provided by ODOT.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**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	\$ 397,727	\$ 308,424	\$ -	\$ 706,151
Land	<u>1,342,160</u>	<u>-</u>	<u>-</u>	<u>1,342,160</u>
Total capital assets, not being depreciated	1,739,887	308,424	-	2,048,311
Capital assets, being depreciated:				
Buildings	365,914	-	-	365,914
Machinery and equipment	784,172	102,057	(25,200)	861,029
Improvements other than buildings	290,347	-	-	290,347
Infrastructure	<u>25,481,911</u>	<u>1,146,690</u>	<u>-</u>	<u>26,628,601</u>
Total capital assets, being depreciated	26,922,344	1,248,747	(25,200)	28,145,891
Less accumulated depreciation for:				
Buildings	(142,706)	(8,491)	-	(151,197)
Machinery and equipment	(711,923)	(20,588)	-	(732,511)
Improvements other than buildings	(184,241)	(14,476)	-	(198,717)
Infrastructure	<u>(7,970,380)</u>	<u>(475,195)</u>	<u>-</u>	<u>(8,445,575)</u>
Total accumulated depreciation	<u>(9,009,250)</u>	<u>(518,750)</u>	<u>-</u>	<u>(9,528,000)</u>
Total capital assets, being depreciated, net	<u>17,913,094</u>	<u>729,997</u>	<u>(25,200)</u>	<u>18,617,891</u>
Business-type activities capital assets, net	<u>\$ 19,652,981</u>	<u>\$ 1,038,421</u>	<u>\$ (25,200)</u>	<u>\$ 20,666,202</u>

Construction in process for business-type activities of \$706,151 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	\$ 33,849
Public safety	195,302
Highway and streets, including depreciation of general infrastructure assets	925,059
Culture and recreation	80,588
Airport	184,376
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	<u>92,869</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 1,513,363</u></b>
<b>Business-type activities:</b>	
Water utility	\$ 301,893
Wastewater utility	194,815
Building inspections	1,992
Golf operation	<u>20,050</u>
<b>Total depreciation expense-business-type activities</b>	<b><u>\$ 518,750</u></b>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 46,108
Mt Hope Trust	Golf	18,764
Total		<u>\$ 64,872</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	\$ 100,915
Mt Hope Trust	Golf	205,439
Total		<u>\$ 306,354</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, 2010 are as follows:

	General Fund	Street Fund	S&F Grant Fund	Nonmajor Governmental Funds	Internal Service Funds	Enterprise Funds	Total
<b>Transfer from:</b>							
General Fund	\$ -	\$ 117,000	\$ 7,500	\$ -	\$ -	\$ 22,500	\$ 147,000
Street Fund	-	-	-	95,000	-	-	95,000
Non Major Governmental Funds	29,993	2,500	-	-	-	-	32,493
Total Transfers	<u>\$29,993</u>	<u>\$ 119,500</u>	<u>\$ 7,500</u>	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 22,500</u>	<u>\$ 274,493</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 make up for the rent payment from Seven Iron, LLC that was abated by the Council.

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**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, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Short term capital lease payable	\$ 2,201	\$ -	\$ 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	\$ 8,802	\$ -	\$ 8,802	\$ -

The following is a summary of the City's governmental outstanding debt at June 30, 2010:

	<u>Governmental Activities 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%	\$ 72,040
Total Governmental Activity Long-Term Liabilities	<u>\$ 72,040</u>

The following is a summary of maturities of the Governmental Activity Long-term Liability as of June 30, 2010:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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
2014-2015	5,451	2,889	8,340
2015-2020	32,058	9,643	41,701
2020-2022	15,407	1,273	16,680
Total	<u>\$ 72,040</u>	<u>\$ 28,041</u>	<u>\$ 100,081</u>

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Note payable - OR Economic Development Department	\$ 76,219	\$ -	\$ (4,179)	\$ 72,040	\$ 4,407
Compensated absences	239,888	262,037	(289,745)	212,180	212,180
Governmental activity Long-term liabilities	<u>\$ 316,107</u>	<u>\$ 262,037</u>	<u>\$ (293,924)</u>	<u>\$ 284,220</u>	<u>\$ 216,587</u>

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business Type Activities:</b>					
Compensated absences	\$ 76,771	\$ 124,337	\$ (106,479)	\$ 94,629	\$ 94,629

The compensated absences liability for the Internal Service Funds is \$14,846 and is included in the above totals for governmental activities.

**4. OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters for which the City carries commercial insurance. There have been no significant decreases in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City obtains most of its insurance coverage through 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, 2010**

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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, 2010 was 11.93%. 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 8.6% except 11.31% for police/fire members.
  
  - A member may receive OPSRP benefits generally anytime after reaching age 65, or at age 58 with 30 years of service.

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

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$ 676,449	100%	\$ -
06/30/09	\$ 734,314	100%	\$ -
06/30/10	\$ 615,067	100%	\$ -

**BAKER CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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**4. OTHER INFORMATION (Continued)**

**Commitments, Contingencies and Subsequent Events**

Accrued liabilities do not include sick leave of approximately \$673,757 which was earned as of June 30, 2010, 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 tort claim has been filed by a former City Manager through his attorney. This matter has been turned over to the City's insurance carrier. The City is unable to determine the effect, if any, this action will 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.

**Reclassifications**

The Non-Major Insurance Reserve Fund has been reclassified from a Special Revenue Fund to an Internal Service Fund. On the Governmental Funds statement this reclassification reduced beginning fund balance by \$11,036. On the Statement of Revenues, Expenses, and Changes in Fund Net Assets this reclassification increased beginning net assets for the Internal Service Funds by \$11,036.

