

City of Baker City, Oregon

For the Fiscal Year Ended June 30,

2011



Annual Financial Report

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

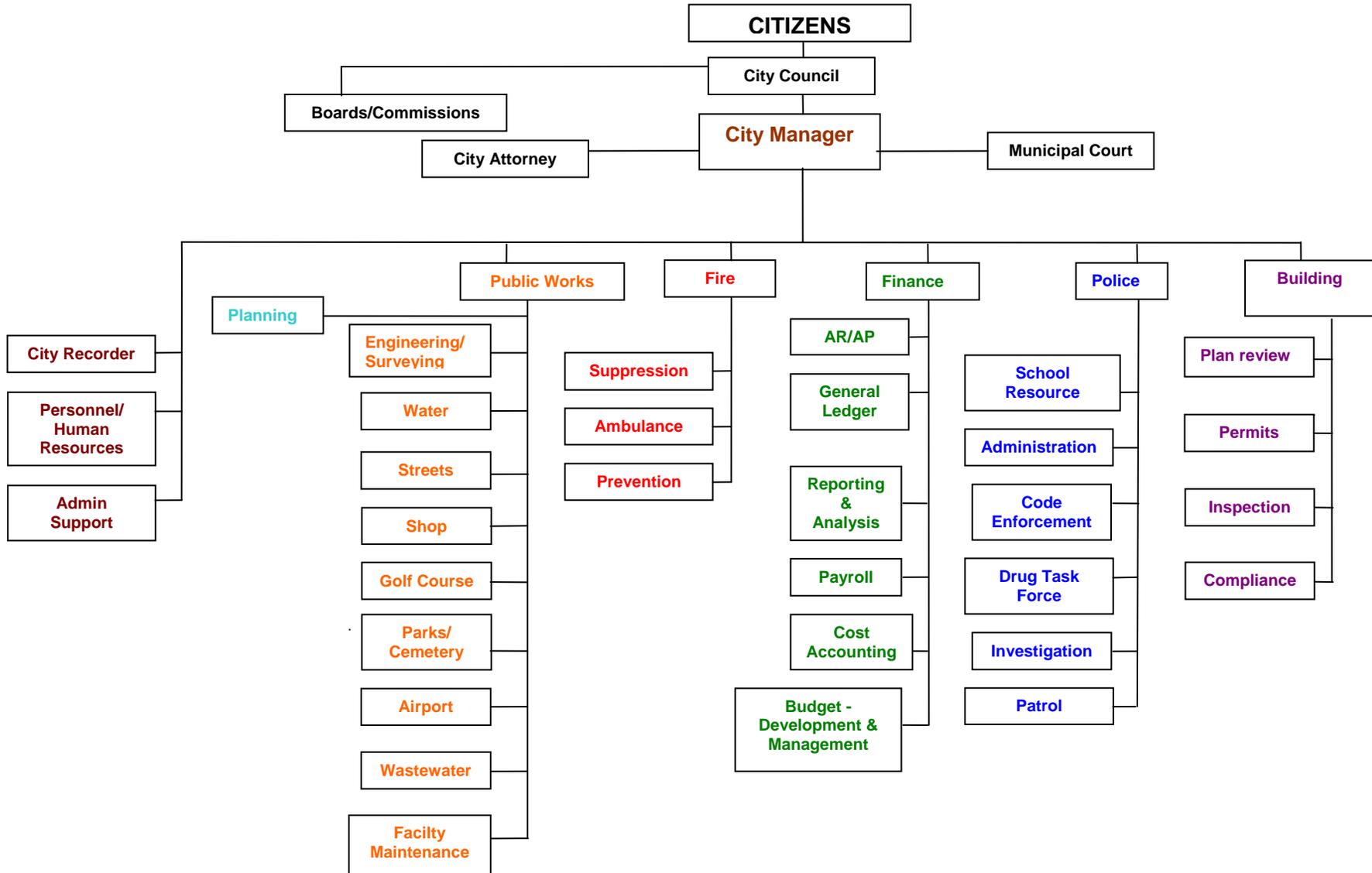
	<u>Page</u>
Introductory Section:	
Organization Chart	1
List of Officials of the City	2
Financial Section:	
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-14
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Notes to the Financial Statements	24-41
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Funds:	
General Fund	42
State Tax Street Fund	43
LID Repayment Fund	44
State and Federal Grants Fund	45
Notes to Required Supplementary Information	46
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	49
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	
Sam-O Swim Maintenance Fund	50

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

	<u>Page</u>
Financial Section, Continued:	
Other Supplementary Information, Continued:	
John Schmitz Trust Fund	50
Tree City Fund.....	51
Sidewalk Utility Fund.....	51
Schedule of Revenues, Expenditures and Changes in Fund	
Balance Budget and Actual - Capital Project Fund	
Fire Equipment Reserve Fund	52
Schedule of Revenues, Expenditures and Changes in Fund	
Balance Budget and Actual - Permanent Funds	
Mount Hope Trust Fund	53
One Hundred Year Trust Fund	53
Schedule of Revenues, Expenditures and Changes in Fund	
Balance Budget and Actual - Enterprise Funds	
Water Utility Fund	55
Wastewater Utility Fund	56
Golf Course Operation Fund	57
Building Inspections Fund	58
Combining Statement of Net Assets - Internal Service Funds	60
Combining Statement of Revenues, Expenditures and Changes in	
Net Assets - Internal Service Funds	61
Combining Statement of Cash Flows - Internal Service Funds	62
Schedule of Revenues, Expenditures and Changes in Fund	
Balance Budget and Actual - Internal Service Funds	
Central Stores Fund.....	63
Insurance Reserve Fund.....	63
Equipment and Vehicle Fund	64
Other Supplementary Schedule:	
Summary of Property Tax Transactions	65
Audit Comments:	
Audit Comments:	
Report of Independent Accountants on Internal Control	
Structure and Other Comments and Disclosures Required by	
State of Oregon	66-67

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, 2011

	<u>Term Expiration</u>
<u>Mayor:</u>	
Dennis Dorrah 1549 Campbell	December 31, 2014
<u>Council Members:</u>	
Sam Bass 2450 19 th Street	December 31, 2012
Milo Pope 1990 3 rd Street	December 31, 2012
Aletha Bonebrake 2347 Campbell	December 31, 2012
Roger Coles 2526 Auburn Avenue	December 31, 2014
Beverly Calder 1246 Dewey Avenue	December 31, 2012
Clair Button 3555 Indiana	December 31, 2014

APPOINTED CITY OFFICERS AS OF JUNE 30, 2010

City Manager:

Mike Kee

City Finance Director:

Jeanie Dexter

City Attorney:

Dan Van Thiel

Municipal Judge:

Lise Yervasi

Financial Section

Guyer & Associates

*Certified Public Accountants
A Professional Corporation*

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

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

Megan R. Adams

Jacob J. Collier

December 8, 2011

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City of Baker City, Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baker City, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in relation to the basic financial statements taken as a whole.

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



Guyer & Associates
Certified Public Accountants
A Professional Corporation

By 

Robert P. Seymour, a principal

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. This Management's Discussion and analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

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

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

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Baker City, assets exceeded liabilities by \$41,593,466 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (84 percent) reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt that is still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is a summary of Net Assets:

**City of Baker City
Summary of Net Assets
June 30, 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>
ASSETS						
Current and Other Assets	\$ 4,482,979	\$ 4,403,651	\$ 2,908,774	\$ 3,032,027	\$ 7,391,753	\$ 7,435,678
Capital Assets	13,944,375	13,400,519	21,061,711	20,666,200	35,006,086	34,066,719
Total Assets	18,427,354	17,804,170	23,970,485	23,698,227	\$ 42,397,839	\$ 41,502,397
LIABILITIES						
Long-Term Liabilities	62,986	67,633	-	-	62,986	67,633
Other Liabilities	554,450	495,770	186,937	441,960	741,387	937,730
Total Liabilities	617,436	563,403	186,937	441,960	804,373	1,005,363
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt	\$ 13,876,742	\$ 13,328,479	20,856,346	20,441,997	\$ 34,733,088	\$ 33,770,476
Restricted	764,999	764,702	-	-	764,999	764,702
Unrestricted	3,168,177	3,147,586	2,927,202	2,814,270	6,095,379	5,961,856
Total Net Assets	<u>\$ 17,809,918</u>	<u>\$ 17,240,767</u>	<u>23,783,548</u>	<u>23,256,267</u>	<u>\$ 41,593,466</u>	<u>\$ 40,497,034</u>

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

An additional portion of the City's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,095,379) may be used to meet the City's ongoing obligations to citizens and creditors.

Net asset for the City as a whole increased by \$1,096,432 during the fiscal year ended June 30, 2011. The following is an analysis of this increase.

**City of Baker City
Summary of Changes in Net Assets
June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
REVENUES						
Program Revenues						
Charges for Services	\$ 939,310	\$ 902,558	\$ 3,284,592	\$ 3,239,645	\$ 4,223,902	\$ 4,142,203
Operating Grants/Contrib.	624,707	675,790	-	-	624,707	675,790
Capital Grants/Contrib.	818,873	2,991,930	-	-	818,873	2,991,930
General Revenues:						
Property Taxes	2,841,370	2,785,875	-	-	2,841,370	2,785,875
Franchise Taxes	824,292	830,481	-	-	824,292	830,481
Investment Earnings	46,223	52,761	29,107	35,145	75,330	87,906
SAIF Refunds	53,067	-	-	-	53,067	-
Unrestricted Grants/Contrib.	214,750	209,922	-	-	214,750	209,922
Rental Income	22,480	29,134	6,782	6,906	29,262	36,040
Miscellaneous	21,218	86,794	49,820	102,606	71,038	187,400
Total Revenues	\$ 6,406,290	\$ 8,565,245	\$ 3,370,301	\$ 3,384,302	\$ 9,776,591	\$ 11,947,547
EXPENSES						
General Government	\$ 521,488	\$ 540,665	\$ -	\$ -	\$ 521,488	\$ 540,665
Public Safety	3,259,138	3,332,653	-	-	3,259,138	3,332,653
Transportation and Streets	1,334,764	2,009,651	-	-	1,334,764	2,009,651
Culture & Recreation	269,171	260,893	-	-	269,171	260,893
Economic Development	98,412	290,657	-	-	98,412	290,657
Cemetery	108,090	125,526	-	-	108,090	125,526
Airport	234,880	242,846	-	-	234,880	242,846
Hydro-Electric Plant	5,598	8,063	-	-	5,598	8,063
Interest on Long-Term Debt	5,598	5,803	-	-	5,598	5,803
Water	-	-	1,474,327	1,543,354	1,474,327	1,543,354
Wastewater	-	-	983,022	898,953	983,022	898,953
Golf Course	-	-	18,544	36,044	18,544	36,044
Building Department	-	-	367,127	355,055	367,127	355,055
Total Expenses	5,837,139	6,816,757	2,843,020	2,833,406	8,680,159	9,650,163
Operating Transfers	-	-	-	-	-	-
Change in Net Assets	569,151	1,725,988	527,281	573,396	1,096,432	2,299,384
Net Assets – Beginning of Year	17,240,767	15,514,779	23,256,267	22,682,871	40,497,034	38,197,650
Net Assets – End of Year	\$ 17,809,918	\$ 17,240,767	\$ 23,783,548	\$ 23,256,267	\$ 41,593,466	\$ 40,497,034

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Analysis of Changes in Net Assets

Governmental activities: Net assets of the governmental activities increased by \$569,151. During 2010-11 the Oregon Department of Transportation provided to the City \$450,010 of the construction costs for the Leo Adler Parkway expansion from Washington to south of Madison.

