

City of Baker City, Oregon



Annual Financial Report

For the Fiscal Year Ended June 30,

2014

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

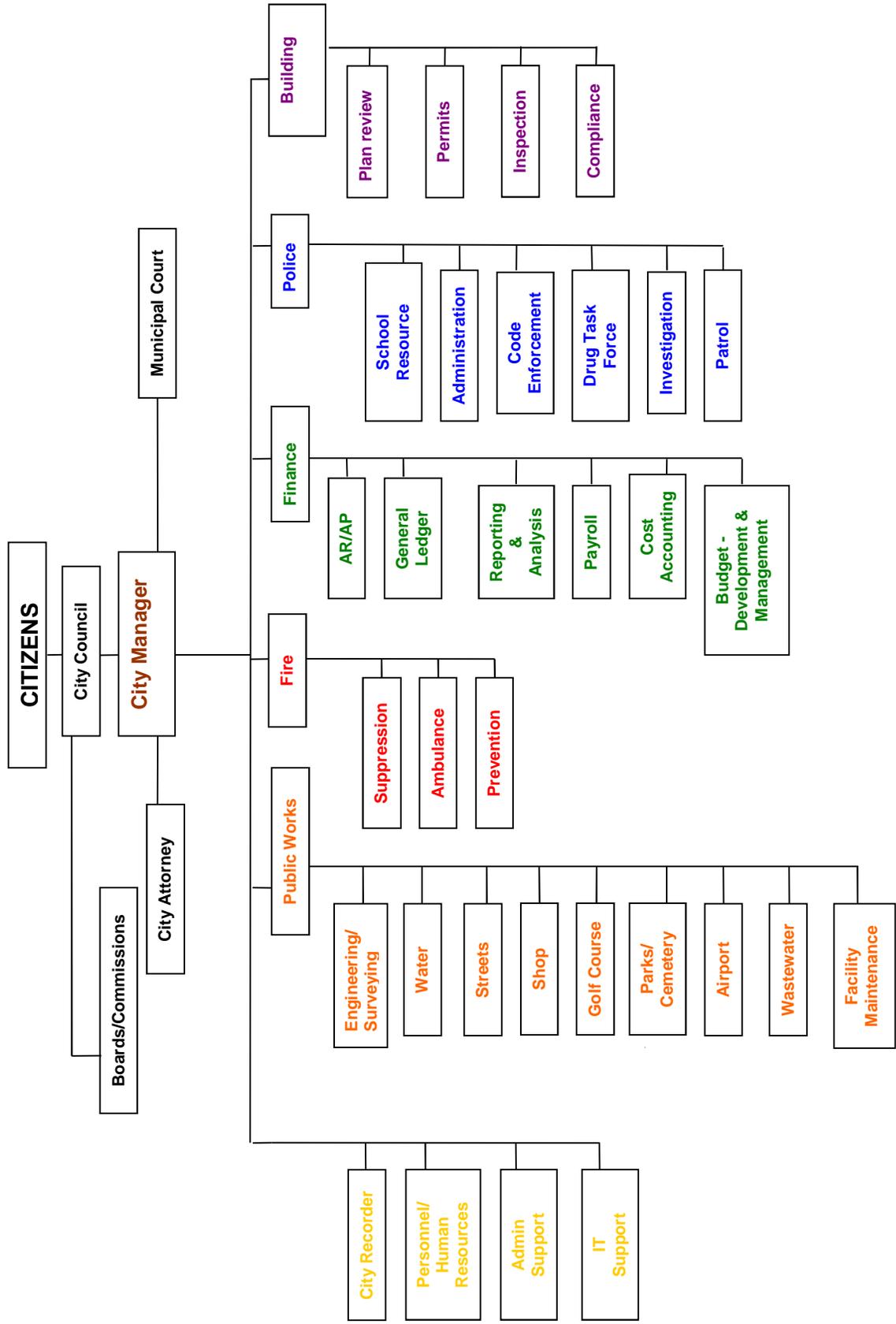
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Introductory Section

City of Baker City



**BAKER CITY
City Hall
1655 1st Street
Baker City, Oregon 97814**

ELECTED MAYOR AND CITY COUNCIL AT JUNE 30, 2014

	<u>Term Expiration</u>
<u>Mayor:</u>	
Richard Langrell 175 Campbell Street	December 31, 2016
<u>Council Members:</u>	
Kim Mosier 2304 Second Street	December 31, 2016
Mike Downing 923 Walnut Street	December 31, 2016
Barbara Johnson 2336 Second Street	December 31, 2014
Roger Coles 2526 Auburn Avenue	December 31, 2014
Dennis Dorrah 1116 Resort Street	December 31, 2014
Clair Button 3555 Indiana	December 31, 2014

APPOINTED CITY OFFICERS AS OF JUNE 30, 2014

City Manager:

Mike Kee

City Attorney:

Brent Smith

City Finance Director:

Jeanie Dexter

Municipal Judge:

Don Williams

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Financial Section



Randell C. Guyer, Jr.
Scott A. Martin
Megan R. Adams

Kent J. Bailey
Robert P. Seymour
Jacob J. Collier

David F. Lindley

Linda L. Cyr
Michael J. Rudi

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 City of Baker City, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–15 and 42–46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City, Oregon's basic financial statements. The introductory section on pages 1-2, combining and individual fund financial statements and budgetary comparison schedules on pages 48-63, and the summary of property tax transactions, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

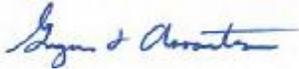
The combining and individual fund financial statements, budgetary comparison schedules, and summary of property tax transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary comparison schedules, and summary of property tax transactions are fairly stated in all material respects in relation to the basic financial statements 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.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 20, 2015, on our consideration of the City Baker City, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Guyer & Associates
Certified Public Accountants
A Professional Corporation
La Grande, Oregon
January 20, 2015

By



Robert P. Seymour, a Principal

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. 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 Position. The statement of net position presents information on all of the assets and liabilities of the City at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 16-17 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, 2014**

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 thirteen 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 18-21 of this report. Data from the other governmental funds are combined into a single, aggregated presentation on these statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 48-49.

Proprietary funds - the City maintains seven proprietary funds. Functions that are intended to recover all or a significant portion of their costs through user fees and charges are accounted for in proprietary funds. Proprietary funds are further designated as either enterprise funds or internal service funds.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds to account for its equipment maintenance and replacement, inventory and insurance reserve functions.

The basic proprietary fund financial statements can be found on pages 22-24 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 25-41 of this report.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 comparison schedules. These are presented for all funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Baker City, assets exceeded liabilities by \$50,665,002 at the close of the most recent fiscal year.

By far the largest portion of the City’s net position (85 percent) reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt that is still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is a summary of net position:

**City of Baker City
Summary of Net Position
June 30, 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>
ASSETS						
Current and Other Assets	\$ 5,274,205	\$ 6,415,249	\$ 3,480,110	\$ 4,015,046	\$ 8,754,315	\$ 10,430,295
Capital Assets	19,911,124	17,499,656	23,218,864	21,598,790	43,129,988	39,098,446
Total Assets	\$ 25,185,329	\$ 23,914,905	\$ 26,698,974	\$ 25,613,836	\$ 51,884,303	\$ 49,528,741
LIABILITIES						
Long-Term Liabilities	-	52,916	-	-	-	52,916
Other Liabilities	387,706	1,248,257	831,595	285,008	1,219,301	1,533,265
Total Liabilities	387,706	1,301,173	831,595	285,008	1,219,301	1,586,181
NET POSITION						
Invested in Capital Assets,						
Net of Related Debt	\$ 19,911,124	\$ 17,441,571	\$ 23,070,435	\$ 21,431,268	\$ 42,981,559	\$ 38,872,839
Restricted	1,553,409	1,548,253	-	-	1,553,409	1,548,253
Unrestricted	3,333,090	3,623,908	2,796,944	3,897,560	6,130,034	7,521,468
Total Net Position	\$ 24,797,623	\$ 22,613,732	\$ 25,867,379	\$ 25,328,828	\$ 50,665,002	\$ 47,942,560

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

An additional portion of the City's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,130,034) may be used to meet the City's ongoing obligations to citizens and creditors.

Net position for the City as a whole increased by \$2,722,442 during the fiscal year ended June 30, 2014. The following is an analysis of this increase.

**City of Baker City
Summary of Changes in Net Position
June 30, 2014**

	Governmental Activities		Business-type Activities		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
REVENUES						
Program Revenues						
Charges for Services	\$ 971,248	\$ 944,248	\$ 3,516,641	\$ 3,534,968	\$ 4,487,889	\$ 4,479,216
Operating Grants/Contrib.	784,735	690,468	-	-	784,735	690,468
Capital Grants/Contrib.	2,552,587	2,556,364	-	-	2,552,587	2,556,364
General Revenues:						
Property Taxes	2,966,779	2,941,713	-	-	2,966,779	2,941,713
Franchise Taxes	830,544	796,145	-	-	830,544	796,145
Investment Earnings	26,037	29,968	17,438	18,189	43,475	48,157
SAIF Refunds	22,940	25,960	-	-	22,940	25,960
Unrestricted Grants/Contrib.	244,493	233,802	-	-	244,493	233,802
Rental Income	28,478	26,294	6,783	6,782	35,261	33,076
Miscellaneous	37,223	317,030	99,815	44,218	137,038	361,248
Total Revenues	\$ 8,465,064	\$ 8,561,992	\$ 3,640,677	\$ 3,604,157	\$ 12,105,741	\$ 12,166,149
EXPENSES						
General Government	\$ 503,728	\$ 505,521	\$ -	\$ -	\$ 503,728	\$ 505,521
Public Safety	3,617,186	3,560,996	-	-	3,617,186	3,560,996
Transportation and Streets	1,370,051	1,239,251	-	-	1,370,051	1,239,251
Culture & Recreation	303,010	280,970	-	-	303,010	280,970
Economic Development	25,626	93,226	-	-	25,626	93,226
Cemetery	130,471	135,309	-	-	130,471	135,309
Airport	177,702	260,723	-	-	177,702	260,723
Hydro-Electric Plant	2,063	5,691	-	-	2,063	5,691
Interest on Long-Term Debt	6,255	4,253	-	-	6,255	4,253
Water	-	-	1,713,432	1,518,752	1,713,432	1,518,752
Wastewater	-	-	1,120,871	1,022,281	1,120,871	1,022,281
Golf Course	-	-	44,573	42,715	44,573	42,715
Building Department	-	-	271,728	292,219	271,728	292,219
Total Expenses	6,136,092	6,085,940	3,150,604	2,875,967	9,286,696	8,961,907
Operating Transfers	(48,478)	(27,422)	48,478	27,422	-	-
Extraordinary Item - Bequest	(96,603)	-	-	-	(96,603)	-
Change in Net Position	2,183,891	2,448,630	538,551	755,612	2,722,442	3,204,242
Net Position—Beginning of Year	22,613,732	20,165,102	25,328,828	24,573,216	47,942,560	44,738,318
Net Position—End of Year	\$ 24,797,623	\$ 22,613,732	\$ 25,867,379	\$ 25,328,828	\$ 50,665,002	\$ 47,942,560

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Analysis of Changes in Net Position

Governmental activities: Net position of the governmental activities increased by \$2,183,891. During 2013-14 the City received State of Oregon Joint Transportation Act funds of \$2,846,672 for the reconstruction of Resort Street. Also during that time the State of Oregon Solid Waste Orphan Account provided to the City services valued at \$80,928 for the venting of methane gas and monitoring of the City's old landfill site. The City returned real property with a remaining book value of \$96,603 to the heir of Anthony Silver's Estate after it was determined that it was not feasible to be used for a public purpose as required by Anthony Silver in his last will and testament.

Business-type activities: Net position of the business-type activities increased by \$538,551. The City collects revenue in excess of routine operational cost in order to set aside funds for capital improvements to the water and wastewater systems such as the U.V. project, the Mt. Line project and the wastewater effluent disposal project.