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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, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GENERAL FUND</b>					
Revenue:					
Property Taxes	\$ 2,136,176	\$ 2,136,176	\$ 2,189,550	\$ -	\$ 2,189,550
Franchise Taxes	901,744	901,744	830,481	-	830,481
Licenses and Permits	48,150	48,150	48,293	-	48,293
Intergovernmental	435,716	435,716	378,397	-	378,397
Charges for Services	720,900	720,900	742,214	-	742,214
Fines and Forfeitures	50,000	50,000	32,090	-	32,090
Rental Income	18,160	18,160	29,134	-	29,134
Interest	13,500	13,500	20,400	-	20,400
Miscellaneous	23,000	23,000	39,498	-	39,498
Overhead Charges to Other Funds	340,000	340,000	367,465	(367,465)	-
<b>Total Revenues</b>	<b>4,687,346</b>	<b>4,687,346</b>	<b>4,677,522</b>	<b>(367,465)</b>	<b>4,310,057</b>
Expenditures:					
General Government:					
Administration	1,169,368	1,089,368	1,026,723	(643,893)	382,830
Planning	138,983	138,983	128,004	-	128,004
<b>Total General Government</b>	<b>1,308,351</b>	<b>1,228,351</b>	<b>1,154,727</b>	<b>(643,893)</b>	<b>510,834</b>
Public Safety:					
Police	1,791,560	1,791,560	1,553,234	276,428	1,829,662
Fire	1,412,079	1,412,079	1,284,759	-	1,284,759
<b>Total Public Safety</b>	<b>3,203,639</b>	<b>3,203,639</b>	<b>2,837,993</b>	<b>276,428</b>	<b>3,114,421</b>
Parks and Recreation:					
Parks	52,509	52,509	50,934	-	50,934
Samo Swim Center	37,480	37,480	36,646	-	36,646
<b>Total Parks &amp; Recreation</b>	<b>89,989</b>	<b>89,989</b>	<b>87,580</b>	<b>-</b>	<b>87,580</b>
Airport	85,288	85,288	58,470	-	58,470
Debt Service - Airport	8,340	8,340	8,340	-	8,340
Cemetery	135,293	135,293	129,780	-	129,780
Hydro Electric Plant	5,417	10,617	8,063	-	8,063
Community Development	293,494	293,494	286,896	-	286,896
Operating Contingency	124,124	59,424	-	-	-
<b>Total Expenditures</b>	<b>5,253,935</b>	<b>5,114,435</b>	<b>4,571,849</b>	<b>(367,465)</b>	<b>4,204,384</b>
Excess (Deficit) of Revenues Over Expenditures	(566,589)	(427,089)	105,673	-	105,673
Other Financing Sources (Uses):					
Transfers In	132,225	132,225	29,993	-	29,993
Transfers Out	(7,500)	(147,000)	(147,000)	-	(147,000)
<b>Total Other Financing Sources (Uses)</b>	<b>124,725</b>	<b>(14,775)</b>	<b>(117,007)</b>	<b>-</b>	<b>(117,007)</b>
<b>Net Change in Fund Balance</b>	<b>(441,864)</b>	<b>(441,864)</b>	<b>(11,334)</b>	<b>-</b>	<b>(11,334)</b>
Fund Balance, July 1, 2009	1,013,350	1,013,350	1,198,581	-	1,198,581
<b>Fund Balance, June 30, 2010</b>	<b>\$ 571,486</b>	<b>\$ 571,486</b>	<b>\$ 1,187,247</b>	<b>\$ -</b>	<b>\$ 1,187,247</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, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE TAX STREET FUND</b>					
Revenue:					
Taxes	\$ 500,645	\$ 500,645	\$ 512,656	\$ -	\$ 512,656
Intergovernmental	675,295	675,295	546,794	-	546,794
Charges for Services	58,000	58,000	63,860	-	63,860
Interest	3,000	3,000	5,428	-	5,428
Miscellaneous	200	200	259	-	259
<b>Total Revenues</b>	<b>1,237,140</b>	<b>1,237,140</b>	<b>1,128,997</b>	<b>-</b>	<b>1,128,997</b>
Expenditures:					
Maintenance	514,356	514,356	484,565	-	484,565
Storm Water Maintenance	91,655	91,655	72,735	-	72,735
Preventative Maintenance	501,850	501,850	403,075	-	403,075
Street Lighting	68,607	68,607	59,947	-	59,947
Snow and Ice Control	73,044	63,044	41,677	-	41,677
Street Construction	16,321	16,321	4,848	-	4,848
D Street Project	16,246	143,246	30,323	-	30,323
Operating Contingency	30,000	30,000	-	-	-
<b>Total Expenditures</b>	<b>1,312,079</b>	<b>1,429,079</b>	<b>1,097,170</b>	<b>-</b>	<b>1,097,170</b>
Excess (Deficit) of Revenues Over Expenditures	(74,939)	(191,939)	31,827	-	31,827
Other Financing Sources (Uses):					
Transfers In	2,500	119,500	119,500	-	119,500
Transfers Out	(195,000)	(195,000)	(95,000)	-	(95,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(192,500)</b>	<b>(75,500)</b>	<b>24,500</b>	<b>-</b>	<b>24,500</b>
Net Change in Fund Balance	(267,439)	(267,439)	56,327	-	56,327
Fund Balance, July 1, 2009	356,071	356,071	443,253	-	443,253
Fund Balance, June 30, 2010	\$ 88,632	\$ 88,632	\$ 499,580	\$ -	\$ 499,580