Business-type activities: Net assets of the business-type activities increased by \$527,281. The City collects revenue in excess of routine operational cost in order to set aside funds for capital improvements to the water and wastewater system such as the mountain line project.

FUND ANALYSIS

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

Major Governmental Funds

General Fund: The ending fund balance of the General Fund increased from \$1.187 million to \$1.489 million. The increase was the result of additional revenue of \$59,001 mainly due to \$53,067 received from two unanticipated SAIF refunds and a reduction of \$312,995 in expenditures mainly due to the reduction in the Planning and Community Development departments of the City and a savings in the Police Department due primarily to personnel changes.

Street Fund: The ending fund balance of the Street Fund increased from \$499,580 to \$601,965. This increase was mainly due to an increase in revenue of \$50,434 from highway and property taxes and a savings due to the deferral of expenditures for storm water while the City waits for DEQ's approval on its master plan.

LID Repayment Fund: The ending fund balance of the LID Repayment Fund increased from (\$106,967) to (\$76,616) due to LID repayments.

State and Federal Grants Fund: The ending fund balance of the State and Federal Grants Fund decreased from \$220,227 to (\$194,573). This is due to the use of the funds set aside for construction of the LAMP extension and Central Park to complete those projects. Two grant reimbursements are expected to offset the deficit but were not measurable or available at June 30, 2011. The remaining difference was due to the return of the Rail Spur grant of \$27,000 and expenditures of other small miscellaneous grants during the year.

Enterprise Funds

Water Fund: The ending fund balance of the Water Fund increased from \$16,062,768 and \$16,551,921. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the mountain line project.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Wastewater Fund: The ending fund balance of the Wastewater Fund increased from \$5,241,654 to \$5,354,208. 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 \$1,021,581 to \$1,026,687. This increase is the result of the difference between the rental income of \$22,500 and the maintenance, interest expense and depreciation. 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 \$266,181 to \$207,619. The City has accumulated a reserve to cover unanticipated changes and the potential decline in building permit sales due to the economy. The City began using those reserves during the year ended June 30, 2009 and continues to use them with the decline in the housing economy.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the 2010-11 original budget as adopted and the final budget are as follows:

- The sidewalk maintenance fees received by the State Tax Street Fund and transferred to the Sidewalk Utility Fund to pay for sidewalk grants and improvement projects were \$2,000 more than anticipated. A cost savings in the State Tax Street Fund's Preventative Maintenance department was used to offset the additional transfer.
- Public Works installed a new transmission in the Building Inspection Fund's vehicle which was not anticipated combined with unanticipated vacation sells for a total of \$2,000 that was transferred from a savings in materials and services.
- The State and Federal Grants Fund's FAA Airport Department received additional FAA grant dollars of \$10,000 for the design of the new taxiway in connection with the Connect Oregon grant project.
- Due to a savings from a winter with light snowfall \$21,000 was transferred from the State Tax Street Fund's Snow and Ice Control Department to the Street Fund's Storm Water Maintenance Department to be used for additional costs for storm water work on Resort and E Streets that was not anticipated.
- The General Fund's Planning Department had a \$15,000 cost savings which was transferred to the Community Development Department for unforeseen additional unemployment benefit costs due to extensions of former employees' benefits.
- The General Fund's Administrative Services Department had a \$13,000 cost savings of which \$7,000 was transferred to the Cemetery Department and \$6,000 was transferred to the Park's Department to cover additional costs due to a change in the contractor for maintenance and burials.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

- The State and Federal Grants Fund received a \$7,000 Leo Adler Community grant in the Small Miscellaneous Grants Department for the Baker Loves Bikes Elkhorn Classic Bicycle event.

Significant differences between the 2010-11 final amended budget and the 2010-11 actual expenditures in the General Fund are as follows:

The City's final amended budget for the fiscal year ended 2010-11 included a contingency of \$160,000 and an unappropriated ending fund balance of \$722,832, for a total of \$882,832. The actual balance carried forward to 2010-11 is \$1,489,146. The difference of \$606,314 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
REVENUE				
Property Tax Revenue	\$ 2,195,046	\$ 2,215,061	\$ 20,015	Received more property taxes than anticipated.
Franchise Taxes	836,740	824,292	(12,448)	Received less Cascade Natural Gas, QWEST and Charter franchise taxes than anticipated.
SAIF Refunds	-	53,067	53,067	Received two unanticipated SAIF refunds.
Charges for Services	732,350	814,540	82,190	Received more ambulance revenue than anticipated. Ambulance revenue is budgeted conservatively.
Other Revenue	717,231	670,232	(46,999)	Less overhead charges, miscellaneous income and fines and forfeitures were received than anticipated.
Total Revenue Increases			\$ 95,825	
EXPENDITURES				
Personal Services	3,391,605	3,202,678	(188,927)	Savings in the Police Department is due to personnel changes and insurance and certification changes that were anticipated but did not happen. Savings in the Planning Department is due to PERS six-month waiting period for new hire and maternity leave.
Materials and Services	1,070,494	955,943	(114,551)	Fuel prices and insurance costs were lower than anticipated. Less ground maintenance was done at the airport and fewer burials were done at the cemetery than anticipated.
Capital Outlay	74,000	50,564	(23,436)	Kirkway riverbank stabilization project, LAMP irrigation system and other Council projects were delayed.
Debt Service	8,340	8,340	-	Debt payment was made as budgeted.
Total Expenditure Savings			\$ 326,914	
Operating Transfer In	8,000	7,732	(268)	Received less Cemetery interest due to interest rate decline
Operating Transfer Out	(65,500)	(65,500)	-	Transfers were paid as budgeted.
Beginning Fund Balance	1,003,404	1,187,247	183,843	Additional carryover from budgeted amount.
Difference Budget & Actual			\$ 606,314	

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year ended June 30, 2011 is summarized on pages 35-36 in the notes to the financial statements.

The following is a summary of the assets purchased or constructed during the fiscal year ended June 30, 2011:

Central Park Construction and Restrooms	\$ 214,018
Leo Adler Memorial Parkway (LAMP) Expansion	666,135
Skateboard Park Improvements	11,464
E Street Curbs and Sidewalks	60,268
Resort Street Construction	34,414
Taxiway Runway Project	195,007
Airport Master Plan	13,204
2 Defibrillators	49,762
2 Power Cots	21,320
Reservoir Security System	11,929
Water System Enhancements	525,427
Mountain Line Project	215,450
Okada Breaker	16,550
Vcam Wastewater Camera	7,600
Reclaimed Water Use Study	20,029
Wasterwater Pipe Curing	103,951
Wastewater System Enhancements	37,900
Vactor Truck	52,065
Storm Water Facility Plan	11,942
Mausoleum Marble Repair (2009-10 Project-Completed in 2010-11)	1,969
Jeep Cherokee Public Works Vehicle	24,871
Crown Victoria Police Car	27,749
Rail Spur Switch Design	27,021
Total	<u><u>\$ 2,350,045</u></u>

There was no new long-term debt issued during the fiscal year ended June 30, 2011.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$46,680 in 2010-11 to \$56,600 in 2011-12.
- Public works, police and fire contracts have been negotiated for a five year period which ends June 30, 2013. Increases for non-represented staff have been set for only the 2011-2012 year. The known impact of these actions is listed in the table below.

	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Non-Represented</u>
2011-2012				
Salary Increase	3%	3%	3%	2.5-3%
2012-2013			CPI(W)-March 2013	
Salary Increase	3%	3%	2% Min 4% Max	Undetermined

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

- Street fund resources (mainly state gas taxes and 18.47% of property taxes) are not sufficient to maintain the City's streets in their current condition. If the City's streets are not properly maintained (i.e. overlays, chip sealing, fog sealing, crack sealing) they will continue to deteriorate.
- In 2001, 2008, 2010 and 2011 the City raised water rates in order to complete repairs on the City's water system and implement UV treatment for State compliance. The legal matters over the use of federal lands are currently in the process of being resolved.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

- Effective July 1, 2011 the City raised wastewater rates to \$17.50 (for residential). Public works staff project that the current rate increase will not be enough for significant system modernization, rehabilitation and modification when required by state and federal agencies.