FUND ANALYSIS

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

Major Governmental Funds

General Fund: The ending fund balance of the General Fund increased from \$1,381,752 to \$1,458,870. The increase was mainly the result of additional revenue of \$126,000 of which \$39,000 was from an increase in property tax revenue, \$23,000 was from an unanticipated SAIF refund, \$45,000 was from an increase in charges for services, and \$34,000 was from an increase in franchise fees.

Street Fund: The ending fund balance of the Street Fund decreased from \$918,585 to \$651,546. This was mainly due to a transfer to the Resort Utility Underground Fund of \$239,759 and the cost of the overlay and construction of a new storm mainline at E Street of approximately \$330,000. The E Street project costs were offset in part by a transfer of \$44,855 from the Sidewalk Utility Fund.

LID Repayment Fund: The ending fund balance of the LID Repayment Fund increased from (\$323,601) to (\$238,100) due to repayments on the LID for the undergrounding of utilities on Resort Street and other LID repayments.

State and Federal Grants Fund: The ending fund balance of the State and Federal Grants Fund increased from (\$406,753) to \$55,113. This was due to a Jobs and Transportation Act grant reimbursement of \$459,415 that was received after the 2012-13 year end.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Enterprise Funds

Water Fund: The ending fund balance of the Water Fund increased from \$17,766,068 to \$18,172,392. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the U.V. debt repayment and Mountain Line projects.

Wastewater Fund: The ending fund balance of the Wastewater Fund increased from \$5,743,247 to \$5,935,400. 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 \$1,069,134 to \$1,073,073. Principal on the interfund loan from the Mt. Hope Trust Fund is not an expenditure on a GAAP basis.

Building Inspections Fund: The ending fund balance of the Building Inspections Fund decreased from \$135,167 to \$127,946. The City had accumulated a reserve to cover unanticipated changes and the potential decline in building permit sales due to the economy. The City began using those reserves during the year ended June 30, 2009 and continues to use them with the continued decline in the housing economy.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the 2013-14 original budget as adopted and the final budget are as follows:

- The City's Water Fund incurred \$200,000 of additional unanticipated costs to acquire and install the City's temporary U.V. treatment facility which became necessary after a cryptosporidium outbreak in the City's water in July 2013.
- The General Fund received an unanticipated Ford Family Foundation grant of \$4,000 for the City's strategic plan.
- The State and Federal Grants Fund received \$218,307 of additional unanticipated grant funds from the Oregon Department of Transportation for the Resort Street Project due to the discovery of underground fuel tanks and adverse weather conditions in May and June 2013.
- The General Fund received an unanticipated \$11,893 Recreational Trails Grant to create access to the Powder River for recreational users.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

- The Golf Course Operation Fund required an additional transfer of \$4,500 from the General Fund after the lease agreement between the City and Seven Iron, LLC was terminated early and the \$4,500 lease payment included in the 2013-14 budget was not received.
- The Water Fund required additional appropriations of \$750,000 to begin immediate construction of a U.V. treatment facility due to the public calamity created by a cryptosporidium outbreak in the City's drinking water.
- The Samo Swim Center Maintenance Fund incurred unanticipated labor costs of \$6,500 due to the replacement of the domestic hot water system and repairs to the sand filters and showers.
- The Golf Course Operation Fund required an additional transfer of \$2,500 from the General Fund after unanticipated mainline repairs to the irrigation system were required.
- The Water Fund incurred approximately \$50,000 in additional water testing costs due to new testing requirements by the Oregon Health Authority following the City's cryptosporidium outbreak in its drinking water.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Significant differences between the 2013-14 final amended budget and the 2013-14 actual expenditures in the General Fund are as follows:

The City's final amended General Fund budget for the fiscal year ended 2013-14 included a contingency of \$62,000 and an unappropriated ending fund balance of \$877,392, for a total of \$939,392. The actual balance carried forward to 2014-15 is \$1,495,126. The difference of \$555,734 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
REVENUE				
Property Tax Revenue	\$ 2,301,463	\$ 2,354,845	\$ 53,382	Received more prior year property taxes than anticipated.
Franchise Taxes	794,612	830,544	35,932	Received more OTEC and Cascade Natural Gas franchise taxes than anticipated.
Charges for Services	758,700	818,125	59,425	Received more ambulance revenue due to higher call volume and more collections than anticipated.
SAIF Refund	-	22,940	22,940	Received an unanticipated SAIF refund.
Other Revenue	867,653	821,277	<u>(46,376)</u>	\$42,000 reduction in HBC licenses and assessments due to the expiration of the Ordinance without renewal. Less overhead charges to other funds due to the reduction of the overhead rate charged for Resort Street which was offset in part by more intergovernmental revenue and more fines and forfeitures collected than anticipated.
Total Revenue Increase			\$ 125,303	
EXPENDITURES				
Personnel Services	3,540,081	3,432,057	108,024	Savings in the Admin Department of \$3,351, Police Dept \$88,321 and Fire Department \$10,760. Minor savings in Public Works labor in the General Fund.
Materials and Services	1,247,240	1,118,924	128,316	HBC payment savings of \$40,000 due to expiration of Ordinance to collect licenses and assessments. Fuel prices and insurance costs were lower than anticipated and other cost savings.
Capital Outlay	63,500	62,122	1,378	Minor differences in capital outlay budget versus actual costs.
Debt Service	61,256	60,318	<u>938</u>	Difference between estimated interest on debt payoff and actual.
Total Expenditure Savings			\$ 238,656	
Operating Transfer In	5,200	3,786	(1,414)	Received less Cemetery interest due to interest rate decline.
Interfund Loan Transfer In	36,256	36,256	-	Interfund loan was made as budgeted.
Operating Transfer Out	100,378	100,378	-	Transfers were made as budgeted.
Beginning Fund Balance	1,188,563	1,381,752	<u>193,189</u>	Additional carryover from budgeted amount.
Difference Budget & Actual			\$ 555,734	

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year ended June 30, 2014 is summarized on pages 36-37 in the notes to the financial statements. The following is a summary of the assets purchased, constructed or received through contributions during the fiscal year ended June 30, 2014:

Resort Street Reconstruction	\$ 2,387,257
Resort Street Undergrounding Utilities	342,294
Geiser Pollman Park Improvements	164,259
Powder River Recreational Access	14,117
Sam-O-Swim Domestic Hot Water	26,726
Stormwater Facility Plan (Additional Costs)	1,087
E Street Stormwater	8,667
E Street Overlay	322,559
Whitney Guardrail	7,507
GIS/CAD Mapping	14,890
Durapatcher	71,951
Strategic Plan	5,000
City Hall Heating Systems	23,620
Ambulance (Carryover Costs)	1,204
Police Vehicle	29,760
Ford Explorer	23,489
Ford Explorer	23,489
Golf Course Loader with Backhoe	7,000
Golf Course HMI Pump Monitoring System	6,086
Elk Creek Settling Building	10,063
Reservoir Panel and Furnace	7,239
Water System Enhancements	82,788
Mountain Line NEPA Study	52,248
U.V. Treatment Facility (In Process)	1,573,693
Temporary U.V. Treatment Facility	211,338
Shop Water Meter and Enclosure	12,029
Leo Adler Baseball Field Service Line	5,806
Indiana Waterline Extension	8,279
Place Street Grid Enhancement	39,942
Wastewater Pipe Curing	124,560
Wastewater System Enhancements	54,942
Wastewater Extension Indiana Avenue	47,229
Total	<u><u>\$ 5,711,118</u></u>

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

There was no new long-term debt issued during the fiscal year ended June 30, 2014. The City entered into a financing contract to finance \$2,000,000 of the U.V. water treatment project. As of June 30, 2014, no capital expenditures had been funded by the Oregon Infrastructure Finance Authority (IFA). Of this amount \$250,000 will be forgiven if certain loan requirements are met by the City.

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 \$115,960 in 2013-14 to \$118,487 in 2014-15.
- Baker City Employees Association, police and fire contracts have been negotiated for a three year period which ends December 31, 2016 (Police and Fire) and June 30, 2016 (BCEA). Increases for non-represented staff have not been set for future years. 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>
2014-2015				
Salary Increase	1.5%	1.5%	1%	TBD
2015-2016				
Salary Increase	1.5%	1.5% + 0.5% 1/2016	1% + 0.5% 1/2016	TBD

- The PERS rate changes are listed in the table below.

	<u>Tier 1 & Tier 2</u>	<u>OPSRP General Service</u>	<u>OPSRP Police & Fire</u>
Rates for July 1, 2013 to June 30, 2015	16.16%	10.74%	13.47%
Rates for July 1, 2015 to June 30, 2017	18.00%	10.69%	14.80%

- 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, 2014**

- The City has raised water rates annually in order to complete repairs on the City's water system and implement UV treatment for State compliance.
- Effective July 1, 2014 the City raised wastewater rates to \$18.64 (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.

Basic Financial Statement

BAKER CITY
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 3,947,240	\$ 2,874,070	\$ 6,821,310
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	273,931	142,538	416,469
Interest Receivable	63	-	63
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	254,932	-	254,932
Intergovernmental Receivable	167,028	75	167,103
Note Receivable	2,718	-	2,718
Contracts and Special Assessments Receivable	523,234	46,941	570,175
Internal Balances	(416,486)	416,486	-
Inventories	272,204	-	272,204
Capital Assets (Net of Accumulated Depreciation):			
Land	2,113,878	1,342,160	3,456,038
Construction in Process	-	2,031,079	2,031,079
Buildings	1,993,530	225,304	2,218,834
Improvements Other than Buildings	12,367	95,198	107,565
Machinery and Equipment	1,376,033	91,906	1,467,939
Infrastructure	14,415,316	19,433,217	33,848,533
Other Assets	249,341	-	249,341
Total Assets	<u>\$ 25,185,329</u>	<u>\$ 26,698,974</u>	<u>\$ 51,884,303</u>
LIABILITIES:			
Accounts Payable	\$ 84,575	\$ 658,924	\$ 743,499
Accrued Payroll Taxes and Benefits Payable	105,235	43,651	148,886
Other Payables	5	-	5
Customer Deposits	1,000	29,920	30,920
Compensated Absences Payable	196,891	99,100	295,991
Total Liabilities	<u>387,706</u>	<u>831,595</u>	<u>1,219,301</u>
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	19,911,124	23,070,435	42,981,559
Restricted for:			
Cemetery Care	759,212	-	759,212
2089 Celebration	2,918	-	2,918
Street Trees	8,024	-	8,024
Airport	853	-	853
Car Seats	2,110	-	2,110
Nonexpendable	780,292	-	780,292
Unrestricted	3,333,090	2,796,944	6,130,034
Total Net Position	<u>\$ 24,797,623</u>	<u>\$ 25,867,379</u>	<u>\$ 50,665,002</u>