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - LID REPAYMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>LID REPAYMENT FUND</b>					
Revenue:					
Interest	\$ 7,500	\$ 7,500	\$ 415	\$ 4,251	\$ 4,666
Special Assessments/LID Repayments	35,000	35,000	26,180	(4,251)	21,929
Total Revenues	<u>42,500</u>	<u>42,500</u>	<u>26,595</u>	<u>-</u>	<u>26,595</u>
Expenditures:					
Administration	1,500	1,500	18	-	18
Debt Service	-	-	-	1,642	1,642
Contingency	-	-	-	-	-
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>18</u>	<u>1,642</u>	<u>1,660</u>
Excess (Deficit) of Revenues Over Expenditures	41,000	41,000	26,577	(1,642)	24,935
Other Financing Sources (Uses):					
Interfund Loan Transfers Out	(47,500)	(47,500)	(47,500)	47,500	-
Total Other Financing Sources (Uses):	<u>(47,500)</u>	<u>(47,500)</u>	<u>(47,500)</u>	<u>47,500</u>	<u>-</u>
Net Change in Fund Balance	(6,500)	(6,500)	(20,923)	45,858	24,935
Fund Balance, July 1, 2009	<u>55,000</u>	<u>55,000</u>	<u>60,980</u>	<u>(192,882)</u>	<u>(131,902)</u>
Fund Balance, June 30, 2010	<u>\$ 48,500</u>	<u>\$ 48,500</u>	<u>\$ 40,057</u>	<u>\$ (147,024)</u>	<u>\$ (106,967)</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, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>STATE &amp; FEDERAL GRANTS FUND</b>					
<b>Revenue:</b>					
Intergovernmental	\$ 933,360	\$ 933,360	\$ 104,533	\$ -	\$ 104,533
Forfeitures	-	-	2,496	-	2,496
Interest	500	500	991	-	991
Miscellaneous	100,660	100,660	100,506	-	100,506
<b>Total Revenues</b>	<b>1,034,520</b>	<b>1,034,520</b>	<b>208,526</b>	<b>-</b>	<b>208,526</b>
<b>Expenditures:</b>					
Administration	810	810	1,116	-	1,116
Public Safety	81,470	81,470	31,170	-	31,170
Parks and Recreation	633,571	633,571	136,733	-	136,733
Airport	49,500	49,500	53,162	-	53,162
Economic/Community Development	586,000	586,000	59,820	-	59,820
Operating Contingency	17,426	17,426	-	-	-
<b>Total Expenditures</b>	<b>1,368,777</b>	<b>1,368,777</b>	<b>282,001</b>	<b>-</b>	<b>282,001</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(334,257)</b>	<b>(334,257)</b>	<b>(73,475)</b>	<b>-</b>	<b>(73,475)</b>
<b>Other Financing Sources:</b>					
Transfers In	7,500	7,500	7,500	-	7,500
<b>Total Other Financing Sources</b>	<b>7,500</b>	<b>7,500</b>	<b>7,500</b>	<b>-</b>	<b>7,500</b>
<b>Net Change in Fund Balance</b>	<b>(326,757)</b>	<b>(326,757)</b>	<b>(65,975)</b>	<b>-</b>	<b>(65,975)</b>
<b>Fund Balance, July 1, 2009</b>	<b>326,757</b>	<b>326,757</b>	<b>286,202</b>	<b>-</b>	<b>286,202</b>
<b>Fund Balance, June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 220,227</b>	<b>\$ -</b>	<b>\$ 220,227</b>

**BAKER CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**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	\$ (11,334)	\$ 56,327	\$ (20,923)	\$ (65,975)
<i>Budget resources not qualifying as revenues or other financing sources under GAAP:</i>				
Interest included in LID repayments received is reclassified to interest income.	-	-	-	-
Indirect and other cost reimbursements received are reported as revenues or other financing sources on a budget basis. Such receipts are reclassified as a reduction of expenditures on a GAAP basis.	(367,465)	-	-	-
<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.	367,465	-	-	-
Loans or loan payments made to other funds are reported as an other financing use (transfer) on a budget basis. Such loans are reclassified as either interfund loans payable (current portion) or advances from other funds (long-term portion) or, as a reduction in interfund loans payable or advances from other funds. The interest portion of interfund loans repaid is reclassified to debt service.	-	-	45,858	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$276,428 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net change in fund balance - GAAP basis	<u>\$ (11,334)</u>	<u>\$ 56,327</u>	<u>\$ 24,935</u>	<u>\$ (65,975)</u>

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# Other Supplementary Information





## Non Major Governmental Funds

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

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

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

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

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

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

**Fire Equipment Reserve Fund:** This fund is used to account for the acquisition of major pieces of fire fighting or EMS equipment.

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Mt Hope Trust Fund:** The principal can never be expended but the interest earned on the corpus is transferred to the General Fund and used for cemetery maintenance.