REQUESTS FOR INFORMATION

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

Basic Financial Statement

BAKER CITY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 3,198,377	\$ 2,253,705	\$ 5,452,082
Certificate of Deposit	20,320	-	20,320
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	329,655	136,887	466,542
Interest Receivable	932	-	932
SAIF Refund Receivable	32,147	-	32,147
Special Assessments Receivable	-	57,372	57,372
Prepaid Expenses	67,768	-	67,768
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	235,408	-	235,408
Intergovernmental Receivable	140,999	2,227	143,226
Note Receivable	-	20,835	20,835
Contracts and Special Assessments Receivable	397,674	-	397,674
Internal Balances	(437,748)	437,748	-
Inventories	271,427	-	271,427
Capital Assets (Net of Accumulated Depreciation):			
Land	2,113,878	1,342,160	3,456,038
Construction in Process	313,289	921,601	1,234,890
Buildings	2,141,668	206,226	2,347,894
Improvements Other than Buildings	13,574	80,356	93,930
Machinery and Equipment	1,396,087	133,145	1,529,232
Infrastructure	7,965,879	18,378,223	26,344,102
Other Assets	226,020	-	226,020
Total Assets	<u>\$ 18,427,354</u>	<u>\$ 23,970,485</u>	<u>\$ 42,397,839</u>
LIABILITIES:			
Accounts Payable	\$ 303,564	\$ 50,860	\$ 354,424
Accrued Payroll Taxes and Benefits Payable	37,727	15,594	53,321
Other Payables	5	-	5
Customer Deposits	-	26,453	26,453
Compensated Absences Payable	208,507	94,030	302,537
Noncurrent Liabilities:			
Due Within One Year	4,647	-	4,647
Due in More than One Year	62,986	-	62,986
Total Liabilities	<u>617,436</u>	<u>186,937</u>	<u>804,373</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	13,876,742	20,856,346	34,733,088
Restricted for:			
Cemetery Care	254,061	-	254,061
2089 Celebration	2,871	-	2,871
Airport	10,932	-	10,932
Car Seats	1,021	-	1,021
Unrestricted	3,664,291	2,927,202	6,591,493
Total Net Assets	<u>\$ 17,809,918</u>	<u>\$ 23,783,548</u>	<u>\$ 41,593,466</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, 2011

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 521,488	\$ 86,325	\$ 2,290	\$ -	\$ (432,873)	\$ -	\$ (432,873)
Public Safety	3,259,138	663,254	23,974	64,600	(2,507,310)	-	(2,507,310)
Highways and Streets	1,334,764	63,301	591,012	-	(680,451)	-	(680,451)
Culture and Recreation	269,171	103	7,262	534,212	272,406	-	272,406
Airport	234,880	5,960	-	217,992	(10,928)	-	(10,928)
Cemetery	108,090	58,910	-	2,069	(47,111)	-	(47,111)
Hydro-electric Plant	5,598	61,457	-	-	55,859	-	55,859
Economic and Community Development	98,412	-	169	-	(98,243)	-	(98,243)
Interest on Long Term Debt	5,598	-	-	-	(5,598)	-	(5,598)
Total Governmental Activities	5,837,139	939,310	624,707	818,873	(3,454,249)	-	(3,454,249)
Business-type Activities:							
Water Utility	1,474,327	1,922,466	-	-	-	448,139	448,139
Wastewater Utility	983,022	1,034,011	-	-	-	50,989	50,989
Golf Operation	18,544	22,500	-	-	-	3,956	3,956
Building Inspection	367,127	305,615	-	-	-	(61,512)	(61,512)
Total Business-type Activities	2,843,020	3,284,592	-	-	-	441,572	441,572
Total Government	\$ 8,680,159	\$ 4,223,902	\$ 624,707	\$ 818,873	(3,454,249)	441,572	(3,012,677)
General Revenues:							
Property Taxes					2,841,370	-	2,841,370
Franchise Taxes					824,292	-	824,292
Grants and Contributions Not Restricted to a Particular Program					214,750	-	214,750
Rental Income					22,480	6,782	29,262
Interest on Investments					46,223	29,107	75,330
SAIF Refunds					53,067	-	53,067
Miscellaneous					21,218	49,820	71,038
Transfers:							
Operating					-	-	-
Total General Revenues and Transfers					4,023,400	85,709	4,109,109
Change in Net Assets					569,151	527,281	1,096,432
Net Assets July 1, 2010					17,240,767	23,256,267	40,497,034
Net Assets June 30, 2011					<u>\$ 17,809,918</u>	<u>\$ 23,783,548</u>	<u>\$ 41,593,466</u>

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

**BAKER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<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	\$ 1,113,451	\$ 645,905	\$ 24,572	\$ -	\$ 728,127	\$ 2,512,055
Certificate of Deposit	-	-	-	20,320	-	20,320
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	307,411	3,037	254	18,243	-	328,945
Interest Receivable	-	-	932	-	-	932
SAIF Refund Receivable	32,147	-	-	-	-	32,147
Prepaid Expenses	-	-	-	67,768	-	67,768
Taxes Receivable	185,714	43,480	-	-	6,214	235,408
Contracts and Special Assessments Receivable	-	-	157,677	239,997	-	397,674
Due From Other Funds	266,572	-	-	-	18,971	285,543
Advances to Other Funds	-	-	-	-	186,394	186,394
Intergovernmental Receivable	30,248	46,557	-	64,194	-	140,999
Other Assets	225,132	-	-	-	888	226,020
Total Assets	<u>\$ 2,160,675</u>	<u>\$ 738,979</u>	<u>\$ 183,435</u>	<u>\$ 410,522</u>	<u>\$ 940,594</u>	<u>\$ 4,434,205</u>
Liabilities:						
Accounts Payable	\$ 66,644	\$ 88,479	\$ -	\$ 79,755	\$ 11,773	\$ 246,651
Payroll Taxes and Benefits Payable	31,464	4,259	-	528	83	36,334
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	25,740	266,572	-	292,312
Advances from Other funds	-	-	75,448	-	-	75,448
Deferred Revenue	573,416	44,276	158,863	258,240	5,950	1,040,745
Total Liabilities	<u>671,529</u>	<u>137,014</u>	<u>260,051</u>	<u>605,095</u>	<u>17,806</u>	<u>1,691,495</u>
Fund Balance (Deficit):						
Nonspendable	-	-	-	67,768	-	67,768
Restricted for 2089 Celebration	-	-	-	-	2,871	2,871
Restricted for Cemetery Care	-	-	-	-	254,061	254,061
Restricted for Airport	-	-	-	10,932	-	10,932
Restricted for Car Seats	-	-	-	1,021	-	1,021
Committed for Cemetery Care	-	-	-	-	505,969	505,969
Committed for Sidewalks	-	-	-	-	56,169	56,169
Committed for Street Trees	-	-	-	-	2,098	2,098
Assigned for Public Safety	-	-	-	33,464	-	33,464
Assigned for Skate Park	-	-	-	13,429	-	13,429
Assigned for Fire Equipment	-	-	-	-	64,455	64,455
Assigned for Samo Swim Maintenance	-	-	-	-	37,165	37,165
Assigned for Streets	-	601,965	-	-	-	601,965
Unassigned	1,489,146	-	(76,616)	(321,187)	-	1,091,343
Total Fund Balance (Deficit)	<u>1,489,146</u>	<u>601,965</u>	<u>(76,616)</u>	<u>(194,573)</u>	<u>922,788</u>	<u>2,742,710</u>
Total Liabilities and Fund Balance	<u>\$ 2,160,675</u>	<u>\$ 738,979</u>	<u>\$ 183,435</u>	<u>\$ 410,522</u>	<u>\$ 940,594</u>	<u>\$ 4,434,205</u>

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

BAKER CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances of Governmental Funds \$ 2,742,710

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds. 1,040,745

Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value. 13,414,978

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. (268,748)

Internal service funds are proprietary-type funds and are not reported with the governmental funds. However, because internal service funds are expected to benefit primarily governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets. 1,523,346

That portion of internal service fund net assets arising from transactions with enterprise-type funds are included in internal balances between governmental activities and business-type activities on the Statement of Net Assets. (643,113)

Net Assets of Governmental Activities \$ 17,809,918

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, 2011

	<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	\$ 2,215,061	\$ 518,629	\$ -	\$ -	\$ 74,062	\$ 2,807,752
Franchise	824,292	-	-	-	-	824,292
Licenses and Permits	48,477	-	-	-	-	48,477
Intergovernmental	219,250	591,012	-	231,812	64,600	1,106,674
Charges for Services	814,540	63,301	-	918	-	878,759
Fines and Forfeitures	24,189	-	-	-	-	24,189
Rental Income	22,480	-	-	-	-	22,480
Interest	16,795	6,489	2,684	784	10,127	36,879
SAIF Refunds	53,067	-	-	-	-	53,067
Miscellaneous	12,905	-	29,391	85,140	238	127,674
Total Revenue	<u>4,251,056</u>	<u>1,179,431</u>	<u>32,075</u>	<u>318,654</u>	<u>149,027</u>	<u>5,930,243</u>
Expenditures:						
Current:						
General Government	486,519	-	59	575	-	487,153
Public Safety	3,046,271	-	-	22,924	-	3,069,195
Highways and Streets	-	984,917	-	-	-	984,917
Sidewalks	-	-	-	-	30,934	30,934
Parks and Recreation	56,829	-	-	30,599	91,920	179,348
Airport	44,951	-	-	-	-	44,951
Cemetery	106,678	-	-	-	-	106,678
Hydro-electric Plant	5,598	-	-	-	-	5,598
Economic and Community Development	106,485	-	-	4,687	-	111,172
Debt Service:						
Principal	4,407	-	-	-	-	4,407
Interest	3,933	-	1,665	-	-	5,598
Capital Outlay:						
Public Safety	27,749	-	-	-	71,082	98,831
Parks and Recreation	-	-	-	427,523	-	427,523
Highways and Streets	-	35,670	-	34,414	-	70,084
Sidewalks	-	-	-	-	36,540	36,540
Airport	-	-	-	208,211	-	208,211
Cemetery	1,969	-	-	-	-	1,969
Economic and Community Development	-	-	-	27,021	-	27,021
Total Expenditures:	<u>3,891,389</u>	<u>1,020,587</u>	<u>1,724</u>	<u>755,954</u>	<u>230,476</u>	<u>5,900,130</u>
Excess (Deficit) of Revenues Over Expenditures	<u>359,667</u>	<u>158,844</u>	<u>30,351</u>	<u>(437,300)</u>	<u>(81,449)</u>	<u>30,113</u>
Other Financing Sources (Uses):						
Transfers In	7,732	-	-	22,500	99,459	129,691
Transfers Out	(65,500)	(56,459)	-	-	(7,732)	(129,691)
Total Other Financing Sources (Uses)	<u>(57,768)</u>	<u>(56,459)</u>	<u>-</u>	<u>22,500</u>	<u>91,727</u>	<u>-</u>
Net Change in Fund Balance	301,899	102,385	30,351	(414,800)	10,278	30,113
Fund Balance (Deficit), July 1, 2010	<u>1,187,247</u>	<u>499,580</u>	<u>(106,967)</u>	<u>220,227</u>	<u>912,510</u>	<u>2,712,597</u>
Fund Balance (Deficit), June 30, 2011	<u>\$ 1,489,146</u>	<u>\$ 601,965</u>	<u>\$ (76,616)</u>	<u>\$ (194,573)</u>	<u>\$ 922,788</u>	<u>\$ 2,742,710</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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	30,113
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.		(733)
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.		87,216
Donations of capital assets are not reported in the fund financial statements as they do not affect current resources. However, the resulting increase in net assets is reported in the Statement of Activities.		464,092
Proceeds from the issuance of long-term debt provide current financial resources and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases or decreases in noncurrent liabilities in the Statement of Net Assets.		626
Internal Service Funds are used by management to charge the costs of certain activities, such as inventory and fleet management. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(33,133)
That portion of the change in net assets of internal service funds arising from transactions with business-type funds is an adjustment to internal balances between governmental activities and business-type activities on the Statement of Net Assets.		20,970
Change in Net Assets of Governmental Activities	\$	569,151