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

BAKER CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 503,728	\$ 55,695	\$ 82,947	\$ 4,000	\$ (361,086)	\$ -	\$ (361,086)
Public Safety	3,617,186	699,916	20,788	14,297	(2,882,185)	-	(2,882,185)
Highways and Streets	1,370,051	67,352	680,826	2,383,619	1,761,746	-	1,761,746
Culture and Recreation	303,010	123	174	149,671	(153,042)	-	(153,042)
Airport	177,702	5,556	-	-	(172,146)	-	(172,146)
Cemetery	130,471	79,455	-	1,000	(50,016)	-	(50,016)
Hydro-electric Plant	2,063	63,151	-	-	61,088	-	61,088
Economic and Community Development	25,626	-	-	-	(25,626)	-	(25,626)
Interest on Long Term Debt	6,255	-	-	-	(6,255)	-	(6,255)
Total Governmental Activities	6,136,092	971,248	784,735	2,552,587	(1,827,522)	-	(1,827,522)
Business-type Activities:							
Water Utility	1,713,432	2,070,028	-	-	-	356,596	356,596
Wastewater Utility	1,120,871	1,183,272	-	-	-	62,401	62,401
Golf Operation	44,573	-	-	-	-	(44,573)	(44,573)
Building Inspection	271,728	263,341	-	-	-	(8,387)	(8,387)
Total Business-type Activities	3,150,604	3,516,641	-	-	-	366,037	366,037
Total Government	\$ 9,286,696	\$ 4,487,889	\$ 784,735	\$ 2,552,587	(1,827,522)	366,037	(1,461,485)
General Revenues:							
Property Taxes					2,966,779	-	2,966,779
Franchise Taxes					830,544	-	830,544
Grants and Contributions Not Restricted to a Particular Program					244,493	-	244,493
Rental Income					28,478	6,783	35,261
Interest on Investments					26,037	17,438	43,475
SAIF Refund					22,940	-	22,940
Miscellaneous					37,223	99,815	137,038
Transfers:							
Operating					(48,478)	48,478	-
Extraordinary Item:							
Return of Real Property Bequest from the Estate of Anthony Silvers					(96,603)	-	(96,603)
Total General Revenues, Transfers and Extraordinary Items					4,011,413	172,514	4,183,927
Change in Net Position					2,183,891	538,551	2,722,442
Net Position July 1, 2013					22,613,732	25,328,828	47,942,560
Net Position June 30, 2014					\$ 24,797,623	\$ 25,867,379	\$ 50,665,002

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

**BAKER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<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>
Assets:						
Cash and Cash Equivalents	\$ 1,521,878	\$ 620,638	\$ 83,721	\$ -	\$ 1,255,979	\$ 3,482,216
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	251,071	3,199	10,995	5,925	2,565	273,755
Interest Receivable	-	-	63	-	-	63
Taxes Receivable	201,116	47,087	-	-	6,729	254,932
Contracts and Special Assessments Receivable	-	-	301,380	221,854	-	523,234
Note Receivable	-	-	-	-	2,718	2,718
Due From Other Funds	27,316	-	-	-	75,285	102,601
Advances to Other Funds	-	-	-	-	363,524	363,524
Intergovernmental Receivable	38,484	44,434	-	84,110	-	167,028
Other Assets	248,453	-	-	-	888	249,341
Total Assets	<u>\$ 2,288,318</u>	<u>\$ 715,358</u>	<u>\$ 396,159</u>	<u>\$ 311,889</u>	<u>\$ 1,707,688</u>	<u>\$ 5,419,412</u>
Liabilities:						
Accounts Payable	\$ 57,590	\$ 5,770	\$ -	\$ 1,722	\$ 2,430	\$ 67,512
Customer Deposit	1,000	-	-	-	-	1,000
Wages, Payroll Taxes and Benefits Payable	86,606	10,734	-	359	311	98,010
Other Payables	5	-	-	-	-	5
Due to Other Funds	36,256	-	70,599	27,316	-	134,171
Advances from Other Funds	-	-	251,221	-	-	251,221
Total Liabilities	<u>181,457</u>	<u>16,504</u>	<u>321,820</u>	<u>29,397</u>	<u>2,741</u>	<u>551,919</u>
Deferred Inflows:						
Deferred Revenue	647,991	47,308	312,439	227,379	11,586	1,246,703
Fund Balance (Deficit):						
Nonspendable	248,453	-	-	-	781,180	1,029,633
Restricted for 2089 Celebration	-	-	-	-	2,918	2,918
Restricted for Cemetery Care	-	-	-	-	254,061	254,061
Restricted for Street Trees	-	-	-	-	7,955	7,955
Restricted for Car Seat Program	-	-	-	2,110	-	2,110
Committed for Cemetery Care	-	-	-	-	505,151	505,151
Committed for Sidewalks	-	-	-	-	75,373	75,373
Committed for Street Trees	-	-	-	-	69	69
Assigned for Big Deal Grants	-	-	-	5,000	-	5,000
Assigned for Interfund Loan Payment	-	-	-	-	13,597	13,597
Assigned for Wellness	-	-	-	1,710	-	1,710
Assigned for Public Safety	-	-	-	21,887	-	21,887
Assigned for Airport	-	-	-	853	-	853
Assigned for Skate Park	-	-	-	4,158	-	4,158
Assigned for Fire Equipment	-	-	-	-	23,610	23,610
Assigned for Samo Swim Maintenance	-	-	-	-	29,447	29,447
Assigned for Parks	-	-	-	1,340	-	1,340
Assigned for Trees	-	-	-	3,871	-	3,871
Assigned for Streets	-	651,546	-	-	-	651,546
Unassigned	1,210,417	-	(238,100)	14,184	-	986,501
Total Fund Balance (Deficit)	<u>1,458,870</u>	<u>651,546</u>	<u>(238,100)</u>	<u>55,113</u>	<u>1,693,361</u>	<u>3,620,790</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 2,288,318</u>	<u>\$ 715,358</u>	<u>\$ 396,159</u>	<u>\$ 311,889</u>	<u>\$ 1,707,688</u>	<u>\$ 5,419,412</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 POSITION
JUNE 30, 2014

Fund Balances of Governmental Funds		\$ 3,620,790
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The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.		1,246,704
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Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.		19,347,995
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All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.		
- Compensated absences payable		(194,372)

Internal service funds are proprietary-type funds and are not reported with the governmental funds. However, because internal service funds are expected to benefit primarily governmental activities, their assets, liabilities, and net position are reported along with governmental activities in the Statement of Net Position.		
- Current assets and interfund receivable	\$ 805,100	
- Capital assets - net	563,128	
- Current liabilities and interfund payable	(30,635)	
- Compensated absences payable	(2,519)	
Subtotal		1,335,074

That portion of internal service fund net position arising from transactions with enterprise-type funds are included in internal balances between governmental activities and business-type activities on the Statement of Net Position.		(558,568)
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Net Position of Governmental Activities		\$ 24,797,623
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The notes to the financial statements are an integral part of this statement.

BAKER CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<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	\$ 2,354,845	\$ 551,357	\$ -	\$ -	\$ 78,736	\$ 2,984,938
Franchise	830,544	-	-	-	-	830,544
Licenses and Permits	10,693	-	-	-	-	10,693
Intergovernmental	270,839	680,135	-	2,934,420	14,197	3,899,591
Charges for Services	818,125	11,411	-	768	55,941	886,245
Fines and Forfeitures	37,608	-	-	-	-	37,608
Rental Income	28,478	-	-	-	-	28,478
Interest and Dividends	7,469	2,760	1,761	255	10,948	23,193
SAIF Refund	22,940	-	-	-	-	22,940
Miscellaneous	41,337	1,135	94,020	50,196	169	186,857
Bequest	-	-	-	-	3,451	3,451
Total Revenue	<u>4,422,878</u>	<u>1,246,798</u>	<u>95,781</u>	<u>2,985,639</u>	<u>163,442</u>	<u>8,914,538</u>
Expenditures:						
Current:						
General Government	380,702	-	258	38	-	380,998
Public Safety	3,449,243	-	-	6,718	16,756	3,472,717
Highways and Streets	-	902,199	-	-	-	902,199
Sidewalks	-	-	-	-	27,067	27,067
Parks and Recreation	83,632	-	-	613	103,321	187,566
Airport	56,003	-	-	-	-	56,003
Cemetery	128,950	-	-	-	-	128,950
Hydro-electric Plant	2,063	-	-	-	-	2,063
Economic and Community Development	13,956	-	-	2,388	5,234	21,578
Debt Service:						
Principal	58,085	-	-	-	-	58,085
Interest	2,233	-	4,022	-	-	6,255
Capital Outlay:						
General Government	23,620	-	-	-	-	23,620
Public Safety	30,964	-	-	-	-	30,964
Parks and Recreation	14,117	-	-	149,259	26,726	190,102
Highways and Streets	-	416,734	-	2,387,257	-	2,803,991
Sidewalks	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-
Hydro-electric Plant	-	-	-	-	-	-
Economic and Community Development	5,000	-	-	-	342,294	347,294
Airport	-	-	-	-	-	-
Total Expenditures:	<u>4,248,568</u>	<u>1,318,933</u>	<u>4,280</u>	<u>2,546,273</u>	<u>521,398</u>	<u>8,639,452</u>
Excess (Deficit) of Revenues Over Expenditures	<u>174,310</u>	<u>(72,135)</u>	<u>91,501</u>	<u>439,366</u>	<u>(357,956)</u>	<u>275,086</u>
Other Financing Sources (Uses):						
Transfers In	3,786	44,855	-	32,500	275,759	356,900
Transfers Out	(100,978)	(239,759)	(6,000)	(10,000)	(48,641)	(405,378)
Total Other Financing Sources (Uses)	<u>(97,192)</u>	<u>(194,904)</u>	<u>(6,000)</u>	<u>22,500</u>	<u>227,118</u>	<u>(48,478)</u>
Net Change in Fund Balance	77,118	(267,039)	85,501	461,866	(130,838)	226,608
Fund Balance (Deficit), July 1, 2013	<u>1,381,752</u>	<u>918,585</u>	<u>(323,601)</u>	<u>(406,753)</u>	<u>1,824,199</u>	<u>3,394,182</u>
Fund Balance (Deficit), June 30, 2014	<u>\$ 1,458,870</u>	<u>\$ 651,546</u>	<u>\$ (238,100)</u>	<u>\$ 55,113</u>	<u>\$ 1,693,361</u>	<u>\$ 3,620,790</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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	226,608
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.		(546,084)
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.		2,539,039
The value of donated services is reported as revenue and as expenditures in the Statement of Activities but is not reported in the governmental funds..		
- State of Oregon Solid Waste Orphan Fund grant		80,928
- Old landfill site testing, venting and monitoring of methane gas		(80,928)
The return of capital assets to the Estate of Anthony Silvers previously bequeathed to the City is not reported in the fund financial statements as it does not affect current resources. However, the resulting decrease in net position is reported in the Statement of Activities.		(96,603)
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 position is reported in the Statement of Activities.		15,000
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 Position.		
- Change in compensated absences payable	\$	34,662
- Repayment of long term debt		58,085
Subtotal		92,747
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.		(103,460)
The portion of the change in net position 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 Position.		56,644
Change in Net Position of Governmental Activities	\$	2,183,891

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

BAKER CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Golf Course Operation	Building Inspections	Totals	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 1,580,209	\$ 1,146,405	\$ 535	\$ 146,921	\$ 2,874,070	\$ 465,024
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	89,906	52,564	-	68	142,538	176
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	75	75	-
Due From Other Funds	6,347	-	-	-	6,347	50,767
Inventories	-	-	-	-	-	272,204
Total Current Assets	1,676,462	1,202,446	535	147,064	3,026,507	788,171
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	16,929
Special Assessments Receivable	-	43,464	-	-	43,464	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	1,965,598	65,481	-	-	2,031,079	-
Buildings	269,522	35,037	106,146	-	410,705	39,524
Improvements other than Buildings	-	-	346,687	-	346,687	-
Infrastructure	21,290,832	8,739,093	-	-	30,029,925	-
Machinery, Equipment, and Vehicles	199,274	468,632	15,322	19,913	703,141	2,548,705
Less: Accumulated Depreciation	(6,675,349)	(4,657,047)	(300,840)	(11,597)	(11,644,833)	(2,025,101)
Net Capital Assets	17,230,135	4,754,994	1,225,419	8,316	23,218,864	563,128
Total Noncurrent Assets	17,230,135	4,798,458	1,225,419	8,316	23,262,328	580,057
Total Assets	\$ 18,906,597	\$ 6,000,904	\$ 1,225,954	\$ 155,380	\$ 26,288,835	\$ 1,368,228
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 620,557	\$ 17,291	\$ 4,295	\$ 16,781	\$ 658,924	\$ 17,063
Customer Deposits	29,920	-	-	-	29,920	-
Due to Other Funds	-	-	19,197	-	19,197	6,347
Accrued Payroll Taxes and Benefits Payable	25,884	13,518	157	4,092	43,651	7,225
Compensated Absences Payable	57,844	34,695	-	6,561	99,100	2,519
Total Current Liabilities	734,205	65,504	23,649	27,434	850,792	33,154
Long-Term Liabilities:						
Advances From Other Funds	-	-	129,232	-	129,232	-
Total Long-Term Liabilities	-	-	129,232	-	129,232	-
Total Liabilities	734,205	65,504	152,881	27,434	980,024	33,154
Net Position:						
Invested in Capital Assets, Net of Related Debt	17,230,135	4,754,994	1,076,990	8,316	23,070,435	563,128
Unrestricted	942,257	1,180,406	(3,917)	119,630	2,238,376	771,946
Total Net Position	\$ 18,172,392	\$ 5,935,400	\$ 1,073,073	\$ 127,946	25,308,811	\$ 1,335,074
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Position of Business-type Activities					558,568	
Net Position of Business-Type Activities					\$ 25,867,379	