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

**BAKER CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	Special Revenue			Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swin Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust			
Cash and Cash Equivalents	\$ 45,353	\$ 254,061	\$ 2,072	\$ 66,445	\$ 37,229	\$ 280,809	\$ 2,669	\$	\$ 688,638	
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	-	-	-	-	-	-	-	
Taxes Receivable	6,275	-	-	-	-	-	-	-	6,275	
Due from Other Funds	-	-	-	-	-	18,764	-	-	18,764	
Advances to Other Funds	-	-	-	-	-	205,439	-	-	205,439	
Other Investments	-	-	-	-	-	888	-	-	888	
<b>Total Assets</b>	<b>\$ 51,628</b>	<b>\$ 254,061</b>	<b>\$ 2,072</b>	<b>\$ 66,445</b>	<b>\$ 37,229</b>	<b>\$ 505,900</b>	<b>\$ 2,669</b>	<b>\$</b>	<b>\$ 920,004</b>	
<b>Liabilities:</b>										
Accounts Payable	\$ 2,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,281	
Accrued Payroll Taxes	-	-	-	150	-	-	-	-	150	
Deferred Revenue	5,063	-	-	-	-	-	-	-	5,063	
<b>Total Liabilities</b>	<b>7,344</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,494</b>	
<b>Fund Balance:</b>										
Reserved for Sidewalks	-	-	-	66,295	-	-	-	-	66,295	
Reserved for Cemetery Care	-	254,061	-	-	-	505,900	-	-	759,961	
Reserved for 2089 Celebration	-	-	-	-	-	-	2,669	-	2,669	
Unreserved, Undesignated	44,284	-	2,072	-	37,229	-	-	-	83,585	
<b>Total Fund Balance</b>	<b>44,284</b>	<b>254,061</b>	<b>2,072</b>	<b>66,295</b>	<b>37,229</b>	<b>505,900</b>	<b>2,669</b>	<b>\$</b>	<b>912,510</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 51,628</b>	<b>\$ 254,061</b>	<b>\$ 2,072</b>	<b>\$ 66,445</b>	<b>\$ 37,229</b>	<b>\$ 505,900</b>	<b>\$ 2,669</b>	<b>\$</b>	<b>\$ 920,004</b>	

Assets:

Liabilities:

Fund Balance:

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	Special Revenue			Capital Projects		Permanent Funds		Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	
Revenue:								
Taxes	\$ 73,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,209
Intergovernmental	-	-	-	-	18,896	-	-	18,896
Charges for Services	-	-	-	-	-	136	-	136
Interest	906	3,539	28	689	476	5,330	37	11,005
Miscellaneous	7,120	-	-	-	-	-	-	7,120
Total Revenue	81,235	3,539	28	689	19,372	5,466	37	110,366
Expenditures:								
Public Safety	-	-	-	-	30,605	-	-	30,605
Sidewalks	-	-	-	25,769	-	-	-	25,769
Parks and Recreation	88,602	-	-	-	-	-	-	88,602
Cemetery	-	-	-	-	-	-	-	-
Total Expenditures	88,602	-	-	25,769	30,605	-	-	144,976
Excess (Deficit) of Revenues Over Expenditures	(7,367)	3,539	28	(25,080)	(11,233)	5,466	37	(34,610)
Other Financing Sources (Uses):								
Transfers In	-	-	-	95,000	-	-	-	95,000
Transfers Out	-	(23,539)	-	(3,625)	-	(5,329)	-	(32,493)
Total Other Financing Sources (Uses)	-	(23,539)	-	91,375	-	(5,329)	-	62,507
Net Change in Fund Balance	(7,367)	(20,000)	28	66,295	(11,233)	137	37	27,897
Fund Balance, July 1, 2009	51,651	274,061	2,044	-	48,462	505,763	2,632	884,613
Fund Balance, June 30, 2010	\$ 44,284	\$ 254,061	\$ 2,072	\$ 66,295	\$ 37,229	\$ 505,900	\$ 2,669	\$ 912,510