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

BAKER CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	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	\$ 1,448,426	\$ 593,487	\$ -	\$ 211,792	\$ 2,253,705	\$ 686,322
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	74,804	39,500	22,500	83	136,887	710
Prepaid Expenses	-	-	-	-	-	-
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	2,227	2,227	-
Note Receivable	-	-	5,061	-	5,061	-
Due From Other Funds	23,042	-	-	-	23,042	25,740
Inventories	-	-	-	-	-	271,427
Total Current Assets	1,546,272	636,464	27,561	214,102	2,424,399	984,199
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	75,448
Special Assessments Receivable	-	53,895	-	-	53,895	-
Note Receivable	-	-	15,774	-	15,774	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	921,601	-	-	-	921,601	-
Buildings	224,731	35,037	106,146	-	365,914	39,524
Improvements other than Buildings	-	-	290,347	-	290,347	-
Infrastructure	19,186,887	8,140,950	-	-	27,327,837	-
Machinery, Equipment, and Vehicles	193,435	462,420	17,975	19,913	693,743	2,445,566
Less: Accumulated Depreciation	(5,582,440)	(4,031,017)	(260,813)	(5,621)	(9,879,891)	(1,955,693)
Total Capital Assets	15,124,472	4,711,188	1,211,759	14,292	21,061,711	529,397
Total Noncurrent Assets	15,124,472	4,765,083	1,227,533	14,292	21,131,380	604,845
Total Assets	\$ 16,670,744	\$ 5,401,547	\$ 1,255,094	\$ 228,394	\$ 23,555,779	\$ 1,589,044
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 25,173	\$ 13,162	\$ -	\$ 12,525	\$ 50,860	\$ 56,913
Customer Deposits	26,453	-	-	-	26,453	-
Due to Other Funds	-	-	42,013	-	42,013	-
Accrued Payroll Taxes and Benefits Payable	9,167	4,096	-	2,331	15,594	1,393
Compensated Absences Payable	58,030	30,081	-	5,919	94,030	7,392
Total Current Liabilities	118,823	47,339	42,013	20,775	228,950	65,698
Long-Term Liabilities:						
Advances From Other Funds	-	-	186,394	-	186,394	-
Total Long-Term Liabilities	-	-	186,394	-	186,394	-
Total Liabilities	118,823	47,339	228,407	20,775	415,344	65,698
Net Assets:						
Invested in Capital Assets, Net of Related Debt	15,124,472	4,711,188	983,352	14,292	20,833,304	529,397
Unrestricted	1,427,449	643,020	43,335	193,327	2,307,131	993,949
Total Net Assets	\$ 16,551,921	\$ 5,354,208	\$ 1,026,687	\$ 207,619	23,140,435	\$ 1,523,346
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Assests of Business-type Activities					643,113	
Net Assets of Business-Type Activities					\$ 23,783,548	

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

BAKER CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<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	\$ 1,922,466	\$ 1,034,011	\$ -	\$ 305,615	\$ 3,262,092	\$ 495,961
Miscellaneous	9,488	40,322	1	9	49,820	3,514
Total Operating Revenue	<u>1,931,954</u>	<u>1,074,333</u>	<u>1</u>	<u>305,624</u>	<u>3,311,912</u>	<u>499,475</u>
Operating Expenses:						
Cost of Sales and Services	1,134,868	774,089	-	365,135	2,274,092	462,734
Depreciation	328,169	199,253	-	1,992	529,414	84,388
Total Operating Expenses	<u>1,463,037</u>	<u>973,342</u>	<u>-</u>	<u>367,127</u>	<u>2,803,506</u>	<u>547,122</u>
Operating Income (Loss)	<u>468,917</u>	<u>100,991</u>	<u>1</u>	<u>(61,503)</u>	<u>508,406</u>	<u>(47,647)</u>
Nonoperating Revenue (Expense):						
Gain on Equipment Sale	-	-	-	-	-	5,170
Investment Earnings	17,236	7,781	1,149	2,941	29,107	9,344
Rental Income	3,000	3,782	22,500	-	29,282	-
Depreciation and Expenses - Rental Property	-	-	(17,382)	-	(17,382)	-
Interest Expense	-	-	(1,162)	-	(1,162)	-
Total Nonoperating Revenue (Expense)	<u>20,236</u>	<u>11,563</u>	<u>5,105</u>	<u>2,941</u>	<u>39,845</u>	<u>14,514</u>
Income	<u>489,153</u>	<u>112,554</u>	<u>5,106</u>	<u>(58,562)</u>	<u>548,251</u>	<u>(33,133)</u>
Change in Net Assets	489,153	112,554	5,106	(58,562)	548,251	(33,133)
Net Assets, July 1, 2010	<u>16,062,768</u>	<u>5,241,654</u>	<u>1,021,581</u>	<u>266,181</u>		<u>1,556,479</u>
Net Assets, June 30, 2011	<u>\$ 16,551,921</u>	<u>\$ 5,354,208</u>	<u>\$ 1,026,687</u>	<u>\$ 207,619</u>		<u>\$ 1,523,346</u>
					(20,970)	
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					<u>\$ 527,281</u>	
Change in Net Assets of Business-Type Activities						

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, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities-- Internal Service Funds
	Water Utility	Wastewater Utility	Golf Course Operation	Building Inspections	Totals	
Cash From Operating Activities:						
Receipts from Customers and Users	\$ 1,934,733	\$ 1,036,645	\$ 5,000	\$ 306,179	\$ 3,282,557	\$ 1,517
Receipts from Interfund Services Provided	-	-	-	-	-	494,444
Receipts from Compensated Absence Accrual Transfer	-	-	-	-	-	5,329
Other Receipts	9,488	40,322	1	9	49,820	3,106
Payments for Compensated Absence Accrual Transfer	(5,329)	-	-	-	(5,329)	-
Payments to Suppliers	(154,957)	(176,784)	-	(103,784)	(435,525)	(271,541)
Payments to Employees	(674,988)	(416,421)	-	(237,511)	(1,328,920)	(182,450)
Payments for Interfund Services Used	(296,453)	(157,636)	-	(28,605)	(482,694)	(70)
Net Cash Provided (Used) by Operating Activities	812,494	326,126	5,001	(63,712)	1,079,909	50,335
Cash Flows From Non Capital Financing Activities:						
Advances from (to) Other Funds	(23,042)	-	23,042	-	-	-
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	31,762	-	(31,762)	-	-	45,835
Net Cash Provided (Used) by Noncapital Financing Activities	8,720	3,477	(8,720)	-	3,477	45,835
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	-	-	-	-	-	5,170
Purchases of Capital Assets	(16,550)	(7,600)	-	-	(24,150)	(76,935)
Acquisition/Construction of Capital Assets	(1,015,155)	(160,906)	-	-	(1,176,061)	-
Principal Paid on Interfund Debt	-	-	(18,838)	-	(18,838)	-
Interest Paid on Interfund Debt	-	-	(1,162)	-	(1,162)	-
Net Cash Provided (Used) by Capital Financing Activities	(1,031,705)	(168,506)	(20,000)	-	(1,220,211)	(71,765)
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	22,500	-	29,282	-
Receipts from Loan Collections	-	-	4,365	-	4,365	-
Expenses Rental Property	-	-	(4,295)	-	(4,295)	-
Interest on Investments	17,236	7,781	1,149	2,941	29,107	9,344
Net Cash Provided (Used) by Investing Activities	20,236	11,563	23,719	2,941	58,459	9,344
Net Increase (Decrease) in Cash and Cash Equivalents	(190,255)	172,660	-	(60,771)	(78,366)	33,749
Cash and Cash Equivalents, July 1, 2010	1,638,681	420,827	-	272,563	2,332,071	652,573
Cash and Cash Equivalents, June 30, 2011	\$ 1,448,426	\$ 593,487	\$ -	\$ 211,792	\$ 2,253,705	\$ 686,322
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 468,917	\$ 100,991	\$ 1	\$ (61,503)	\$ 508,406	\$ (47,647)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	328,169	199,253	-	1,992	529,414	84,388
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	7,715	2,634	5,000	564	15,913	(408)
(Increase) Decrease in Prepaid Expenses	-	19,000	-	-	19,000	-
(Increase) Decrease in Inventories	-	-	-	-	-	(15,142)
Increase (Decrease) in Customer Deposits	4,552	-	-	-	4,552	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	3,501	3,724	-	(4,429)	2,796	36,909
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	446	(95)	-	76	427	(311)
Increase (Decrease) in Compensated Absences Payable	(806)	619	-	(412)	(599)	(7,454)
Total Adjustments	343,577	225,135	5,000	(2,209)	571,503	97,982
Net Cash Provided (Used) by Operating Activities	\$ 812,494	\$ 326,126	\$ 5,001	\$ (63,712)	\$ 1,079,909	\$ 50,335

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 (\$262,349) and Wastewater Fund \$974.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, donations and similar items are recognized as revenues in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds.