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

BAKER CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
Operating Revenue:						
Charges for Sales and Services	\$ 2,070,028	\$ 1,183,272	\$ -	\$ 263,341	\$ 3,516,641	\$ 538,423
Miscellaneous	6,080	93,426	33	276	99,815	18,851
Total Operating Revenue	<u>2,076,108</u>	<u>1,276,698</u>	<u>33</u>	<u>263,617</u>	<u>3,616,456</u>	<u>557,274</u>
Operating Expenses:						
Cost of Sales and Services	1,290,375	880,946	-	269,554	2,440,875	563,632
Depreciation	393,194	213,326	-	1,992	608,512	97,715
Total Operating Expenses	<u>1,683,569</u>	<u>1,094,272</u>	<u>-</u>	<u>271,546</u>	<u>3,049,387</u>	<u>661,347</u>
Operating Income (Loss)	<u>392,539</u>	<u>182,426</u>	<u>33</u>	<u>(7,929)</u>	<u>567,069</u>	<u>(104,073)</u>
Nonoperating Revenue (Expense):						
Investment Earnings	10,785	5,945	-	708	17,438	2,844
Rental Income	3,000	3,782	1	-	6,783	-
Loss on Junked Equipment	-	-	-	-	-	(2,231)
Depreciation and Expenses - Rental Property	-	-	(43,666)	-	(43,666)	-
Interest Expense	-	-	(907)	-	(907)	-
Total Nonoperating Revenue (Expense)	<u>13,785</u>	<u>9,727</u>	<u>(44,572)</u>	<u>708</u>	<u>(20,352)</u>	<u>613</u>
Income Before Transfers	<u>406,324</u>	<u>192,153</u>	<u>(44,539)</u>	<u>(7,221)</u>	<u>546,717</u>	<u>(103,460)</u>
Other Financing Sources:						
Transfers In	-	-	48,478	-	48,478	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>48,478</u>	<u>-</u>	<u>48,478</u>	<u>-</u>
Change in Net Position	406,324	192,153	3,939	(7,221)	595,195	(103,460)
Net Position, July 1, 2013	<u>17,766,068</u>	<u>5,743,247</u>	<u>1,069,134</u>	<u>135,167</u>	<u>1,438,534</u>	<u>1,438,534</u>
Net Position, June 30, 2014	<u>\$ 18,172,392</u>	<u>\$ 5,935,400</u>	<u>\$ 1,073,073</u>	<u>\$ 127,946</u>	<u>\$ 1,335,074</u>	<u>\$ 1,335,074</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(56,644)	
Change in Net Position of Business-Type Activities					<u>\$ 538,551</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities-- Internal Service Funds
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
Cash From Operating Activities:						
Receipts from Customers and Users	\$ 2,095,089	\$ 1,192,949	\$ 7,500	\$ 263,525	\$ 3,559,063	\$ 2,773
Receipts from Interfund Services Provided	-	-	-	-	-	536,138
Other Receipts	6,080	93,426	33	276	99,815	19,660
Payments to Suppliers	(273,552)	(176,637)	-	(86,565)	(536,754)	(366,388)
Payments to Employees	(759,355)	(488,406)	-	(159,440)	(1,407,201)	(193,085)
Payments for Interfund Services Used	(279,094)	(209,068)	-	(20,658)	(508,820)	(40)
Net Cash Provided (Used) by Operating Activities	<u>789,168</u>	<u>412,264</u>	<u>7,533</u>	<u>(2,862)</u>	<u>1,206,103</u>	<u>(942)</u>
Cash Flows From Non Capital Financing Activities:						
Advances from (to) Other Funds	(6,347)	-	48,478	-	42,131	(29,909)
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	5,766	-	(5,766)	-	-	14,478
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(581)</u>	<u>3,477</u>	<u>42,712</u>	<u>-</u>	<u>45,608</u>	<u>(15,431)</u>
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	-	-	-	-	-	-
Purchases of Capital Assets	-	-	(6,086)	-	(6,086)	(53,978)
Acquisition/Construction of Capital Assets	(1,454,414)	(231,565)	-	-	(1,685,979)	-
Principal Paid on Interfund Debt	-	-	(19,093)	-	(19,093)	-
Interest Paid on Interfund Debt	-	-	(907)	-	(907)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(1,454,414)</u>	<u>(231,565)</u>	<u>(26,086)</u>	<u>-</u>	<u>(1,712,065)</u>	<u>(53,978)</u>
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	1	-	6,783	-
Receipts from Loan Collections	-	-	-	-	-	-
Expenses Rental Property	-	-	(23,625)	-	(23,625)	-
Interest on Investments	10,785	5,945	-	708	17,438	2,844
Net Cash Provided (Used) by Investing Activities	<u>13,785</u>	<u>9,727</u>	<u>(23,624)</u>	<u>708</u>	<u>596</u>	<u>2,844</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(652,042)	193,903	535	(2,154)	(459,758)	(67,507)
Cash and Cash Equivalents, July 1, 2013	2,232,251	952,502	-	149,075	3,333,828	532,531
Cash and Cash Equivalents, June 30, 2014	<u>\$ 1,580,209</u>	<u>\$ 1,146,405</u>	<u>\$ 535</u>	<u>\$ 146,921</u>	<u>\$ 2,874,070</u>	<u>\$ 465,024</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 392,539	\$ 182,426	\$ 33	\$ (7,929)	\$ 567,069	\$ (104,073)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	393,194	213,326	-	1,992	608,512	97,715
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	23,136	9,677	7,500	184	40,497	1,297
(Increase) Decrease in Inventories	-	-	-	-	-	12,516
Increase (Decrease) in Customer Deposits	1,925	-	-	-	1,925	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	(2,920)	9,042	-	4,364	10,486	(1,353)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	(13,402)	(6,841)	-	(2,360)	(22,603)	(1,124)
Increase (Decrease) in Compensated Absences Payable	(5,304)	4,634	-	887	217	(5,920)
Total Adjustments	<u>396,629</u>	<u>229,838</u>	<u>7,500</u>	<u>5,067</u>	<u>639,034</u>	<u>103,131</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 789,168</u>	<u>\$ 412,264</u>	<u>\$ 7,533</u>	<u>\$ (2,862)</u>	<u>\$ 1,206,103</u>	<u>\$ (942)</u>

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

*Increase (Decrease) in Accounts Payable Related to the Acquisition/Construction of Capital Assets is as follows - Water Fund \$553,974 and Wastewater Fund \$131.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all activities of 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 position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 two months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds.

Property taxes, franchise taxes, intergovernmental revenues, licenses, grants, airport fuel taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's Water service and distribution facilities.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Additionally, the City reports the following fund types:

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

The capital projects funds account for the accumulation of money for major fire equipment purchases and for moving utilities on Resort Street underground.

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

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

The City has applied Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies certain FASB and AICPA Pronouncements into GASB authoritative literature.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater Utility, and the Building Inspections funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For example, the revenue and expenses associated with the lease of the City's 18 hole golf course with Seven Iron LLC (effective until December 31, 2013) are non-operating revenue and expenses.

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

Cash, Cash Equivalents and Investments

The City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the City consisted of the State Treasurer's Investment Pool (LGIP) and a twelve month certificate of deposit. The City's investments are stated at cost which approximates fair value.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash, Cash Equivalents and Investments (Continued)

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

Receivables and Payables

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

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

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

Inventories

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position 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, 2014.

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 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.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations (Continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Government-Wide Statements

Equity is classified as net position and displayed in the following four components:

- § *Invested in capital assets, net of related debt* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- § *Restricted net position* – Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- § *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- § *Nonexpendable* – Includes permanent endowments and permanent fund principal amounts and is required to be retained in perpetuity.

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

Fund Financial Statements

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

- § *Nonspendable* – amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact (such as the corpus of an endowment fund).
- § *Restricted* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

§ *Committed* – amounts constrained to specific purposes by the City itself at the highest level of decision making authority. This generally occurs by the adoption of an ordinance by the City Council.

§ *Assigned* – amounts the City intends to use for a specific purpose. Assignment can be made by the designation of revenue sources to a particular fund, such as franchise fees designated to be received by the Street Fund, by informal motion of the City Council or by decision of management.

§ *Unassigned* – amounts that are available for any purpose.

When more than one class of net equity is available it is the City's policy to first expend the net equity from the class with the highest level of restriction. Restricted fund balance is comprised of the following:

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

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

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

The will of Anthony Silvers bequeathed a sum of money to the City and provided that the principal thereof be perpetually maintained in an account designated as the Anthony Silvers Street Tree Trust Fund and that the income thereof be used solely for the purpose of the planting and/or replanting of street trees within the City of Baker City.

Amounts restricted for airport, car seats and underground utilities were restricted by their providers.

Use of Estimates

The preparation of the City's general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

The budget is prepared by fund and program unit. The government's department heads may make transfers of appropriations within a program unit. Transfers of appropriations between program units require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the program unit, and where there is no clearly defined program unit legal budgetary control is by fund and appropriation category. The Council made several transfers of budgetary appropriations throughout the year.

Deficit Fund Equity

The LID Repayment Fund had a deficit fund balance of \$238,100 as of June 30, 2014. 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.

The Golf Course Operations Fund had a deficit fund balance of \$3,918 as of June 30, 2014 for purposes of compliance with Oregon Local Budget Law.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At June 30, 2014, the City's carrying amount of deposits was \$232,665 and the bank balance was \$397,824. In addition, the City had \$109,718 of cash on hand. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no formal investment policy but does follow the requirements of Chapter 295 of the Oregon Revised Statutes (ORS) for managing custodial credit risk. Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

depositories in excess of FDIC insured amounts. ORS Chapter 295 requires depository banks to deposit with a third party bank custodian securities having a value of 10%, 25% or 110% of public funds on deposit in excess of FDIC insurance limits depending on the capitalization level of the depository bank. This collateral is to be in the name of the Oregon State Treasurer (Treasurer). Should a bank holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City's banks participate in this program, however, since the collateral is not held in the City's name, deposits in excess of FDIC insurance are still considered to be exposed to custodial credit risk. As of June 30, 2014 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 397,824
Uninsured and uncollateralized	-
Total	\$ 397,824

At June 30, 2014 the City had an investment of \$6,478,927 in the Oregon Short Term Fund (OSTF), an external investment pool administered by the Oregon State Treasurer. The OSTF is regulated under the statutes of the State of Oregon (ORS 294.805-294.895). The OSTF invests in US Agency Securities, Corporate Bonds, Commercial Paper and Certificates of Deposit. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

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	\$ -	\$ -	\$ 63	\$ -	\$ -	\$ 63
Property Taxes	201,116	47,087	-	-	6,729	254,932
Franchise Taxes	31,915	-	-	-	-	31,915
Trade Accounts	388,533	3,199	10,995	5,925	2,565	411,217
Special Assessments	-	-	-	221,854	-	221,854
LID Receivables	-	-	301,380	-	-	301,380
Intergovernmental	38,484	44,434	-	84,110	-	167,028
Gross Receivables	660,048	94,720	312,438	311,889	9,294	1,388,389
Less: Allowance for Uncollectibles	(169,377)	-	-	-	-	(169,377)
Total Receivables	\$ 490,671	\$ 94,720	\$ 312,438	\$ 311,889	\$ 9,294	\$ 1,219,012

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

Internal Service Funds have trade account receivables at year end of \$177 which are included with governmental activities in the Statement of Net Position.