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SAMO SWIM MAINTENANCE FUND</b>					
Revenue:					
Taxes	\$ 71,448	\$ 71,448	\$ 73,209	\$ -	\$ 73,209
Interest	450	450	906	-	906
Miscellaneous	-	-	7,120	-	7,120
<b>Total Revenues</b>	<b>71,898</b>	<b>71,898</b>	<b>81,235</b>	<b>-</b>	<b>81,235</b>
Expenditures:					
Samo Swim Center	92,500	92,500	88,602	-	88,602
Contingency	23,398	23,398	-	-	-
<b>Total Expenditures</b>	<b>115,898</b>	<b>115,898</b>	<b>88,602</b>	<b>-</b>	<b>88,602</b>
Excess (Deficit) of Revenues Over Expenditures	(44,000)	(44,000)	(7,367)	-	(7,367)
Fund Balance, July 1, 2009	44,000	44,000	51,651	-	51,651
<b>Fund Balance, June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,284</b>	<b>\$ -</b>	<b>\$ 44,284</b>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>JOHN SCHMITZ TRUST FUND</b>					
Revenue:					
Interest	\$ 4,000	\$ 4,000	\$ 3,539	\$ -	\$ 3,539
Expenditures:					
Operating Contingency	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(24,000)	(24,000)	(23,539)	-	(23,539)
<b>Net Change in Fund Balance</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>-</b>	<b>(20,000)</b>
Fund Balance, July 1, 2009	274,061	274,061	274,061	-	274,061
<b>Fund Balance, June 30, 2010</b>	<b>\$ 254,061</b>	<b>\$ 254,061</b>	<b>\$ 254,061</b>	<b>\$ -</b>	<b>\$ 254,061</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TREE CITY FUND</b>					
Revenue:					
Charges for Services	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -
Interest	-	-	28	-	28
<b>Total Revenues</b>	<b>10,000</b>	<b>10,000</b>	<b>28</b>	<b>-</b>	<b>28</b>
Expenditures:					
Community Development	10,000	10,000	-	-	-
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>28</b>
Fund Balance, July 1, 2009	-	-	2,044	-	2,044
<b>Fund Balance, June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,072</b>	<b>\$ -</b>	<b>\$ 2,072</b>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>SIDEWALK UTILITY FUND</b>					
Revenue:					
Interest	-	-	689	-	689
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>689</b>	<b>-</b>	<b>689</b>
Expenses:					
Personal Services	6,000	9,000	7,550	-	7,550
Materials and Services	42,890	39,890	18,219	-	18,219
Operating Contingency	11,000	11,000	-	-	-
<b>Total Expenses</b>	<b>59,890</b>	<b>59,890</b>	<b>25,769</b>	<b>-</b>	<b>25,769</b>
Other Financing Sources (Uses):					
Transfers In	95,000	95,000	95,000	-	95,000
Transfers Out	(3,625)	(3,625)	(3,625)	-	(3,625)
<b>Total Other Financing Sources (Uses)</b>	<b>91,375</b>	<b>91,375</b>	<b>91,375</b>	<b>-</b>	<b>91,375</b>
<b>Net Change in Fund Balance</b>	<b>31,485</b>	<b>31,485</b>	<b>66,295</b>	<b>-</b>	<b>66,295</b>
Fund Balance, July 1, 2009	-	-	-	-	-
<b>Fund Balance, June 30, 2010</b>	<b>\$ 31,485</b>	<b>\$ 31,485</b>	<b>\$ 66,295</b>	<b>\$ -</b>	<b>\$ 66,295</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
<b>FIRE EQUIPMENT RESERVE FUND</b>					
Revenue:					
Interest	\$ 500	\$ 500	\$ 476	\$ -	\$ 476
Intergovernmental	111,150	111,150	18,896	-	18,896
Miscellaneous	1,000	1,000	-	-	-
Total Revenues	<u>112,650</u>	<u>112,650</u>	<u>19,372</u>	<u>-</u>	<u>19,372</u>
Expenditures:					
Fire and EMS Equipment	<u>117,000</u>	<u>117,000</u>	<u>30,605</u>	<u>-</u>	<u>30,605</u>
Net Change in Fund Balance	(4,350)	(4,350)	(11,233)	-	(11,233)
Fund Balance, July 1, 2009	<u>45,750</u>	<u>45,750</u>	<u>48,462</u>	<u>-</u>	<u>48,462</u>
Fund Balance, June 30, 2010	<u>\$ 41,400</u>	<u>\$ 41,400</u>	<u>\$ 37,229</u>	<u>\$ -</u>	<u>\$ 37,229</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>MT HOPE TRUST FUND</b>					
Revenue:					
Charges for Services	\$ -	\$ -	\$ 136	\$ -	\$ 136
Interest	3,100	3,100	3,687	1,643	5,330
<b>Total Revenues</b>	<b>3,100</b>	<b>3,100</b>	<b>3,823</b>	<b>1,643</b>	<b>5,466</b>
Expenditures:					
Contingency	20,000	20,000	-	-	-
<b>Total Expenditures</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Financing Sources (Uses):					
Transfers Out	(7,100)	(7,100)	(5,329)	-	(5,329)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>12,900</b>	<b>12,900</b>	<b>14,671</b>	<b>(20,000)</b>	<b>(5,329)</b>
<b>Net Change in Fund Balance</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>18,494</b>	<b>(18,357)</b>	<b>137</b>
Fund Balance, July 1, 2009	259,000	259,000	263,204	242,559	505,763
<b>Fund Balance, June 30, 2010</b>	<b>\$ 255,000</b>	<b>\$ 255,000</b>	<b>\$ 281,698</b>	<b>\$ 224,202</b>	<b>\$ 505,900</b>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>ONE HUNDRED YEAR TRUST</b>					
Revenue:					
Interest	\$ 25	\$ 25	\$ 37	\$ -	\$ 37
<b>Net Change in Fund Balance</b>	<b>25</b>	<b>25</b>	<b>37</b>	<b>-</b>	<b>37</b>
Fund Balance, July 1, 2009	2,625	2,625	2,632	-	2,632
<b>Fund Balance, June 30, 2010</b>	<b>\$ 2,650</b>	<b>\$ 2,650</b>	<b>\$ 2,669</b>	<b>\$ -</b>	<b>\$ 2,669</b>

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## Major Business-Type Funds