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

The City has two permanent funds the One Hundred Year Trust Fund and the Mt. Hope Trust Fund. The One Hundred Year Trust Fund was started with donations in 1989 and will be used to accumulate money to fund a public amenity, fund a community celebration in the year 2089, and provide seed money for another one hundred year trust. The Mt. Hope Trust Fund's trust corpus can never be spent but the investment earnings are to be used for cemetery maintenance.

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

expenses that are charged to other funds. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater Utility, and the Building Inspections funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For example, the revenue and expenses associated with the lease of the City's 18 hole golf course with Seven Iron LLC (effective until December 30, 2014) are nonoperating revenue and expenses.

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

Cash, Cash Equivalents and Investments

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

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

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no debt-financed construction activity in the fiscal year ended June 30, 2011.

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

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

Compensated Absences

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

Long-Term Obligations

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations (Continued)

reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Government-Wide Statements

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

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

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

Fund Financial Statements

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

- *Nonspendable* – amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact (such as the corpus of an endowment fund).

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

- *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.
- *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.

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.

Use of Estimates

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Deficit Fund Equity

The LID Repayment Fund had a deficit fund balance of \$76,616 as of June 30, 2011. 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 State and Federal Grants Fund had a deficit fund balance of \$194,573 due mainly to the timing of two grants that pay on a reimbursement basis (Connect Oregon and LGGP). A receivable has not been recorded in the financial statement because these grant reimbursements are currently not measurable or available.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At June 30, 2011, the City's carrying amount of deposits was \$5,451,607 and the bank balance was \$5,572,155.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no formal investment policy but does follow the requirements of Chapter 295 of the Oregon Revised Statutes (ORS) for managing custodial credit risk. Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts. ORS Chapter 295 requires depository banks to deposit with a third party bank custodian securities having a value of 10%, 25% or 110% of public funds on deposit in excess of FDIC insurance limits depending on the capitalization level of the depository bank. This collateral is to be in the name of the Oregon State Treasurer (Treasurer). Should a bank

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City's banks participate in this program. As of June 30, 2011 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 592,990
Collateralized under the provisions of ORS 295	<u>4,979,165</u>
Total	<u>\$ 5,572,155</u>

At June 30, 2011 the City had an investment in a fully collateralized \$20,320 certificate of deposit. At June 30, 2011 the City had an investment of \$34,681 in the Oregon Short Term Fund (OSTF), an external investment pool administered by the Oregon State Treasurer. The OSTF is regulated under the statutes of the State of Oregon (ORS 294.805-294.895). The OSTF invests in US Agency Securities, Corporate Bonds, Commercial Paper and Certificates of Deposit. The OSTF's investment policy requires a minimum weighted average credit rating for its investment holdings of AA and Aa2 or AA for Standard and Poor's, Moody's or Fitch, respectively. The OSTF fund is not rated. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

Receivables

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

	General Fund	Street Fund	LID Repayment Fund	State and Federal Grants Fund	Non-major and Other Funds	Total
Interest	\$ -	\$ -	\$ 932	\$ -	\$ -	\$ 932
SAIF Refund	32,147	-	-	-	-	32,147
Property Taxes	185,714	43,480	-	-	6,214	235,408
Franchise Taxes	130,218	-	-	-	-	130,218
Trade Accounts	303,393	3,277	254	18,243	-	325,167
Special Assessments	-	-	-	239,997	-	239,997
LID Receivables	-	-	157,677	-	-	157,677
Intergovernmental	30,248	46,557	-	64,194	-	140,999
Gross Receivables	<u>681,720</u>	<u>93,314</u>	<u>158,863</u>	<u>322,434</u>	<u>6,214</u>	<u>1,262,545</u>
Less: Allowance for Uncollectibles	(126,200)	(240)	-	-	-	(126,440)
Total Receivables	<u>\$ 555,520</u>	<u>\$ 93,074</u>	<u>\$ 158,863</u>	<u>\$ 322,434</u>	<u>\$ 6,214</u>	<u>\$ 1,136,105</u>

Internal Service Funds have trade account receivables at year end of \$710 which are included with governmental activities in the Statement of Net Assets.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

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

	Water Utility Fund	Wastewater Utility Fund	Building Inspection Fund	Golf Course Operation Fund	Total
Trade Accounts	\$ 81,903	\$ 43,274	\$ 83	\$ 22,500	\$ 147,760
Special Assessments	-	57,372	-	-	57,372
Intergovernmental	-	-	2,227	-	2,227
Gross Receivables	81,903	100,646	2,310	22,500	207,359
Less: Allowance for Uncollectibles	(7,099)	(3,774)	-	-	(10,873)
Total Receivables	\$ 74,804	\$ 96,872	\$ 2,310	\$ 22,500	\$ 196,486

On July 10, 2009 the City sold a sprayer to Seven Iron, LLC in return for a five year \$25,200 promissory note with interest at 3%. As of June 30, 2011 the note is scheduled to mature as follows:

Fiscal Year	Principal	Interest	Totals
2011-2012	\$ 5,203	\$ 310	\$ 5,513
2012-2013	5,044	469	5,513
2013-2014	5,196	317	5,513
2014-2015	5,392	162	5,554
Total	\$ 20,835	\$ 1,258	\$ 22,093

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

	Deferred Revenue
Trade Accounts Receivable	\$ 191,583
Delinquent Property Taxes Receivable	225,424
Special Assessments Not Due	239,997
Local Improvement District Receivables Not Due	157,677
Interest Receivable	932
Oregon Trail Electric Cooperative Capital Credits	225,132
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,040,745

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$225,132, special assessments receivable in the amount of \$239,997, contracts receivable included in trade receivables of \$14,643, and local improvement district receivables of \$157,677 are not expected to be collected within one year.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2011 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	\$ 665,306	\$ 289,689	\$ (641,706)	\$ 313,289
Land	1,946,919	-	166,959	2,113,878
Total capital assets, not being depreciated	<u>2,612,225</u>	<u>289,689</u>	<u>(474,747)</u>	<u>2,427,167</u>
Capital assets, being depreciated:				
Buildings	4,672,471	99,311	-	4,771,782
Improvements other than buildings	102,730	-	-	102,730
Machinery and equipment	4,751,275	175,767	(111,749)	4,815,293
Infrastructure	26,467,825	1,321,189	-	27,789,014
Total capital assets being depreciated	<u>35,994,301</u>	<u>1,596,267</u>	<u>(111,749)</u>	<u>37,478,819</u>
Less accumulated depreciation for:				
Buildings	(2,534,767)	(95,346)	-	(2,630,113)
Improvements other than buildings	(84,860)	(4,296)	-	(89,156)
Machinery and equipment	(3,296,331)	(234,624)	111,749	(3,419,206)
Infrastructure	(19,290,049)	(533,085)	-	(19,823,134)
Total accumulated depreciation	<u>(25,206,007)</u>	<u>(867,351)</u>	<u>111,749</u>	<u>(25,961,609)</u>
Total capital assets, being depreciated, net	<u>10,788,294</u>	<u>728,916</u>	<u>-</u>	<u>11,517,210</u>
Governmental activities capital assets, net	<u>\$ 13,400,519</u>	<u>\$ 1,018,605</u>	<u>\$ (474,747)</u>	<u>\$ 13,944,377</u>

Construction in process for governmental activities of \$313,289 is comprised of \$218,607 for the Airport Runway Project, \$60,268 for the "E" Street curb and sidewalk project done in conjunction with the "E" Street overlay completed in August 2011 and \$34,414 for preliminary construction work on Resort Street.

During the year ended June 30, 2011 the Oregon Department of Transportation completed the expansion of the Leo Adler Memorial Parkway from Washington to south of Madison on behalf of the City. ODOT contributed \$450,010 in funds towards the construction of the parkway.

During the year ended June 30, 2011 the Lion's Club and several businesses contributed labor and materials to construct a picnic shelter at the new Central Park. The value of those contributions totaled \$14,082.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Beginning Balance	Increase/ Transfer	Decrease/ Transfer	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 706,151	\$ 215,450	\$ -	\$ 921,601
Land	1,342,160	-	-	1,342,160
Total capital assets, not being depreciated	2,048,311	215,450	-	2,263,761
Capital assets, being depreciated:				
Buildings	365,914	-	-	365,914
Machinery and equipment	861,029	24,150	(191,436)	693,743
Improvements other than buildings	290,347	-	-	290,347
Infrastructure	26,628,601	699,236	-	27,327,837
Total capital assets, being depreciated	28,145,891	723,386	(191,436)	28,677,841
Less accumulated depreciation for:				
Buildings	(151,197)	(8,491)	-	(159,688)
Machinery and equipment	(732,511)	(19,523)	191,436	(560,598)
Improvements other than buildings	(198,717)	(11,274)	-	(209,991)
Infrastructure	(8,445,575)	(504,039)	-	(8,949,614)
Total accumulated depreciation	(9,528,000)	(543,327)	191,436	(9,879,891)
Total capital assets, being depreciated, net	18,617,891	180,059	-	18,797,950
Business-type activities capital assets, net	\$ 20,666,202	\$ 395,509	\$ -	\$ 21,061,711

Construction in process for business-type activities of \$921,601 is comprised of pipe and legal costs for the Forest Service portion of the mountain line water improvement project.