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	\$ 99,205	\$ 57,394	\$ 68	\$ -	\$ 156,667
Special Assessments	-	46,941	-	-	46,941
Intergovernmental	-	-	75	-	75
Gross Receivables	99,205	104,335	143	-	203,683
Less: Allowance for Uncollectibles	(9,299)	(4,830)	-	-	(14,129)
Total Receivables	\$ 89,906	\$ 99,505	\$ 143	\$ -	\$ 189,554

In April 2012 the City received from the Estate of Anthony Silvers a promissory note for \$9,619 with Daniel Burton with interest at 8%. As of June 30, 2014 the note is scheduled to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014-2015	\$ 2,718	\$ 101	\$ 2,819
Total	\$ 2,718	\$ 101	\$ 2,819

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	\$ 233,423
Delinquent Property Taxes Receivable	238,812
Special Assessments Not Due	221,854
Local Improvement District Receivables Not Due	301,380
Interest Receivable	63
Note Receivable	2,718
Oregon Trail Electric Cooperative Capital Credits	248,453
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,246,703

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$248,453, special assessments receivable in the amount of \$221,854, contracts receivable included in trade receivables of \$4,725, and the local improvement district receivables of \$301,380 are not expected to be collected within one year.

Capital Assets

Capital asset activity for the year ended June 30, 2014 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	\$ 1,983,899	\$ -	\$(1,983,899)	\$ -
Land	<u>2,152,603</u>	<u>-</u>	<u>(38,725)</u>	<u>2,113,878</u>
Total capital assets, not being depreciated	<u>4,136,502</u>	<u>-</u>	<u>(2,022,624)</u>	<u>2,113,878</u>
Capital assets, being depreciated:				
Buildings	4,936,674	50,346	(61,575)	4,925,445
Improvements other than buildings	113,071	-	-	113,071
Machinery and equipment	5,049,056	156,893	(113,792)	5,092,157
Infrastructure	<u>30,745,852</u>	<u>5,241,609</u>	<u>-</u>	<u>35,987,461</u>
Total capital assets being depreciated	<u>40,844,653</u>	<u>5,448,848</u>	<u>(175,367)</u>	<u>46,118,134</u>
Less accumulated depreciation for:				
Buildings	(2,831,449)	(104,162)	3,697	(2,931,914)
Improvements other than buildings	(97,671)	(3,033)	-	(100,704)
Machinery and equipment	(3,575,047)	(252,639)	111,561	(3,716,125)
Infrastructure	<u>(20,977,332)</u>	<u>(594,813)</u>	<u>-</u>	<u>(21,572,145)</u>
Total accumulated depreciation	<u>(27,481,499)</u>	<u>(954,647)</u>	<u>115,258</u>	<u>(28,320,888)</u>
Total capital assets, being depreciated, net	<u>13,363,154</u>	<u>4,494,201</u>	<u>(60,109)</u>	<u>17,797,246</u>
Governmental activities capital assets, net	<u>\$ 17,499,656</u>	<u>\$4,494,201</u>	<u>\$ (2,082,733)</u>	<u>\$ 19,911,124</u>

During the year ended June 30, 2014 the City received a \$15,000 grant from Kaboom Organization to use towards the purchase of Geiser Pollman park equipment. The grant was received as a noncash credit to the supplier.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 1,446,939	\$ 1,625,941	\$(1,041,801)	\$ 2,031,079
Land	<u>1,342,160</u>	<u>-</u>	<u>-</u>	<u>1,342,160</u>
Total capital assets, not being depreciated	2,789,099	1,625,941	(1,041,801)	3,373,239
Capital assets, being depreciated:				
Buildings	386,251	24,455	-	410,706
Machinery and equipment	705,794	6,086	(8,739)	703,141
Improvements other than buildings	346,687	-	-	346,687
Infrastructure	<u>28,398,436</u>	<u>1,631,489</u>	<u>-</u>	<u>30,029,925</u>
Total capital assets, being depreciated	29,837,168	1,662,030	(8,739)	31,490,459
Less accumulated depreciation for:				
Buildings	(176,538)	(8,863)	-	(185,401)
Machinery and equipment	(603,307)	(16,667)	8,739	(611,235)
Improvements other than buildings	(236,375)	(15,114)	-	(251,489)
Infrastructure	<u>(10,011,257)</u>	<u>(585,452)</u>	<u>-</u>	<u>(10,596,709)</u>
Total accumulated depreciation	<u>(11,027,477)</u>	<u>(626,096)</u>	<u>8,739</u>	<u>(11,644,834)</u>
Total capital assets, being depreciated, net	<u>18,809,691</u>	<u>1,035,934</u>	<u>-</u>	<u>19,845,625</u>
Business-type activities capital assets, net	<u>\$ 21,598,790</u>	<u>\$ 2,661,875</u>	<u>\$ (1,041,801)</u>	<u>\$ 23,218,864</u>

Construction in process for business-type activities of \$2,031,079 is comprised of \$197,961 for pipe and the N.E.P.A. study for the Forest Service portion of the mountain line water improvement project, \$1,767,637 for the U.V. water treatment facility and \$65,481 for a reclaimed water use study.

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

Governmental activities:

General government	\$ 42,798
Public safety	177,756
Highway and streets, including depreciation of general infrastructure assets	393,003
Culture and recreation	116,132
Economic and Community Development	4,048
Airport	121,699
Cemetery	1,496
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	97,715

Total depreciation expense - governmental activities

\$ 954,647

Business-type activities:

Water utility	\$ 393,194
Wastewater utility	213,326
Building inspections	1,992
Golf operation	17,584

Total depreciation expense-business-type activities

\$ 626,096

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 14,511
Equipment and Vehicle	General Fund	36,256
Central Stores Fund	Water Utility Fund	6,347
Anthony Silvers Street Tree Trust	LID Repayment	56,088
Mt Hope Trust	Golf Course Operations	19,197
General	State and Federal Grants	27,316
Total		<u>\$ 159,715</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	\$ 16,929
Anthony Silvers Street Tree Trust	LID Repayment	234,292
Mt. Hope Trust	Golf Course Operations	129,232
Total		<u>\$ 380,453</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, 2014 are as follows:

	General Fund	Street Fund	S&F Grant Fund	Nonmajor Governmental Funds	Enterprise Funds	Total
Transfer from:						
General Fund	\$ -	\$ -	\$ 32,500	\$ 20,000	\$ 48,478	\$ 100,978
Street Fund	-	-	-	239,759	-	239,759
LID Fund	-	-	-	6,000	-	6,000
State & Federal Grants Fund	-	-	-	10,000	-	10,000
Non Major Governmental Funds	3,786	44,855	-	-	-	48,641
Total Transfers	<u>\$ 3,786</u>	<u>\$ 44,855</u>	<u>\$ 32,500</u>	<u>\$ 275,759</u>	<u>\$ 48,478</u>	<u>\$ 405,378</u>

The City uses interfund transfers on a routine basis to transfer interest earnings from the permanent funds to be used for cemetery maintenance; for matching grant funds; to transfer funds to pay for capital projects.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

Contracts, Notes and Capital Lease Obligations

During the fiscal year ending June 30, 2014, the City paid its Note Payable to the Oregon Economic and Community Development Department in full prior to its maturity date of December 21, 2021. The City had no outstanding debt at June 30, 2014.

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 237,473	\$ 288,817	\$ (329,399)	\$ 196,891	\$ 196,891
Note Payable – OR Economic Development Department	58,085	-	(58,085)	-	-
Governmental activity Long-term liabilities	<u>\$ 295,558</u>	<u>\$ 288,817</u>	<u>\$ (387,484)</u>	<u>\$ 196,891</u>	<u>\$ 196,891</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business Type Activities:					
Compensated absences	<u>\$ 98,883</u>	<u>\$ 105,430</u>	<u>\$ (105,213)</u>	<u>\$ 99,100</u>	<u>\$ 99,100</u>

The compensated absences liability for the Internal Service Funds is \$2,519 and is included in the above totals for governmental activities.

Operating Lease Obligations

As of April 2014, the City entered into a short-term lease agreement with John Deere Financial for golf course equipment with a fair market value of approximately \$208,000. The lease terms are as follows:

<u>Payment Date</u>	<u># of Payments</u>	<u>Lease Payment</u>	<u>Total</u>
April – June 2014	3	\$ 2,500	\$ 7,500
July – March 2015	9	11,153	100,377
Total			<u>\$ 107,877</u>

The City terminated this operating lease with John Deere Financial during July 2014 for \$97,612 and purchased the equipment from Pacific Power Group for \$100,000.

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

4. OTHER INFORMATION (Continued)

Risk Management (Continued)

insurance coverage through City County Insurance Services under an insurance pooling arrangement in which many cities and counties in Oregon participate. Periodically the City has received refunds from the Pool. The risk of additional assessments to the City over premiums paid is presently deemed remote by City management.

Employee Retirement System and Pension Plans

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

1. The City's full-time and permanent part-time employees hired before August 29, 2003 are participants in the Oregon Public Employees' Retirement System (PERS). In January 2002 the City elected into the State and Local Governmental Rate Pool, a cost sharing multiple employer defined benefit pension plan. The City's pension plan had previously been an independently funded local pension plan in PERS.
 - Benefits generally vest after five years of continuous service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are based on salary and length of service, are calculated using a formula, and are payable in a lump sum or monthly using several payment options.
 - Participants are required to contribute 6% of salary under the plan. The City pays the participants' contribution in lieu of a wage increase. The City's employer rate for the year ended June 30, 2014 is 16.16%. 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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

4. OTHER INFORMATION (Continued)

Employee Retirement System and Pension Plans

become a member of the OPSRP Pension Program if s/he incurs a six-month service break and is subsequently rehired. As of June 30, 2014 the City's rate for member contributions is 10.74% for general service and 13.47% for police/fire members.

- A member may receive OPSRP benefits generally anytime after reaching age 65, or at age 58 with 30 years of service.

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

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	\$ 715,899	100%	\$ -
06/30/13	\$ 710,295	100%	\$ -
06/30/14	\$ 712,501	100%	\$ -

Commitments, Contingencies and Subsequent Events

During the fiscal year ending June 30, 2014, the City of Baker City received services through the State of Oregon Solid Waste Orphan fund valued at \$80,928 for the testing, venting and monitoring of methane gas at the City's old landfill site. The City is responsible for future monitoring costs which are estimated to be less than \$5,000 every year.

Accrued liabilities do not include sick leave of approximately \$689,145 which was earned as of June 30, 2014, but is payable only for absences from work under the City's sick leave plan.

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

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

As of May 16, 2014, the City had entered into a financing contract to finance \$2,000,000 of the U.V. water treatment project. As of June 30, 2014, no capital expenditures had been funded by the Oregon Infrastructure Finance Authority (IFA) nor had any loan proceeds been received by the City. Of this \$2,000,000, \$250,000 will be forgiven and will not be required to be repaid if certain loan requirements are met by the City of Baker City.