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

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

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

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

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

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	\$ 1,877,033	\$ -	\$ 1,877,033
Interest	18,000	18,000	24,632	-	24,632
Miscellaneous	19,000	19,000	65,060	-	65,060
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
<b>Total Revenues</b>	<u>1,985,887</u>	<u>1,985,887</u>	<u>1,979,725</u>	<u>(13,000)</u>	<u>1,966,725</u>
Expenses:					
Maintenance	1,321,519	1,321,519	1,242,857	(19,601)	1,223,256
Construction	1,343,137	1,343,137	1,321,148	(1,321,148)	-
Depreciation	-	-	-	301,893	301,893
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<u>2,864,656</u>	<u>2,864,656</u>	<u>2,564,005</u>	<u>(1,038,856)</u>	<u>1,525,149</u>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<u>(878,769)</u>	<u>(878,769)</u>	<u>(584,280)</u>	<u>1,025,856</u>	<u>441,576</u>
<b>Net Change in Fund Balance</b>	<u>(878,769)</u>	<u>(878,769)</u>	<u>(584,280)</u>	<u>1,025,856</u>	<u>441,576</u>
Fund Balance, July 1, 2009	1,852,591	1,852,591	1,929,500	13,691,692	15,621,192
<b>Fund Balance, June 30, 2010</b>	<u>\$ 973,822</u>	<u>\$ 973,822</u>	<u>\$ 1,345,220</u>	<u>\$ 14,717,548</u>	<u>\$ 16,062,768</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	\$ 990,002	\$ -	\$ 990,002
Rental Income	3,782	3,782	3,781	-	3,781
Interest	3,500	3,500	5,540	1,188	6,728
Special Assessments/LID Repayments	4,777	4,777	1,188	(1,188)	-
Miscellaneous	31,000	31,000	40,479	-	40,479
<b>Total Revenues</b>	<b>1,011,059</b>	<b>1,011,059</b>	<b>1,040,990</b>	<b>-</b>	<b>1,040,990</b>
Expenses:					
Maintenance	784,299	784,299	696,432	(2,201)	694,231
Construction	320,767	320,767	210,823	(210,823)	-
Depreciation	-	-	-	194,815	194,815
Operating Contingency	40,000	40,000	-	-	-
<b>Total Expenses</b>	<b>1,145,066</b>	<b>1,145,066</b>	<b>907,255</b>	<b>(18,209)</b>	<b>889,046</b>
<b>Net Change in Fund Balance</b>	<b>(134,007)</b>	<b>(134,007)</b>	<b>133,735</b>	<b>18,209</b>	<b>151,944</b>
Fund Balance, July 1, 2009	326,077	326,077	340,446	4,749,264	5,089,710
<b>Fund Balance, June 30, 2010</b>	<b>\$ 192,070</b>	<b>\$ 192,070</b>	<b>\$ 474,181</b>	<b>\$ 4,767,473</b>	<b>\$ 5,241,654</b>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>GOLF COURSE OPERATION FUND</b>					
Revenue:					
Rental Income	22,500	22,500	22,500	5,000	27,500
Miscellaneous	10,684	10,684	5,000	(5,000)	-
<b>Total Revenues</b>	<b>33,184</b>	<b>33,184</b>	<b>27,500</b>	<b>-</b>	<b>27,500</b>
Expenses:					
Maintenance	17,319	17,319	14,597	-	14,597
Capital Outlay	26,000	26,000	25,200	(25,200)	-
Debt Service	-	-	-	1,643	1,643
Depreciation	-	-	-	20,050	20,050
Operating Contingency	1,865	1,865	-	-	-
<b>Total Expenses</b>	<b>45,184</b>	<b>45,184</b>	<b>39,797</b>	<b>(3,507)</b>	<b>36,290</b>
Excess (Deficit) of Revenues Over Expenses	(12,000)	(12,000)	(12,297)	3,507	(8,790)
Other Financing Sources (Uses):					
Interfund Transfers In	-	-	22,500	-	22,500
Interfund Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>2,500</b>	<b>20,000</b>	<b>22,500</b>
<b>Net Change in Fund Balance</b>	<b>(32,000)</b>	<b>(32,000)</b>	<b>(9,797)</b>	<b>23,507</b>	<b>13,710</b>
Fund Balance, July 1, 2009	32,000	32,000	4,709	1,003,162	1,007,871
Fund Balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,088)</u>	<u>\$ 1,026,669</u>	<u>\$ 1,021,581</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>BUILDING INSPECTIONS FUND</b>					
Revenue:					
Charges for Services	\$ 293,886	\$ 293,886	\$ 345,110	\$ -	\$ 345,110
Interest	2,000	2,000	3,785	-	3,785
Miscellaneous	500	500	192	-	192
<b>Total Revenues</b>	<u>296,386</u>	<u>296,386</u>	<u>349,087</u>	<u>-</u>	<u>349,087</u>
Expenditures:					
Personal Services	240,066	240,066	227,361	-	227,361
Materials and Services	146,627	146,627	125,772	-	125,772
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	20,000	-	-	-
<b>Total Expenses</b>	<u>406,693</u>	<u>406,693</u>	<u>353,133</u>	<u>1,992</u>	<u>355,125</u>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<u>(110,307)</u>	<u>(110,307)</u>	<u>(4,046)</u>	<u>(1,992)</u>	<u>(6,038)</u>
Fund Balance, July 1, 2009	<u>219,638</u>	<u>219,638</u>	<u>253,943</u>	<u>18,276</u>	<u>272,219</u>
<b>Fund Balance, June 30, 2010</b>	<u>\$ 109,331</u>	<u>\$ 109,331</u>	<u>\$ 249,897</u>	<u>\$ 16,284</u>	<u>\$ 266,181</u>

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## **Internal Service Funds**

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

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

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

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

**Technical Services Fund:** This fund was 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. This fund was eliminated July 1, 2010 and its functions are now being provided by the funds that it was previously serving.