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

Governmental activities:

General government	\$ 33,988
Public safety	167,658
Highway and streets, including depreciation of general infrastructure assets	298,394
Culture and recreation	89,002
Economic and Community Development	2,507
Airport	189,929
Cemetery	1,485
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	84,388

Total depreciation expense - governmental activities

\$ 867,351

Business-type activities:

Water utility	\$ 328,169
Wastewater utility	199,253
Building inspections	1,992
Golf operation	13,913

Total depreciation expense-business-type activities

\$ 543,327

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 25,740
Mt Hope Trust	Golf	18,971
Water	Golf	23,042
General	State and Federal Grants	266,572
Total		<u>\$ 334,325</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	\$ 75,448
Mt Hope Trust	Golf	186,394
Total		<u>\$ 261,842</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, 2011 are as follows:

	General Fund	Street Fund	S&F Grant Fund	Nonmajor Governmental Funds	Internal Service Funds	Enterprise Funds	Total
Transfer from:							
General Fund	\$ -	\$ -	\$ 22,500	\$ 43,000	\$ -	\$ -	\$ 65,500
Street Fund	-	-	-	56,459	-	-	56,459
Non Major Governmental Funds	7,732	-	-	-	-	-	7,732
Total Transfers	<u>\$ 7,732</u>	<u>\$ -</u>	<u>\$ 22,500</u>	<u>\$ 99,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,691</u>

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

Contracts, Notes and Capital Lease Obligations

The following is a summary of the City's governmental outstanding debt at June 30, 2011:

	<u>Governmental Activities Long-Term Obligations</u>
Note Payable to the Oregon Economic and Community Development Department for \$100,000 dated June 26, 2002 for the purchase of airport facilities, annual installments of \$8,340 due December 1, including interest at 5.46%	\$ 67,633
Total Governmental Activity Long-Term Liabilities	<u>\$ 67,633</u>

The following is a summary of maturities of the Governmental Activity Long-term Liability as of June 30, 2011:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011-2012	\$ 4,647	\$ 3,693	\$ 8,340
2012-2013	4,901	3,439	8,340
2013-2014	5,169	3,171	8,340
2014-2015	5,451	2,889	8,340
2015-2016	5,749	2,591	8,340
2016-2021	33,808	7,893	41,701
2021-2022	7,908	432	8,340
Total	<u>\$ 67,633</u>	<u>\$ 24,108</u>	<u>\$ 91,741</u>

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note payable - OR Economic Development Department	\$ 72,040	\$ -	\$ (4,407)	\$ 67,633	\$ 4,647
Compensated absences	212,180	261,202	(264,875)	208,507	208,507
Governmental activity Long-term liabilities	<u>\$ 284,220</u>	<u>\$ 261,202</u>	<u>\$ (269,282)</u>	<u>\$ 276,140</u>	<u>\$ 276,140</u>
Business Type Activities:					
Compensated absences	<u>\$ 94,629</u>	<u>\$ 102,710</u>	<u>\$ (103,309)</u>	<u>\$ 94,030</u>	<u>\$ 94,030</u>

The compensated absences liability for the Internal Service Funds is \$7,392 and is included in the above totals for governmental activities.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (Continued)

4. OTHER INFORMATION

Risk Management

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

Employee Retirement System and Pension Plans

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

1. The City's full-time and permanent part-time employees hired before August 29, 2003 are participants in the Oregon Public Employees' Retirement System (PERS). In January 2002 the City elected into the State and Local Governmental Rate Pool, a cost sharing multiple employer defined benefit pension plan. The City's pension plan had previously been an independently funded local pension plan in PERS.
 - Benefits generally vest after five years of continuous service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are based on salary and length of service, are calculated using a formula, and are payable in a lump sum or monthly using several payment options.
 - Participants are required to contribute 6% of salary under the plan. The City pays the participants' contribution in lieu of a wage increase. The City's employer rate for the year ended June 30, 2011 was 11.93%, it increased to 16.04% as of July 1, 2011. The City annually pays to PERS the PERS required contribution rate in full.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Employee Retirement System and Pension Plans (Continued)

4. OTHER INFORMATION (Continued)

2. The Oregon Public Service Retirement Plan was established by the legislature on August 29, 2003. PERS, the agency, administers OPSRP. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and the Oregon Investment Council invests plan assets. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (IAP) (defined contribution).
- Beginning January 1, 2004, all PERS member contributions (the 6%) went into the IAP portion of OPSRP. Baker City pays the member contribution into PERS. PERS members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP Employee Account, not into the member's PERS account.
 - An employee is eligible for membership in the OPSRP Pension Plan when hired by a public employer participating in the OPSRP Pension Plan into a qualifying position on or after August 29, 2003 and has completed the waiting period of six full calendar months of employment, uninterrupted by more than 30 consecutive workdays. A Tier One or Tier Two PERS member will become a member of the OPSRP Pension Program if s/he incurs a six-month service break and is subsequently rehired. The City's rate for member contributions is 8.6% except 11.31% for police/fire members, it increased to 10.77% and 13.48% for police/fire members as of July 1, 2011.
 - A member may receive OPSRP benefits generally anytime after reaching age 65, or at age 58 with 30 years of service.

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

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	\$ 734,314	100%	\$ -
06/30/10	\$ 615,067	100%	\$ -
06/30/11	\$ 588,629	100%	\$ -

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. OTHER INFORMATION (Continued)

Commitments, Contingencies and Subsequent Events

Accrued liabilities do not include sick leave of approximately \$668,073 which was earned as of June 30, 2011, but is payable only for a valid absence from work under the City's sick leave plan.

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

A tort claim has been filed by a former City Manager through his attorney. This matter has been turned over to the City's insurance carrier. The City is unable to determine the effect, if any, this action will have on the financial position of the City.

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

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, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GENERAL FUND					
Revenue:					
Property Taxes	\$ 2,195,046	\$ 2,195,046	\$ 2,215,061	\$ -	\$ 2,215,061
Franchise Taxes	836,740	836,740	824,292	-	824,292
Licenses and Permits	48,050	48,050	48,477	-	48,477
Intergovernmental	217,500	217,500	219,250	-	219,250
Charges for Services	732,350	732,350	814,540	-	814,540
Fines and Forfeitures	31,100	31,100	24,189	-	24,189
Rental Income	23,760	23,760	22,480	-	22,480
Interest and Dividends	12,000	12,000	69,862	-	69,862
Miscellaneous	44,821	44,821	12,905	-	12,905
Overhead Charges to Other Funds	340,000	340,000	326,136	(326,136)	-
Total Revenues	4,481,367	4,481,367	4,577,192	(326,136)	4,251,056
Expenditures:					
General Government:					
Administration	1,082,865	1,069,865	1,022,901	(602,564)	420,337
Planning	95,163	80,163	66,182	-	66,182
Total General Government	1,178,028	1,150,028	1,089,083	(602,564)	486,519
Public Safety:					
Police	1,673,625	1,673,625	1,489,198	276,428	1,765,626
Fire	1,349,753	1,349,753	1,308,394	-	1,308,394
Total Public Safety	3,023,378	3,023,378	2,797,592	276,428	3,074,020
Parks and Recreation:					
Parks	51,633	57,633	56,829	-	56,829
Airport	57,152	57,152	44,951	-	44,951
Debt Service - Airport	8,340	8,340	8,340	-	8,340
Cemetery	114,721	121,721	108,647	-	108,647
Hydro Electric Plant	6,216	6,216	5,598	-	5,598
Community Development	104,971	119,971	106,485	-	106,485
Operating Contingency	160,000	160,000	-	-	-
Total Expenditures	4,704,439	4,704,439	4,217,525	(326,136)	3,891,389
Excess (Deficit) of Revenues Over Expenditures	(223,072)	(223,072)	359,667	-	359,667
Other Financing Sources (Uses):					
Transfers In	8,000	8,000	7,732	-	7,732
Transfers Out	(65,500)	(65,500)	(65,500)	-	(65,500)
Total Other Financing Sources (Uses)	(57,500)	(57,500)	(57,768)	-	(57,768)
Net Change in Fund Balance	(280,572)	(280,572)	301,899	-	301,899
Fund Balance, July 1, 2010	1,003,404	1,003,404	1,187,247	-	1,187,247
Fund Balance, June 30, 2011	\$ 722,832	\$ 722,832	\$ 1,489,146	\$ -	\$ 1,489,146

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE TAX STREET FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE TAX STREET FUND					
Revenue:					
Taxes	\$ 513,737	\$ 513,737	\$ 518,629	\$ -	\$ 518,629
Intergovernmental	528,590	528,590	591,012	-	591,012
Charges for Services	63,000	63,000	63,301	-	63,301
Interest	3,000	3,000	6,489	-	6,489
Miscellaneous	2,836	2,836	-	-	-
Total Revenues	<u>1,111,163</u>	<u>1,111,163</u>	<u>1,179,431</u>	<u>-</u>	<u>1,179,431</u>
Expenditures:					
Maintenance	541,546	541,546	430,566	-	430,566
Storm Water Maintenance	80,237	101,237	43,574	-	43,574
Preventative Maintenance	501,972	499,972	426,222	-	426,222
Street Lighting	68,596	68,596	62,134	-	62,134
Snow and Ice Control	73,505	52,505	52,180	-	52,180
Street Construction	16,129	16,129	5,911	-	5,911
Operating Contingency	30,000	30,000	-	-	-
Total Expenditures	<u>1,311,985</u>	<u>1,309,985</u>	<u>1,020,587</u>	<u>-</u>	<u>1,020,587</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(200,822)</u>	<u>(198,822)</u>	<u>158,844</u>	<u>-</u>	<u>158,844</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	<u>(55,000)</u>	<u>(57,000)</u>	<u>(56,459)</u>	<u>-</u>	<u>(56,459)</u>
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(57,000)</u>	<u>(56,459)</u>	<u>-</u>	<u>(56,459)</u>
Net Change in Fund Balance	(255,822)	(255,822)	102,385	-	102,385
Fund Balance, July 1, 2010	<u>338,827</u>	<u>338,827</u>	<u>499,580</u>	<u>-</u>	<u>499,580</u>
Fund Balance, June 30, 2011	<u>\$ 83,005</u>	<u>\$ 83,005</u>	<u>\$ 601,965</u>	<u>\$ -</u>	<u>\$ 601,965</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LID REPAYMENT FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
LID REPAYMENT FUND					
Revenue:					
Interest	\$ 3,000	\$ 3,000	\$ 133	\$ 2,551	\$ 2,684
Special Assessments/LID Repayments	25,000	25,000	31,942	(2,551)	29,391
Total Revenues	<u>28,000</u>	<u>28,000</u>	<u>32,075</u>	<u>-</u>	<u>32,075</u>
Expenditures:					
Administration	1,500	1,500	59	-	59
Debt Service	-	-	-	1,665	1,665
Contingency	-	-	-	-	-
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>59</u>	<u>1,665</u>	<u>1,724</u>
Excess (Deficit) of Revenues Over Expenditures	26,500	26,500	32,016	(1,665)	30,351
Other Financing Sources (Uses):					
Interfund Loan Transfers Out	(47,500)	(47,500)	(47,500)	47,500	-
Total Other Financing Sources (Uses):	<u>(47,500)</u>	<u>(47,500)</u>	<u>(47,500)</u>	<u>47,500</u>	<u>-</u>
Net Change in Fund Balance	(21,000)	(21,000)	(15,484)	45,835	30,351
Fund Balance, July 1, 2010	<u>41,000</u>	<u>41,000</u>	<u>40,057</u>	<u>(147,024)</u>	<u>(106,967)</u>
Fund Balance, June 30, 2011	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 24,573</u>	<u>\$ (101,189)</u>	<u>\$ (76,616)</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, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE & FEDERAL GRANTS FUND					
Revenue:					
Intergovernmental	\$ 728,723	\$ 738,723	\$ 231,812	\$ -	\$ 231,812
Charges for Services	500	500	918	-	918
Interest	990	990	784	-	784
Miscellaneous	288,810	295,810	85,140	-	85,140
Total Revenues	<u>1,019,023</u>	<u>1,036,023</u>	<u>318,654</u>	<u>-</u>	<u>318,654</u>
Expenditures:					
Administration	810	810	575	-	575
Public Safety	69,218	69,218	22,924	-	22,924
Transportation and Streets	162,750	162,750	34,414	-	34,414
Parks and Recreation	573,790	580,790	458,122	-	458,122
Airport	199,500	209,500	208,211	-	208,211
Economic/Community Development	191,600	191,600	31,708	-	31,708
Operating Contingency	23,166	23,166	-	-	-
Total Expenditures	<u>1,220,834</u>	<u>1,237,834</u>	<u>755,954</u>	<u>-</u>	<u>755,954</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(201,811)</u>	<u>(201,811)</u>	<u>(437,300)</u>	<u>-</u>	<u>(437,300)</u>
Other Financing Sources:					
Transfers Out	-	-	-	-	-
Transfers In	22,500	22,500	22,500	-	22,500
Total Other Financing Sources (Uses)	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>	<u>22,500</u>
Net Change in Fund Balance	(179,311)	(179,311)	(414,800)	-	(414,800)
Fund Balance, July 1, 2010	<u>179,311</u>	<u>179,311</u>	<u>220,227</u>	<u>-</u>	<u>220,227</u>
Fund Balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (194,573)</u>	<u>\$ -</u>	<u>\$ (194,573)</u>