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Required
Supplementary
Information

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GENERAL FUND					
Revenue:					
Property Taxes	\$ 2,301,463	\$ 2,301,463	\$ 2,354,845	\$ -	\$ 2,354,845
Franchise Taxes	794,612	794,612	830,544	-	830,544
Licenses and Permits	51,200	51,200	10,693	-	10,693
Intergovernmental	259,500	271,393	270,839	-	270,839
Charges for Services	758,700	758,700	818,125	-	818,125
Fines and Forfeitures	30,500	30,500	37,608	-	37,608
Rental Income	25,960	25,960	28,478	-	28,478
Interest and Dividends	5,500	5,500	7,469	-	7,469
SAIF Refund	-	-	22,940	-	22,940
Miscellaneous	29,100	33,100	41,337	-	41,337
Overhead Charges to Other Funds	450,000	450,000	424,853	(424,853)	-
Total Revenues	4,706,535	4,722,428	4,847,731	(424,853)	4,422,878
Expenditures:					
General Government:					
Administration	1,115,736	1,115,736	1,068,810	(724,853)	343,957
Planning	63,000	63,000	60,365	-	60,365
Total General Government	1,178,736	1,178,736	1,129,175	(724,853)	404,322
Public Safety:					
Police	1,816,719	1,816,719	1,714,029	300,000	2,014,029
Fire	1,491,726	1,491,726	1,466,178	-	1,466,178
Total Public Safety	3,308,445	3,308,445	3,180,207	300,000	3,480,207
Parks and Recreation:					
Parks	108,338	120,231	97,749	-	97,749
Airport	57,140	57,140	56,003	-	56,003
Debt Service - Airport	61,256	61,256	60,318	-	60,318
Cemetery	147,402	147,402	128,950	-	128,950
Hydro Electric Plant	6,767	6,767	2,063	-	2,063
Community Development	28,100	32,100	18,956	-	18,956
Operating Contingency	69,000	62,000	-	-	-
Total Expenditures	4,965,184	4,974,077	4,673,421	(424,853)	4,248,568
Excess (Deficit) of Revenues Over Expenditures	(258,649)	(251,649)	174,310	-	174,310
Other Financing Sources (Uses):					
Interfund Loan Transfers In	36,256	36,256	36,256	(36,256)	-
Transfers In	5,200	5,200	3,786	-	3,786
Transfers Out	(93,978)	(100,978)	(100,978)	-	(100,978)
Total Other Financing Sources (Uses)	(52,522)	(59,522)	(60,936)	-	(97,192)
Net Change in Fund Balance	(311,171)	(311,171)	113,374	-	77,118
Fund Balance, July 1, 2013	1,188,563	1,188,563	1,381,752	-	1,381,752
Fund Balance, June 30, 2014	\$ 877,392	\$ 877,392	\$ 1,495,126	\$ -	\$ 1,458,870

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE TAX STREET FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE TAX STREET FUND					
Revenue:					
Taxes	\$ 538,826	\$ 538,826	\$ 551,357	\$ -	\$ 551,357
Intergovernmental	646,555	646,555	680,135	-	680,135
Charges for Services	14,000	14,000	11,411	-	11,411
Interest	1,500	1,500	2,760	-	2,760
Miscellaneous	891	891	1,135	-	1,135
Total Revenues	<u>1,201,772</u>	<u>1,201,772</u>	<u>1,246,798</u>	<u>-</u>	<u>1,246,798</u>
Expenditures:					
Maintenance	747,766	747,766	693,801	-	693,801
Storm Water Maintenance	127,830	127,830	38,853	-	38,853
Preventative Maintenance	597,597	597,597	485,202	-	485,202
Street Lighting	74,149	74,149	67,785	-	67,785
Snow and Ice Control	80,446	80,446	32,165	-	32,165
Street Construction	7,475	7,475	1,127	-	1,127
Operating Contingency	100,000	100,000	-	-	-
Total Expenditures	<u>1,735,263</u>	<u>1,735,263</u>	<u>1,318,933</u>	<u>-</u>	<u>1,318,933</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(533,491)</u>	<u>(533,491)</u>	<u>(72,135)</u>	<u>-</u>	<u>(72,135)</u>
Other Financing Sources (Uses):					
Transfers In	44,855	44,855	44,855	-	44,855
Transfers Out	(239,759)	(239,759)	(239,759)	-	(239,759)
Total Other Financing Uses	<u>(194,904)</u>	<u>(194,904)</u>	<u>(194,904)</u>	<u>-</u>	<u>(194,904)</u>
Net Change in Fund Balance	(728,395)	(728,395)	(267,039)	-	(267,039)
Fund Balance, July 1, 2013	<u>883,028</u>	<u>883,028</u>	<u>918,585</u>	<u>-</u>	<u>918,585</u>
Fund Balance, June 30, 2014	<u>\$ 154,633</u>	<u>\$ 154,633</u>	<u>\$ 651,546</u>	<u>\$ -</u>	<u>\$ 651,546</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LID REPAYMENT FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
LID REPAYMENT FUND					
Revenue:					
Interest	\$ 1,000	\$ 1,000	\$ 103	\$ 1,658	\$ 1,761
Special Assessments/LID Repayments	20,000	20,000	95,678	(1,658)	94,020
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>95,781</u>	<u>-</u>	<u>95,781</u>
Expenditures:					
Administration	500	500	258	-	258
Debt Service	-	-	-	4,022	4,022
Total Expenditures	<u>500</u>	<u>500</u>	<u>258</u>	<u>4,022</u>	<u>4,280</u>
Excess (Deficit) of Revenues Over Expenditures	20,500	20,500	95,523	(4,022)	91,501
Other Financing Sources and (Uses):					
Transfer Out	(6,000)	(6,000)	(6,000)	-	(6,000)
Interfund Loan Transfers Out	(23,000)	(23,000)	(23,000)	23,000	-
Total Other Financing Uses	<u>(29,000)</u>	<u>(29,000)</u>	<u>(29,000)</u>	<u>23,000</u>	<u>(6,000)</u>
Net Change in Fund Balance	(8,500)	(8,500)	66,523	18,978	85,501
Fund Balance, July 1, 2013	<u>8,500</u>	<u>8,500</u>	<u>17,199</u>	<u>(340,800)</u>	<u>(323,601)</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,722</u>	<u>\$ (321,822)</u>	<u>\$ (238,100)</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, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE & FEDERAL GRANTS FUND					
Revenue:					
Intergovernmental	\$ 2,288,845	\$ 2,507,152	\$ 2,934,420	\$ -	\$ 2,934,420
Charges for Services	700	700	768	-	768
Interest	165	165	255	-	255
Miscellaneous	60,487	60,487	50,196	-	50,196
Total Revenues	2,350,197	2,568,504	2,985,639	-	2,985,639
Expenditures:					
Administration	1,800	1,800	38	-	38
Public Safety	32,755	32,755	6,718	-	6,718
Transportation and Streets	2,200,000	2,418,307	2,387,257	-	2,387,257
Parks and Recreation	170,391	170,391	149,872	-	149,872
Economic/Community Development	7,900	7,900	2,388	-	2,388
Operating Contingency	7,500	7,500	-	-	-
Total Expenditures	2,420,346	2,638,653	2,546,273	-	2,546,273
Excess (Deficit) of Revenues Over Expenditures	(70,149)	(70,149)	439,366	-	439,366
Other Financing Sources:					
Transfers Out	(10,000)	(10,000)	(10,000)	-	(10,000)
Transfers In	32,500	32,500	32,500	-	32,500
Total Other Financing Sources	22,500	22,500	22,500	-	22,500
Net Change in Fund Balance	(47,649)	(47,649)	461,866	-	461,866
Fund Balance, July 1, 2013	53,725	53,725	(406,753)	-	(406,753)
Fund Balance, June 30, 2014	\$ 6,076	\$ 6,076	\$ 55,113	\$ -	\$ 55,113

BAKER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 113,374	\$ (267,039)	\$ 66,523	\$ 461,866
<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.	(424,853)	-	-	-
<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.	424,853	-	-	-
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.	(36,256)	-	18,978	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$300,000 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ 77,118</u>	<u>\$ (267,039)</u>	<u>\$ 85,501</u>	<u>\$ 461,866</u>

Other
Supplementary
Information

Non Major Governmental Funds

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

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

John Schmitz Memorial Trust Fund: This fund accounts for monies left to the City by the late John Schmitz. His will designated these monies to be used for the cemetery. The 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.

Resort Utility Underground Fund: This fund is used to track capital improvement costs of undergrounding utilities on Resort Street. This project was funded with an LID and transfers from the State Tax Street Fund.

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

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

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

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

**BAKER CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	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	Underground Utility	Resort	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Trust	
Assets:											
Cash and Cash Equivalents	\$ 31,694	\$ 254,061	\$ 69	\$ 75,441	\$ 23,610	\$ 13,597	\$ 356,722	\$ 2,918	\$ 497,867	\$ 1,255,979	
Interest Receivable	-	-	-	-	-	-	-	-	-	-	
Intergovernmental Receivable	-	-	-	-	-	-	-	-	-	-	
Accounts Receivable (Net of Allowance)	-	-	-	2,565	-	-	-	-	-	2,565	
Notes Receivable	-	-	-	-	-	-	-	-	2,718	2,718	
Taxes Receivable	6,729	-	-	-	-	-	-	-	-	6,729	
Due from Other Funds	-	-	-	-	-	-	19,197	-	56,088	75,285	
Advances to Other Funds	-	-	-	-	-	-	129,232	-	234,292	363,524	
Other Investments	-	-	-	-	-	-	888	-	-	888	
Total Assets	\$ 38,423	\$ 254,061	\$ 69	\$ 78,006	\$ 23,610	\$ 13,597	\$ 506,039	\$ 2,918	\$ 790,965	\$ 1,707,688	
Liabilities:											
Accounts Payable	\$ 2,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,430	
Accrued Payroll Taxes	243	-	-	68	-	-	-	-	-	311	
Total Liabilities	2,673	-	-	68	-	-	-	-	-	2,741	
Deferred Inflows:											
Deferred Revenue	6,303	-	-	2,565	-	-	-	-	2,718	11,586	
Fund Balance:											
Restricted for 2089 Celebration	-	-	-	-	-	-	-	2,918	-	2,918	
Restricted for Cemetery Care	-	254,061	-	-	-	-	-	-	-	254,061	
Restricted for Street Trees	-	-	-	-	-	-	-	-	7,955	7,955	
Committed for Cemetery Care	-	-	-	-	-	-	505,151	-	-	505,151	
Committed for Sidewalks	-	-	-	75,373	-	-	-	-	-	75,373	
Committed for Street Trees	-	-	69	-	-	-	-	-	-	69	
Assigned for Interfund Loan Payment	-	-	-	-	-	13,597	-	-	-	13,597	
Assigned for Fire Equipment	-	-	-	-	23,610	-	-	-	-	23,610	
Assigned for Samo Swim Maintenance	29,447	-	-	-	-	-	-	-	-	29,447	
Nonspendable	-	-	-	-	-	-	888	-	780,292	781,180	
Total Fund Balance	29,447	254,061	69	75,373	23,610	13,597	506,039	2,918	788,247	1,693,361	
Total Liabilities, Deferred Inflows and Fund Balance	\$ 38,423	\$ 254,061	\$ 69	\$ 78,006	\$ 23,610	\$ 13,597	\$ 506,039	\$ 2,918	\$ 790,965	\$ 1,707,688	