**BAKER CITY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2010**

Assets:	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Technical Services</u>	<u>Total Internal Service Funds</u>
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 18,739	\$ 11,190	\$ 622,644	\$ -	\$ 652,573
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	302	-	302
Due From Other Funds	-	-	46,108	-	46,108
Inventories	256,285	-	-	-	256,285
<b>Total Current Assets</b>	<u>275,024</u>	<u>11,190</u>	<u>669,054</u>	<u>-</u>	<u>955,268</u>
<b>Noncurrent Assets:</b>					
Advances to Other Funds	-	-	100,915	-	100,915
<b>Capital Assets:</b>					
Buildings	-	-	39,524	-	39,524
Equipment and Vehicles	-	-	2,433,016	-	2,433,016
Less: Accumulated Depreciation	-	-	(1,935,691)	-	(1,935,691)
<b>Total Capital Assets</b>	<u>-</u>	<u>-</u>	<u>536,849</u>	<u>-</u>	<u>536,849</u>
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>	<u>637,764</u>	<u>-</u>	<u>637,764</u>
<b>Total Assets</b>	<u>\$ 275,024</u>	<u>\$ 11,190</u>	<u>\$ 1,306,818</u>	<u>\$ -</u>	<u>\$ 1,593,032</u>
<b>Current Liabilities:</b>					
Accounts Payable	\$ 7,446	\$ -	\$ 12,557	\$ -	\$ 20,003
Accrued Payroll Taxes and Benefits Payable	-	-	1,704	-	1,704
Compensated Absences Payable	-	-	14,846	-	14,846
<b>Total Current Liabilities</b>	<u>7,446</u>	<u>-</u>	<u>29,107</u>	<u>-</u>	<u>36,553</u>
<b>Net Assets:</b>					
Invested in Capital Assets	-	-	536,849	-	536,849
Unrestricted	267,578	11,190	740,862	-	1,019,630
<b>Total Net Assets</b>	<u>\$ 267,578</u>	<u>\$ 11,190</u>	<u>\$ 1,277,711</u>	<u>\$ -</u>	<u>\$ 1,556,479</u>

**BAKER CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Technical Services</u>	<u>Total Internal Service Funds</u>
Operating Revenue:					
Charges for Sales and Services	\$ 140,609	\$ -	\$ 372,827	\$ -	\$ 513,436
Total Revenue	<u>140,609</u>	<u>-</u>	<u>372,827</u>	<u>-</u>	<u>513,436</u>
Operating Expenses:					
Cost of Sales and Services	141,364	-	334,263	-	475,627
Depreciation	-	-	92,869	-	92,869
Total Expenses	<u>141,364</u>	<u>-</u>	<u>427,132</u>	<u>-</u>	<u>568,496</u>
Operating Income (Loss)	(755)	-	(54,305)	-	(55,060)
Nonoperating Revenue (Expense):					
Interest Income	-	154	10,117	-	10,271
Compensated Absence Accrual Governmental Activities	-	-	-	-	-
Gain on Equipment Sale	-	-	-	-	-
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>154</u>	<u>10,117</u>	<u>-</u>	<u>10,271</u>
Change in Net Assets	(755)	154	(44,188)	-	(44,789)
Net Assets, July 1, 2009	<u>268,333</u>	<u>11,036</u>	<u>1,321,899</u>	<u>-</u>	<u>1,601,268</u>
Net Assets June 30, 2010	<u>\$ 267,578</u>	<u>\$ 11,190</u>	<u>\$ 1,277,711</u>	<u>\$ -</u>	<u>\$ 1,556,479</u>

**BAKER CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Central Stores	Insurance Reserve Fund	Equipment and Vehicle	Technical Services	Total Internal Service Funds
<b>Cash from Operating Activities:</b>					
Receipts from Customers and Users	\$ 398	\$ -	\$ 5,791	\$ -	\$ 6,189
Receipts from Interfund Services Provided	140,211	-	366,896	-	507,107
Other Receipts	-	-	-	-	-
Payments for Compensated Absence					
Accrual Transfer	-	-	-	(24,083)	(24,083)
Payments to Suppliers	(128,902)	-	(158,042)	(254)	(287,198)
Payments to Employees	-	-	(175,967)	(17,217)	(193,184)
Payments for Interfund Services Used	-	-	(4)	-	(4)
Net Cash Provided (Used) by Operating Activities	<u>11,707</u>	<u>-</u>	<u>38,674</u>	<u>(41,554)</u>	<u>8,827</u>
<b>Cash Flows from Non Capital Financing Activities:</b>					
Advances from (to) Other Funds	-	-	-	-	-
Repayments from (to) Other Funds	-	-	45,859	-	45,859
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>45,859</u>	<u>-</u>	<u>45,859</u>
<b>Cash Flows from Capital and Related     Financing Activities:</b>					
Purchases of Capital Assets	-	-	(49,083)	-	(49,083)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(49,083)</u>	<u>-</u>	<u>(49,083)</u>
<b>Cash Flows from Investing Activities:</b>					
Receipts on Sale of Capital Assets	-	-	-	-	-
Interest on Investments	-	154	10,117	-	10,271
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>154</u>	<u>10,117</u>	<u>-</u>	<u>10,271</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,707	154	45,567	(41,554)	15,874
Cash and Cash Equivalents, July 1, 2009	7,032	11,036	577,077	41,554	636,699
Cash and Cash Equivalents, June 30, 2010	<u>\$ 18,739</u>	<u>\$ 11,190</u>	<u>\$ 622,644</u>	<u>\$ -</u>	<u>\$ 652,573</u>
<b>Reconciliation of Operating Income (Loss) to Net     Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (755)	\$ -	\$ (54,305)	\$ -	\$ (55,060)
<b>Adjustments to Reconcile Operating Income to Net     Cash Provided (Used) by Operating Activities:</b>					
Depreciation Expense	-	-	92,869	-	92,869
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	-	-	(140)	-	(140)
(Increase) Decrease in Inventories	16,723	-	-	-	16,723
(Increase) Decrease in Prepaid Items	-	-	-	-	-
Increase (Decrease) in Accounts Payable	(4,261)	-	1,691	(254)	(2,824)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	-	(5,717)	(17,217)	(22,934)
Increase (Decrease) in Compensated Absences Payable	-	-	4,276	(24,083)	(19,807)
Total Adjustments	<u>12,462</u>	<u>-</u>	<u>92,979</u>	<u>(41,554)</u>	<u>63,887</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,707</u>	<u>\$ -</u>	<u>\$ 38,674</u>	<u>\$ (41,554)</u>	<u>\$ 8,827</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>CENTRAL STORES FUND</b>					
Revenue:					
Charges for Services	\$ 194,500	\$ 194,500	\$ 140,609	\$ -	\$ 140,609
Total Revenues	194,500	194,500	140,609	-	140,609
Expenses:					
Cost of Inventory Sold	194,500	194,500	141,364	-	141,364
Total Expenses	194,500	194,500	141,364	-	141,364
Net Change in Fund Balance	-	-	(755)	-	(755)
Fund Balance, July 1, 2009	-	-	268,333	-	268,333
Fund Balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,578</u>	<u>\$ -</u>	<u>\$ 267,578</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>INSURANCE RESERVE FUND</b>					
Revenue:					
Interest	\$ -	\$ -	\$ 154	\$ -	\$ 154
Total Revenues	-	-	154	-	154
Expenditures:					
Insurance Penalty	11,000	11,000	-	-	-
Other Financing Sources:					
Transfers In	-	-	-	-	-
Net Change in Fund Balance	(11,000)	(11,000)	154	-	154
Fund Balance, July 1, 2009	11,000	11,000	11,036	-	11,036
Fund Balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,190</u>	<u>\$ -</u>	<u>\$ 11,190</u>