BAKER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 301,899	\$ 102,385	\$ (15,484)	\$ (414,800)
<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.	(326,136)	-	-	-
<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.	326,136	-	-	-
Loans or loan payments made to other funds are reported as an other financing use (transfer) on a budget basis. Such loans are reclassified as either interfund loans payable (current portion) or advances from other funds (long-term portion) or, as a reduction in interfund loans payable or advances from other funds. The interest portion of interfund loans repaid is reclassified to debt service.	-	-	45,835	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$276,428 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ 301,899</u>	<u>\$ 102,385</u>	<u>\$ 30,351</u>	<u>\$ (414,800)</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.

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

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

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

**BAKER CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue				Capital Projects	Permanent Funds		Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	
Assets:								
Cash and Cash Equivalents	\$ 47,708	\$ 254,061	\$ 2,098	\$ 57,218	\$ 64,455	\$ 299,716	\$ 2,871	\$ 728,127
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	-	-	-	-	-	-
Taxes Receivable	6,214	-	-	-	-	-	-	6,214
Due from Other Funds	-	-	-	-	-	18,971	-	18,971
Advances to Other Funds	-	-	-	-	-	186,394	-	186,394
Other Investments	-	-	-	-	-	888	-	888
Total Assets	\$ 53,922	\$ 254,061	\$ 2,098	\$ 57,218	\$ 64,455	\$ 505,969	\$ 2,871	\$ 940,594
Liabilities:								
Accounts Payable	\$ 10,773	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 11,773
Accrued Payroll Taxes	34	-	-	49	-	-	-	83
Deferred Revenue	5,950	-	-	-	-	-	-	5,950
Total Liabilities	16,757	-	-	1,049	-	-	-	17,806
Fund Balance:								
Restricted for 2089 Celebration	-	-	-	-	-	-	2,871	2,871
Restricted for Cemetery Care	-	254,061	-	-	-	-	-	254,061
Committed for Cemetery Care	-	-	-	-	-	505,969	-	505,969
Committed for Sidewalks	-	-	-	56,169	-	-	-	56,169
Committed for Street Treet	-	-	2,098	-	-	-	-	2,098
Assigned for Fire Equipment	-	-	-	-	64,455	-	-	64,455
Assigned for Samo Swim Maintenance	37,165	-	-	-	-	-	-	37,165
Total Fund Balance	37,165	254,061	2,098	56,169	64,455	505,969	2,871	922,788
Total Liabilities and Fund Balance	\$ 53,922	\$ 254,061	\$ 2,098	\$ 57,218	\$ 64,455	\$ 505,969	\$ 2,871	\$ 940,594

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue				Capital Projects	Permanent Funds		Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	
Revenue:								
Taxes	\$ 74,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,062
Intergovernmental	-	-	-	-	64,600	-	-	64,600
Interest	739	3,106	26	889	708	4,626	33	10,127
Miscellaneous	-	-	-	-	-	69	169	238
Total Revenue	74,801	3,106	26	889	65,308	4,695	202	149,027
Expenditures:								
Public Safety	-	-	-	-	71,082	-	-	71,082
Sidewalks	-	-	-	67,474	-	-	-	67,474
Parks and Recreation	91,920	-	-	-	-	-	-	91,920
Total Expenditures	91,920	-	-	67,474	71,082	-	-	230,476
Excess (Deficit) of Revenues Over Expenditures	(17,119)	3,106	26	(66,585)	(5,774)	4,695	202	(81,449)
Other Financing Sources (Uses):								
Transfers In	10,000	-	-	56,459	33,000	-	-	99,459
Transfers Out	-	(3,106)	-	-	-	(4,626)	-	(7,732)
Total Other Financing Sources (Uses)	10,000	(3,106)	-	56,459	33,000	(4,626)	-	91,727
Net Change in Fund Balance	(7,119)	-	26	(10,126)	27,226	69	202	10,278
Fund Balance, July 1, 2010	44,284	254,061	2,072	66,295	37,229	505,900	2,669	912,510
Fund Balance, June 30, 2011	\$ 37,165	\$ 254,061	\$ 2,098	\$ 56,169	\$ 64,455	\$ 505,969	\$ 2,871	\$ 922,788

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SAMO SWIM MAINTENANCE FUND					
Revenue:					
Taxes	\$ 73,316	\$ 73,316	\$ 74,062	\$ -	\$ 74,062
Interest	500	500	739	-	739
Total Revenues	<u>73,816</u>	<u>73,816</u>	<u>74,801</u>	<u>-</u>	<u>74,801</u>
Expenditures:					
Samo Swim Center	110,467	110,467	91,920	-	91,920
Contingency	7,799	7,799	-	-	-
Total Expenditures	<u>118,266</u>	<u>118,266</u>	<u>91,920</u>	<u>-</u>	<u>91,920</u>
Excess (Deficit) of Revenues Over Expenditures	(44,450)	(44,450)	(17,119)	-	(17,119)
Other Financing Sources:					
Interfund Loan Transfers In	10,000	10,000	10,000	-	10,000
Total Other Financing Sources:	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	(34,450)	(34,450)	(7,119)	-	(7,119)
Fund Balance, July 1, 2010	34,450	34,450	44,284	-	44,284
Fund Balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,165</u>	<u>\$ -</u>	<u>\$ 37,165</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
JOHN SCHMITZ TRUST FUND					
Revenue:					
Interest	\$ 3,000	\$ 3,000	\$ 3,106	\$ -	\$ 3,106
Expenditures:					
Operating Contingency	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(3,000)	(3,000)	(3,106)	-	(3,106)
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2010	254,061	254,061	254,061	-	254,061
Fund Balance, June 30, 2011	<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, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
TREE CITY FUND					
Revenue:					
Charges for Services	\$ 3,500	\$ 3,500	\$ -	\$ -	\$ -
Interest	-	-	26	-	26
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>26</u>	<u>-</u>	<u>26</u>
Expenditures:					
Community Development	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,000)	(2,000)	26	-	26
Fund Balance, July 1, 2010	<u>2,000</u>	<u>2,000</u>	<u>2,072</u>	<u>-</u>	<u>2,072</u>
Fund Balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,098</u>	<u>\$ -</u>	<u>\$ 2,098</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SIDEWALK UTILITY FUND					
Revenue:					
Interest	-	-	889	-	889
Total Revenues	<u>-</u>	<u>-</u>	<u>889</u>	<u>-</u>	<u>889</u>
Expenses:					
Sidewalk Grants	42,179	42,179	29,849	-	29,849
Sidewalk Projects	37,625	37,625	37,625	-	37,625
Operating Contingency	<u>38,196</u>	<u>38,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>118,000</u>	<u>118,000</u>	<u>67,474</u>	<u>-</u>	<u>67,474</u>
Other Financing Sources:					
Transfers In	<u>55,000</u>	<u>55,000</u>	<u>56,459</u>	<u>-</u>	<u>56,459</u>
Net Change in Fund Balance	(63,000)	(63,000)	(10,126)	-	(10,126)
Fund Balance, July 1, 2010	<u>63,000</u>	<u>63,000</u>	<u>66,295</u>	<u>-</u>	<u>66,295</u>
Fund Balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,169</u>	<u>\$ -</u>	<u>\$ 56,169</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
FIRE EQUIPMENT RESERVE FUND					
Revenue:					
Interest	\$ 300	\$ 300	\$ 708	\$ -	\$ 708
Intergovernmental	135,850	135,850	64,600	-	64,600
Miscellaneous	-	-	-	-	-
Total Revenues	<u>136,150</u>	<u>136,150</u>	<u>65,308</u>	<u>-</u>	<u>65,308</u>
Expenditures:					
Fire and EMS Equipment	<u>147,000</u>	<u>147,000</u>	<u>71,082</u>	<u>-</u>	<u>71,082</u>
Excess (Deficit) of Revenues Over Expenditures	(10,850)	(10,850)	(5,774)	-	(5,774)
Other Financing Sources (Uses):					
Transfers In	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>-</u>	<u>33,000</u>
Net Change in Fund Balance	22,150	22,150	27,226	-	27,226
Fund Balance, July 1, 2010	<u>37,075</u>	<u>37,075</u>	<u>37,229</u>	<u>-</u>	<u>37,229</u>
Fund Balance, June 30, 2011	<u><u>\$ 59,225</u></u>	<u><u>\$ 59,225</u></u>	<u><u>\$ 64,455</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,455</u></u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
MT HOPE TRUST FUND					
Revenue:					
Interest	\$ 3,500	\$ 3,500	\$ 3,464	\$ 1,162	\$ 4,626
Miscellaneous	-	-	69	-	69
Total Revenues	3,500	3,500	3,533	1,162	4,695
Expenditures:					
Contingency	20,000	20,000	-	-	-
Total Expenditures	20,000	20,000	-	-	-
Other Financing Sources (Uses):					
Transfers Out	(5,000)	(5,000)	(4,626)	-	(4,626)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	15,000	15,000	15,374	(20,000)	(4,626)
Net Change in Fund Balance	(1,500)	(1,500)	18,907	(18,838)	69
Fund Balance, July 1, 2010	284,000	284,000	281,698	224,202	505,900
Fund Balance, June 30, 2011	<u>\$ 282,500</u>	<u>\$ 282,500</u>	<u>\$ 300,605</u>	<u>\$ 205,364</u>	<u>\$ 505,969</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ONE HUNDRED YEAR TRUST					
Revenue:					
Interest	\$ 25	\$ 25	\$ 33	\$ -	\$ 33
Miscellaneous	-	-	169	-	169
Total Revenues	25	25	202	-	202
Net Change in Fund Balance	25	25	202	-	202
Fund Balance, July 1, 2010	2,660	2,660	2,669	-	2,669
Fund Balance, June 30, 2011	<u>\$ 2,685</u>	<u>\$ 2,685</u>	<u>\$ 2,871</u>	<u>\$ -</u>	<u>\$ 2,871</u>