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	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	Resort Underground Utility	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Fund			
Revenue:												
Taxes	\$ 78,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,736
Intergovernmental	-	-	-	-	14,197	-	-	-	-	-	-	14,197
Charges for Services	-	-	-	55,941	-	-	-	-	-	-	-	55,941
Interest	332	1,234	1	285	129	-	2,552	14	6,401	-	-	10,948
Miscellaneous	-	-	69	-	100	-	-	-	-	-	-	169
Bequest	-	-	-	-	-	-	-	-	3,451	-	-	3,451
Total Revenue	79,068	1,234	70	56,226	14,426	-	2,552	14	9,852	-	-	163,442
Expenditures:												
Public Safety	-	-	-	-	16,756	-	-	-	-	-	-	16,756
Community Development	-	-	297	-	-	342,294	-	-	4,937	-	-	347,528
Sidewalks	-	-	-	27,067	-	-	-	-	-	-	-	27,067
Parks and Recreation	130,047	-	-	-	-	-	-	-	-	-	-	130,047
Total Expenditures	130,047	-	297	27,067	16,756	342,294	-	-	4,937	-	-	521,398
Excess (Deficit) of Revenues Over Expenditures	(50,979)	1,234	(227)	29,159	(2,330)	(342,294)	2,552	14	4,915	-	-	(357,956)
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	20,000	255,759	-	-	-	-	-	275,759
Transfers Out	-	(1,234)	-	(44,855)	-	-	(2,552)	-	-	-	-	(48,641)
Total Other Financing Sources (Uses)	-	(1,234)	-	(44,855)	20,000	255,759	(2,552)	-	-	-	-	227,118
Net Change in Fund Balance	(50,979)	-	(227)	(15,696)	17,670	(86,535)	-	14	4,915	-	-	(130,838)
Fund Balance, July 1, 2013	80,426	254,061	296	91,069	5,940	100,132	506,039	2,904	783,332	-	-	1,824,199
Fund Balance, June 30, 2014	\$ 29,447	\$ 254,061	\$ 69	\$ 75,373	\$ 23,610	\$ 13,597	\$ 506,039	\$ 2,918	\$ 788,247	\$ -	\$ -	\$ 1,693,361

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SAMO SWIM MAINTENANCE FUND					
Revenue:					
Taxes	\$ 77,017	\$ 77,017	\$ 78,736	\$ -	\$ 78,736
Interest	400	400	332	-	332
Total Revenues	<u>77,417</u>	<u>77,417</u>	<u>79,068</u>	<u>-</u>	<u>79,068</u>
Expenditures:					
Samo Swim Center	135,281	135,281	130,047	-	130,047
Contingency	2,136	2,136	-	-	-
Total Expenditures	<u>137,417</u>	<u>137,417</u>	<u>130,047</u>	<u>-</u>	<u>130,047</u>
Excess (Deficit) of Revenues Over Expenditures	(60,000)	(60,000)	(50,979)	-	(50,979)
Net Change in Fund Balance	(60,000)	(60,000)	(50,979)	-	(50,979)
Fund Balance, July 1, 2013	<u>60,000</u>	<u>60,000</u>	<u>80,426</u>	<u>-</u>	<u>80,426</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,447</u>	<u>\$ -</u>	<u>\$ 29,447</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
JOHN SCHMITZ TRUST FUND					
Revenue:					
Interest	\$ 2,000	\$ 2,000	\$ 1,234	\$ -	\$ 1,234
Expenditures:					
Operating Contingency	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(2,000)	(2,000)	(1,234)	-	(1,234)
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2013	<u>254,061</u>	<u>254,061</u>	<u>254,061</u>	<u>-</u>	<u>254,061</u>
Fund Balance, June 30, 2014	<u>\$ 254,061</u>	<u>\$ 254,061</u>	<u>\$ 254,061</u>	<u>\$ -</u>	<u>\$ 254,061</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
TREE CITY FUND					
Revenue:					
Miscellaneous	\$ -	\$ -	\$ 69	\$ -	\$ 69
Interest	5	5	1	-	1
Total Revenues	<u>5</u>	<u>5</u>	<u>70</u>	<u>-</u>	<u>70</u>
Expenditures:					
Community Development	805	805	297	-	297
Net Change in Fund Balance	(800)	(800)	(227)	-	(227)
Fund Balance, July 1, 2013	800	800	296	-	296
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 69</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SIDEWALK UTILITY FUND					
Revenue:					
Charges for Services	\$ 55,000	\$ 55,000	\$ 55,941	\$ -	\$ 55,941
Interest	250	250	285	-	285
Total Revenues	<u>55,250</u>	<u>55,250</u>	<u>56,226</u>	<u>-</u>	<u>56,226</u>
Expenditures:					
Sidewalk Grants	42,325	42,325	27,067	-	27,067
Operating Contingency	55,070	55,070	-	-	-
Total Expenditures	<u>97,395</u>	<u>97,395</u>	<u>27,067</u>	<u>-</u>	<u>27,067</u>
Other Financing Uses:					
Transfers Out	(44,855)	(44,855)	(44,855)	-	(44,855)
Net Change in Fund Balance	(87,000)	(87,000)	(15,696)	-	(15,696)
Fund Balance, July 1, 2013	87,000	87,000	91,069	-	91,069
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,373</u>	<u>\$ -</u>	<u>\$ 75,373</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
FIRE EQUIPMENT RESERVE FUND					
Revenue:					
Interest	\$ 200	\$ 200	\$ 129	\$ -	\$ 129
Intergovernmental	346,750	346,750	14,197	-	14,197
Miscellaneous	1,000	1,000	100	-	100
Total Revenues	<u>347,950</u>	<u>347,950</u>	<u>14,426</u>	<u>-</u>	<u>14,426</u>
Expenditures:					
Fire and EMS Equipment	<u>502,000</u>	<u>502,000</u>	<u>16,756</u>	<u>-</u>	<u>16,756</u>
Excess (Deficit) of Revenues Over Expenditures	(154,050)	(154,050)	(2,330)	-	(2,330)
Other Financing Sources (Uses):					
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	(134,050)	(134,050)	17,670	-	17,670
Fund Balance, July 1, 2013	<u>142,000</u>	<u>142,000</u>	<u>5,940</u>	<u>-</u>	<u>5,940</u>
Fund Balance, June 30, 2014	<u>\$ 7,950</u>	<u>\$ 7,950</u>	<u>\$ 23,610</u>	<u>\$ -</u>	<u>\$ 23,610</u>

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
RESORT UTILITY UNDERGROUND FUND					
Expenditures:					
Materials and Services	\$ 355,759	\$ 355,759	\$ 342,294	\$ -	\$ 342,294
Excess (Deficit) of Revenues Over Expenditures	(355,759)	(355,759)	(342,294)	-	(342,294)
Other Financing Sources:					
Transfers In	<u>255,759</u>	<u>255,759</u>	<u>255,759</u>	<u>-</u>	<u>255,759</u>
Net Change in Fund Balance	(100,000)	(100,000)	(86,535)	-	(86,535)
Fund Balance, July 1, 2013	<u>100,000</u>	<u>100,000</u>	<u>100,132</u>	<u>-</u>	<u>100,132</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,597</u>	<u>\$ -</u>	<u>\$ 13,597</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
MT HOPE TRUST FUND					
Revenue:					
Interest	\$ 2,290	\$ 2,290	\$ 1,645	\$ 907	\$ 2,552
Total Revenues	2,290	2,290	1,645	907	2,552
Other Financing Sources (Uses):					
Transfers Out	(3,200)	(3,200)	(2,552)	-	(2,552)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	16,800	16,800	17,448	(20,000)	(2,552)
Net Change in Fund Balance	19,090	19,090	19,093	(19,093)	-
Fund Balance, July 1, 2013	338,488	338,488	338,518	167,521	506,039
Fund Balance, June 30, 2014	<u>\$ 357,578</u>	<u>\$ 357,578</u>	<u>\$ 357,611</u>	<u>\$ 148,428</u>	<u>\$ 506,039</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ONE HUNDRED YEAR TRUST					
Revenue:					
Interest	\$ 15	\$ 15	\$ 14	\$ -	\$ 14
Total Revenues	15	15	14	-	14
Net Change in Fund Balance	15	15	14	-	14
Fund Balance, July 1, 2013	2,900	2,900	2,904	-	2,904
Fund Balance, June 30, 2014	<u>\$ 2,915</u>	<u>\$ 2,915</u>	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ 2,918</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
A. SILVERS STREET TREE TRUST					
Revenue:					
Interest	\$ 7,500	\$ 7,500	\$ 2,901	\$ 3,500	\$ 6,401
Bequest	2,950	2,950	3,451	-	3,451
Total Revenues	10,450	10,450	6,352	3,500	9,852
Expenditures:					
Community Development	6,500	6,500	4,937	-	4,937
Other Financing Sources:					
Interfund Loan Transfers In	8,000	8,000	8,000	(8,000)	-
Total Other Financing Sources	8,000	8,000	8,000	(8,000)	-
Net Change in Fund Balance	11,950	11,950	9,415	(4,500)	4,915
Fund Balance, July 1, 2013	487,774	487,774	488,451	294,881	783,332
Fund Balance, June 30, 2014	<u>\$ 499,724</u>	<u>\$ 499,724</u>	<u>\$ 497,866</u>	<u>\$ 290,381</u>	<u>\$ 788,247</u>

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Major Business-Type Funds

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

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

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

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

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

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

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WATER UTILITY FUND					
Revenue:					
Charges for Services	\$ 2,117,980	\$ 2,117,980	\$ 2,070,028	\$ -	\$ 2,070,028
Interest	10,000	10,000	10,785	-	10,785
Miscellaneous	13,000	13,000	9,080	-	9,080
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
Total Revenues	<u>2,153,980</u>	<u>2,153,980</u>	<u>2,102,893</u>	<u>(13,000)</u>	<u>2,089,893</u>
Expenses:					
Maintenance	1,280,283	1,330,283	1,315,577	(25,202)	1,290,375
Construction	1,120,268	2,020,268	1,996,186	(1,996,186)	-
Depreciation	-	-	-	393,194	393,194
Operating Contingency	200,000	-	-	-	-
Total Expenses	<u>2,600,551</u>	<u>3,350,551</u>	<u>3,311,763</u>	<u>(1,628,194)</u>	<u>1,683,569</u>
Excess (Deficit) of Revenues Over Expenses	<u>(446,571)</u>	<u>(1,196,571)</u>	<u>(1,208,870)</u>	<u>1,615,194</u>	<u>406,324</u>
Other Financing Sources:					
Transfer In	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(446,571)	(1,196,571)	(1,208,870)	1,615,194	406,324
Fund Balance, July 1, 2013	<u>2,147,734</u>	<u>2,147,734</u>	<u>2,116,864</u>	<u>15,649,204</u>	<u>17,766,068</u>
Fund Balance, June 30, 2014	<u>\$ 1,701,163</u>	<u>\$ 951,163</u>	<u>\$ 907,994</u>	<u>\$ 17,264,398</u>	<u>\$ 18,172,392</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WASTEWATER UTILITY FUND*					
Revenue:					
Charges for Services	\$ 1,079,763	\$ 1,079,763	\$ 1,074,231	\$ 109,041	\$ 1,183,272
Rental Income	3,782	3,782	3,782	-	3,782
Interest	4,000	4,000	4,154	1,791	5,945
Special Assessments/LID Repayments	800	800	763	(763)	-
Miscellaneous	30,000	30,000	93,426	-	93,426
Total Revenues	1,118,345	1,118,345	1,176,356	110,069	1,286,425
Expenses:					
Maintenance	916,735	916,735	880,038	488	880,526
Construction	279,587	279,587	226,731	(226,311)	420
Depreciation	-	-	-	213,326	213,326
Operating Contingency	100,000	100,000	-	-	-
Total Expenses	1,296,322	1,296,322	1,106,769	(12,497)	1,094,272
Net Change in Fund Balance	(177,977)	(177,977)	69,587	122,566	192,153
Fund Balance, July 1, 2013	839,562	839,562	817,083	4,926,164	5,743,247
Fund Balance, June 30, 2014	<u>\$ 661,585</u>	<u>\$ 661,585</u>	<u>\$ 886,670</u>	<u>\$ 5,048,730</u>	<u>\$ 5,935,400</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
RECLAIMED WATER USE FUND - CAPITAL PROJECTS*					
Revenue:					
Interest	\$ 800	\$ 800	\$ 1,028	\$ (1,028)	\$ -
Charges for Services	109,000	109,000	109,041	(109,041)	-
Total Revenues	109,800	109,800	110,069	(110,069)	-
Expenditures:					
Maintenance	16,300	16,300	5,452	(5,452)	-
Construction	50,000	50,000	420	(420)	-
Operating Contingency	10,000	10,000	-	-	-
Total Expenses	76,300	76,300	5,872	(5,872)	-
Net Change in Fund Balance	33,500	33,500	104,197	(104,197)	-
Fund Balance, July 1, 2013	142,000	142,000	163,027	(163,027)	-
Fund Balance, June 30, 2014	<u>\$ 175,500</u>	<u>\$ 175,500</u>	<u>\$ 267,224</u>	<u>\$ (267,224)</u>	<u>\$ -</u>