**BAKER CITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>EQUIPMENT &amp; VEHICLE FUND</b>					
Revenue:					
Charges for Services	\$ 431,270	\$ 431,270	\$ 372,827	\$ -	\$ 372,827
Interest	5,000	5,000	8,475	1,642	10,117
Gain on Equipment Sale	-	-	-	-	-
<b>Total Revenues</b>	<b>436,270</b>	<b>436,270</b>	<b>381,302</b>	<b>1,642</b>	<b>382,944</b>
Expenses:					
Equipment Operations	391,782	391,782	334,263	-	334,263
Equipment Purchases	71,000	71,000	49,083	(49,083)	-
Depreciation	-	-	-	92,869	92,869
Operating Contingency	200,000	200,000	-	-	-
<b>Total Expenses</b>	<b>662,782</b>	<b>662,782</b>	<b>383,346</b>	<b>43,786</b>	<b>427,132</b>
Excess (Deficit) of Revenues Over Expenses	(226,512)	(226,512)	(2,044)	(42,144)	(44,188)
Other Financing Sources:					
Interfund Transfers In	47,500	47,500	47,500	(47,500)	-
Total Other Financing Sources	47,500	47,500	47,500	(47,500)	-
<b>Net Change in Fund Balance</b>	<b>(179,012)</b>	<b>(179,012)</b>	<b>45,456</b>	<b>(89,644)</b>	<b>(44,188)</b>
Fund Balance, July 1, 2009	542,487	542,487	548,383	773,516	1,321,899
<b>Fund Balance, June 30, 2010</b>	<b>\$ 363,475</b>	<b>\$ 363,475</b>	<b>\$ 593,839</b>	<b>\$ 683,872</b>	<b>\$ 1,277,711</b>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
<b>TECHNICAL SERVICES FUND</b>					
Revenue:					
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenses:					
Personal Services	-	-	-	-	-
Materials and Services	-	-	-	-	-
Contingency	-	-	-	-	-
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balance, July 1, 2009	-	-	-	-	-
<b>Fund Balance, June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BAKER CITY**  
**SUMMARY OF PROPERTY TAX TRANSACTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**BAKER CITY**  
**SUMMARY OF PROPERTY TAX TRANSACTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Tax Year	Taxes Receivable June 30, 2009	2009-2010 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2010
2009-10		\$ 2,834,815	\$ (67,846)	\$ 948	\$ (3,424)	\$ (2,636,619)	\$ 127,874
2008-09	\$ 106,171			2,351	(46)	(46,557)	61,919
2007-08	49,199			1,888	(4)	(16,732)	34,351
2006-07	23,680			3,005	(4)	(17,901)	8,780
2005-06	9,484			1,721	(3)	(8,678)	2,524
Prior	5,861			1,497	(7)	(5,090)	2,261
	\$ 194,395	\$ 2,834,815	\$ (67,846)	\$ 11,410	\$ (3,488)	\$ (2,731,577)	\$ 237,709

**Taxes Receivable June 30, 2010 by Fund**

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2009-10	\$ 100,880	\$ 23,618	\$ 3,376
2008-09	48,848	11,436	1,634
2007-08	27,100	6,345	907
2006-07	6,927	1,622	232
2005-06	1,991	466	67
Prior	1,784	418	60
	\$ 187,529	\$ 43,905	\$ 6,275

**Collections by Fund**

Current Year	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Levy	\$ 2,635,671	\$ 2,079,307	\$ 486,835	\$ 69,529
Interest	948	748	175	25
Total	\$ 2,636,619	\$ 2,080,055	\$ 487,010	\$ 69,554
<b>Prior Years</b>				
Taxes & Interest	\$ 94,958	\$ 74,914	\$ 17,539	\$ 2,505

**AUDIT COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Independent Auditor's Report  
Required by Oregon State Regulations

We have audited the basic financial statements of the City of Baker City, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated January 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Baker City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Baker City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

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

In planning and performing our audit, we considered the City of Baker City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. We did note certain other matters that were communicated to the City of Baker City's management in a letter dated January 18, 2011.

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

Guyer & Associates  
Certified Public Accountants  
A Professional Corporation

January 18, 2011