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

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE OPERATION FUND					
Revenue:					
Rental Income	\$ 4,500	\$ 4,500	\$ 1	\$ -	\$ 1
Miscellaneous	-	-	33	-	33
Total Revenues	<u>4,500</u>	<u>4,500</u>	<u>34</u>	<u>-</u>	<u>34</u>
Expenses:					
Maintenance	25,978	32,978	32,168	(6,086)	26,082
Debt Service	-	-	-	907	907
Depreciation	-	-	-	17,584	17,584
Total Expenses	<u>25,978</u>	<u>32,978</u>	<u>32,168</u>	<u>12,405</u>	<u>44,573</u>
Excess (Deficit) of Revenues Over Expenses	<u>(21,478)</u>	<u>(28,478)</u>	<u>(32,134)</u>	<u>(12,405)</u>	<u>(44,539)</u>
Other Financing Sources (Uses):					
Interfund Transfers In	41,478	48,478	48,478	-	48,478
Interfund Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
Total Other Financing Sources (Uses)	<u>21,478</u>	<u>28,478</u>	<u>28,478</u>	<u>20,000</u>	<u>48,478</u>
Net Change in Fund Balance	-	-	(3,656)	7,595	3,939
Fund Balance, July 1, 2013	-	-	(262)	1,069,396	1,069,134
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,918)</u>	<u>\$ 1,076,991</u>	<u>\$ 1,073,073</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
BUILDING INSPECTIONS FUND					
Revenue:					
Charges for Services	\$ 270,996	\$ 270,996	\$ 263,341	\$ -	\$ 263,341
Interest	500	500	708	-	708
Miscellaneous	500	500	276	-	276
Total Revenues	<u>271,996</u>	<u>271,996</u>	<u>264,325</u>	<u>-</u>	<u>264,325</u>
Expenditures:					
Personnel Services	165,403	165,403	157,967	-	157,967
Materials and Services	129,116	129,116	111,587	-	111,587
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	20,000	-	-	-
Total Expenses	<u>314,519</u>	<u>314,519</u>	<u>269,554</u>	<u>1,992</u>	<u>271,546</u>
Excess (Deficit) of Revenues Over Expenses	<u>(42,523)</u>	<u>(42,523)</u>	<u>(5,229)</u>	<u>(1,992)</u>	<u>(7,221)</u>
Fund Balance, July 1, 2013	<u>121,000</u>	<u>121,000</u>	<u>124,859</u>	<u>10,308</u>	<u>135,167</u>
Fund Balance, June 30, 2014	<u>\$ 78,477</u>	<u>\$ 78,477</u>	<u>\$ 119,630</u>	<u>\$ 8,316</u>	<u>\$ 127,946</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.

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

BAKER CITY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 465,024	\$ 465,024
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	176	176
Due From Other Funds	-	50,767	50,767
Inventories	272,204	-	272,204
Total Current Assets	272,204	515,967	788,171
Noncurrent Assets:			
Advances to Other Funds	-	16,929	16,929
Capital Assets:			
Buildings	-	39,524	39,524
Equipment and Vehicles	-	2,548,705	2,548,705
Less: Accumulated Depreciation	-	(2,025,101)	(2,025,101)
Total Capital Assets	-	563,128	563,128
Total Noncurrent Assets	-	580,057	580,057
Total Assets	\$ 272,204	\$ 1,096,024	\$ 1,368,228
Current Liabilities:			
Accounts Payable	\$ 4,041	\$ 13,022	\$ 17,063
Due to Other Funds	6,347	-	6,347
Accrued Payroll Taxes and Benefits Payable	-	7,225	7,225
Compensated Absences Payable	-	2,519	2,519
Total Current Liabilities	10,388	22,766	33,154
Net Position:			
Invested in Capital Assets	-	563,128	563,128
Unrestricted	261,816	510,130	771,946
Total Net Position	\$ 261,816	\$ 1,073,258	\$ 1,335,074

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Operating Revenue:			
Charges for Sales and Services	\$ 139,573	\$ 398,850	\$ 538,423
Miscellaneous Income	-	18,851	18,851
Total Revenue	<u>139,573</u>	<u>417,701</u>	<u>557,274</u>
Operating Expenses:			
Cost of Sales and Services	156,852	406,780	563,632
Depreciation	-	97,715	97,715
Total Expenses	<u>156,852</u>	<u>504,495</u>	<u>661,347</u>
Operating Income (Loss)	(17,279)	(86,794)	(104,073)
Nonoperating Revenue (Expense):			
Interest Income	-	2,844	2,844
Loss on Junked Equipment	-	(2,231)	(2,231)
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>613</u>	<u>613</u>
Change in Net Position	(17,279)	(86,181)	(103,460)
Net Position July 1, 2013	<u>279,095</u>	<u>1,159,439</u>	<u>1,438,534</u>
Net Position June 30, 2014	<u>\$ 261,816</u>	<u>\$ 1,073,258</u>	<u>\$ 1,335,074</u>

BAKER CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Cash from Operating Activities:			
Receipts from Customers and Users	\$ 2,773	\$ -	\$ 2,773
Receipts from Interfund Services Provided	137,288	398,850	536,138
Other Receipts	-	19,660	19,660
Payments to Suppliers	(148,473)	(217,915)	(366,388)
Payments to Employees	-	(193,085)	(193,085)
Payments for Interfund Services Used	-	(40)	(40)
Net Cash Provided (Used) by Operating Activities	<u>(8,412)</u>	<u>7,470</u>	<u>(942)</u>
Cash Flows from Non Capital Financing Activities:			
Advances from (to) Other Funds	6,347	(36,256)	(29,909)
Repayments from (to) Other Funds	-	14,478	14,478
Net Cash Provided (Used) by Noncapital Financing Activities	<u>6,347</u>	<u>(21,778)</u>	<u>(15,431)</u>
Cash Flows from Capital and Related Financing Activities:			
Receipts on Sale of Capital Assets	-	-	-
Purchases of Capital Assets	-	(53,978)	(53,978)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(53,978)</u>	<u>(53,978)</u>
Cash Flows from Investing Activities:			
Interest on Investments	-	2,844	2,844
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>2,844</u>	<u>2,844</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,065)	(65,442)	(67,507)
Cash and Cash Equivalents, July 1, 2013	2,065	530,466	532,531
Cash and Cash Equivalents, June 30, 2014	<u>\$ -</u>	<u>\$ 465,024</u>	<u>\$ 465,024</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (17,279)	\$ (86,794)	\$ (104,073)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	97,715	97,715
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	488	809	1,297
(Increase) Decrease in Inventories	12,516	-	12,516
Increase (Decrease) in Accounts Payable	(4,137)	2,784	(1,353)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	(1,124)	(1,124)
Increase (Decrease) in Compensated Absences Payable	-	(5,920)	(5,920)
Total Adjustments	<u>8,867</u>	<u>94,264</u>	<u>103,131</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,412)</u>	<u>\$ 7,470</u>	<u>\$ (942)</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
CENTRAL STORES FUND					
Revenue:					
Charges for Services	\$ 204,000	\$ 204,000	\$ 139,573	\$ -	\$ 139,573
Total Revenues	204,000	204,000	139,573	-	139,573
Expenses:					
Cost of Inventory Sold	204,000	204,000	156,852	-	156,852
Operating Contingency	50,000	50,000	-	-	-
Total Expenses	254,000	254,000	156,852	-	156,852
Net Change in Fund Balance	(50,000)	(50,000)	(17,279)	-	(17,279)
Fund Balance, July 1, 2013	250,000	250,000	279,095	-	279,095
Fund Balance, June 30, 2014	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 261,816</u>	<u>\$ -</u>	<u>\$ 261,816</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
EQUIPMENT & VEHICLE FUND					
Revenue:					
Charges for Services	\$ 508,729	\$ 508,729	\$ 398,850	\$ -	\$ 398,850
Interest	2,700	2,700	2,322	522	2,844
Miscellaneous	5,000	5,000	18,851	-	18,851
Total Revenues	516,429	516,429	420,023	522	420,545
Expenses:					
Equipment Operations	417,085	417,085	355,936	-	355,936
Equipment Purchases	183,000	183,000	104,822	(53,978)	50,844
Loss on Junked Equipment	-	-	-	2,231	2,231
Depreciation	-	-	-	97,715	97,715
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	800,085	800,085	460,758	45,968	506,726
Excess (Deficit) of Revenues Over Expenses	(283,656)	(283,656)	(40,735)	(45,446)	(86,181)
Other Financing Sources:					
Interfund Transfers In	15,000	15,000	15,000	(15,000)	-
Interfund Loan Transfer Out	(36,256)	(36,256)	(36,256)	36,256	-
Total Other Financing Sources	(21,256)	(21,256)	(21,256)	21,256	-
Net Change in Fund Balance	(304,912)	(304,912)	(61,991)	(24,190)	(86,181)
Fund Balance, July 1, 2013	470,000	470,000	504,427	655,012	1,159,439
Fund Balance, June 30, 2014	<u>\$ 165,088</u>	<u>\$ 165,088</u>	<u>\$ 442,436</u>	<u>\$ 630,822</u>	<u>\$ 1,073,258</u>

Summary of Property Tax Transactions

BAKER CITY
SUMMARY OF PROPERTY TAX TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Tax Year	Taxes Receivable June 30, 2013	2013-2014 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2014
2013-14		\$ 3,016,190	\$ (74,545)	\$ 778	\$ (2,105)	\$ (2,826,947)	\$ 113,371
2012-13	\$ 131,290			4,277	(997)	(62,268)	72,302
2011-12	80,989			4,469	(552)	(34,299)	50,607
2010-11	42,470			7,136	(594)	(35,758)	13,254
2009-10	13,774			3,307	(482)	(14,899)	1,700
Prior	5,218			370	(630)	(1,260)	3,698
	<u>\$ 273,741</u>	<u>\$ 3,016,190</u>	<u>\$ (74,545)</u>	<u>\$ 20,337</u>	<u>\$ (5,360)</u>	<u>\$ (2,975,431)</u>	<u>\$ 254,932</u>

Taxes Receivable June 30, 2014 by Fund

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2013-14	\$ 89,438	\$ 20,941	\$ 2,992
2012-13	57,039	13,354	1,909
2011-12	39,924	9,347	1,336
2010-11	10,456	2,448	350
2009-10	1,341	314	45
Prior	2,917	683	98
	<u>\$ 201,116</u>	<u>\$ 47,087</u>	<u>\$ 6,729</u>

Collections by Fund

	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Current Year				
Levy	\$ 2,826,169	\$ 2,229,593	\$ 522,022	\$ 74,555
Interest	778	614	144	21
Total	<u>\$ 2,826,947</u>	<u>\$ 2,230,207</u>	<u>\$ 522,165</u>	<u>\$ 74,575</u>
Prior Years				
Taxes & Interest	\$ 148,484	\$ 117,141	\$ 27,426	\$ 3,917

Audit Comments



Randell C. Guyer, Jr.
Scott A. Martin
Megan R. Adams

Kent J. Bailey
Robert P. Seymour
Jacob J. Collier

David F. Lindley

Linda L. Cyr
Michael J. Rudi

**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, 2014, and have issued our report thereon dated January 20, 2015. 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 20, 2015.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



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

January 20, 2015