Major Business-Type Funds

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

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

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

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

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

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WATER UTILITY FUND					
Revenue:					
Charges for Services	\$ 1,989,224	\$ 1,989,224	\$ 1,922,466	\$ -	\$ 1,922,466
Interest	10,500	10,500	17,236	-	17,236
Miscellaneous	19,074	19,074	12,488	-	12,488
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
Total Revenues	<u>2,031,798</u>	<u>2,031,798</u>	<u>1,965,190</u>	<u>(13,000)</u>	<u>1,952,190</u>
Expenses:					
Maintenance	1,339,753	1,339,753	1,167,347	(32,479)	1,134,868
Construction	1,428,782	1,428,782	749,877	(749,877)	-
Depreciation	-	-	-	328,169	328,169
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	<u>2,968,535</u>	<u>2,968,535</u>	<u>1,917,224</u>	<u>(454,187)</u>	<u>1,463,037</u>
Excess (Deficit) of Revenues Over Expenses	<u>(936,737)</u>	<u>(936,737)</u>	<u>47,966</u>	<u>441,187</u>	<u>489,153</u>
Net Change in Fund Balance	(936,737)	(936,737)	47,966	441,187	489,153
Fund Balance, July 1, 2010	<u>1,405,362</u>	<u>1,405,362</u>	<u>1,345,220</u>	<u>14,717,548</u>	<u>16,062,768</u>
Fund Balance, June 30, 2011	<u>\$ 468,625</u>	<u>\$ 468,625</u>	<u>\$ 1,393,186</u>	<u>\$ 15,158,735</u>	<u>\$ 16,551,921</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WASTEWATER UTILITY FUND					
Revenue:					
Charges for Services	\$ 994,600	\$ 994,600	\$ 1,034,011	\$ -	\$ 1,034,011
Rental Income	3,782	3,782	3,782	-	3,782
Interest	4,000	4,000	6,863	918	7,781
Special Assessments/LID Repayments	4,577	4,577	918	(918)	-
Miscellaneous	41,661	41,661	40,322	-	40,322
Total Revenues	1,048,620	1,048,620	1,085,896	-	1,085,896
Expenses:					
Maintenance	784,287	784,287	779,029	(4,940)	774,089
Construction	275,086	275,086	164,540	(164,540)	-
Depreciation	-	-	-	199,253	199,253
Operating Contingency	40,000	40,000	-	-	-
Total Expenses	1,099,373	1,099,373	943,569	29,773	973,342
 Net Change in Fund Balance	 (50,753)	 (50,753)	 142,327	 (29,773)	 112,554
Fund Balance, July 1, 2010	407,000	407,000	474,181	4,767,473	5,241,654
Fund Balance, June 30, 2011	<u>\$ 356,247</u>	<u>\$ 356,247</u>	<u>\$ 616,508</u>	<u>\$ 4,737,700</u>	<u>\$ 5,354,208</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE OPERATION FUND					
Revenue:					
Rental Income	22,500	22,500	22,500	-	22,500
Interest Income	-	-	-	1,149	1,149
Miscellaneous	6,925	6,925	5,514	(5,513)	1
Total Revenues	<u>29,425</u>	<u>29,425</u>	<u>28,014</u>	<u>(4,364)</u>	<u>23,650</u>
Expenses:					
Maintenance	8,387	8,387	3,469	-	3,469
Debt Service	-	-	-	1,162	1,162
Depreciation	-	-	-	13,913	13,913
Operating Contingency	1,038	1,038	-	-	-
Total Expenses	<u>9,425</u>	<u>9,425</u>	<u>3,469</u>	<u>15,075</u>	<u>18,544</u>
Excess (Deficit) of Revenues Over Expenses	<u>20,000</u>	<u>20,000</u>	<u>24,545</u>	<u>(19,439)</u>	<u>5,106</u>
Other Financing Sources (Uses):					
Interfund Transfers In	-	-	-	-	-
Interfund Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	4,545	561	5,106
Fund Balance, July 1, 2010	-	-	(5,088)	1,026,669	1,021,581
Fund Balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (543)</u>	<u>\$ 1,027,230</u>	<u>\$ 1,026,687</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
BUILDING INSPECTIONS FUND					
Revenue:					
Charges for Services	\$ 321,751	\$ 321,751	\$ 305,615	\$ -	\$ 305,615
Interest	2,000	2,000	2,941	-	2,941
Miscellaneous	843	843	9	-	9
Total Revenues	<u>324,594</u>	<u>324,594</u>	<u>308,565</u>	<u>-</u>	<u>308,565</u>
Expenditures:					
Personal Services	236,103	238,103	237,175	-	237,175
Materials and Services	152,019	150,019	127,960	-	127,960
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	20,000	-	-	-
Total Expenses	<u>408,122</u>	<u>408,122</u>	<u>365,135</u>	<u>1,992</u>	<u>367,127</u>
Excess (Deficit) of Revenues Over Expenses	<u>(83,528)</u>	<u>(83,528)</u>	<u>(56,570)</u>	<u>(1,992)</u>	<u>(58,562)</u>
Fund Balance, July 1, 2010	<u>227,753</u>	<u>227,753</u>	<u>249,897</u>	<u>16,284</u>	<u>266,181</u>
Fund Balance, June 30, 2011	<u>\$ 144,225</u>	<u>\$ 144,225</u>	<u>\$ 193,327</u>	<u>\$ 14,292</u>	<u>\$ 207,619</u>

Internal Service Funds

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

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

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

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

Technical Services Fund: This fund was used to account for the City's staff that provides engineering and other technical services needed for the construction, maintenance, and repair of the facilities of the City. This fund was eliminated July 1, 2010 and its functions are now being provided by the funds that it was previously serving.

BAKER CITY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 50,104	\$ 11,328	\$ 624,890	\$ 686,322
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	-	710	710
Due From Other Funds	-	-	25,740	25,740
Inventories	271,427	-	-	271,427
Total Current Assets	<u>321,531</u>	<u>11,328</u>	<u>651,340</u>	<u>984,199</u>
Noncurrent Assets:				
Advances to Other Funds	-	-	75,448	75,448
Capital Assets:				
Buildings	-	-	39,524	39,524
Equipment and Vehicles	-	-	2,445,566	2,445,566
Less: Accumulated Depreciation	-	-	(1,955,693)	(1,955,693)
Total Capital Assets	<u>-</u>	<u>-</u>	<u>529,397</u>	<u>529,397</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>604,845</u>	<u>604,845</u>
Total Assets	<u>\$ 321,531</u>	<u>\$ 11,328</u>	<u>\$ 1,256,185</u>	<u>\$ 1,589,044</u>
Current Liabilities:				
Accounts Payable	\$ 50,855	\$ -	\$ 6,058	\$ 56,913
Accrued Payroll Taxes and Benefits Payable	-	-	1,393	1,393
Compensated Absences Payable	-	-	7,392	7,392
Total Current Liabilities	<u>50,855</u>	<u>-</u>	<u>14,843</u>	<u>65,698</u>
Net Assets:				
Invested in Capital Assets	-	-	529,397	529,397
Unrestricted	270,676	11,328	711,945	993,949
Total Net Assets	<u>\$ 270,676</u>	<u>\$ 11,328</u>	<u>\$ 1,241,342</u>	<u>\$ 1,523,346</u>

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
Operating Revenue:				
Charges for Sales and Services	\$ 142,517	\$ -	\$ 353,444	\$ 495,961
Miscellaneous Income	-	-	3,514	3,514
Total Revenue	<u>142,517</u>	<u>-</u>	<u>356,958</u>	<u>499,475</u>
Operating Expenses:				
Cost of Sales and Services	139,419	-	323,315	462,734
Depreciation	-	-	84,388	84,388
Total Expenses	<u>139,419</u>	<u>-</u>	<u>407,703</u>	<u>547,122</u>
Operating Income (Loss)	3,098	-	(50,745)	(47,647)
Nonoperating Revenue (Expense):				
Interest Income	-	138	9,206	9,344
Gain on Equipment Sale	-	-	5,170	5,170
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>138</u>	<u>14,376</u>	<u>14,514</u>
Change in Net Assets	3,098	138	(36,369)	(33,133)
Net Assets, July 1, 2010	<u>267,578</u>	<u>11,190</u>	<u>1,277,711</u>	<u>1,556,479</u>
Net Assets June 30, 2011	<u>\$ 270,676</u>	<u>\$ 11,328</u>	<u>\$ 1,241,342</u>	<u>\$ 1,523,346</u>

BAKER CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Central Stores	Insurance Reserve Fund	Equipment and Vehicle	Total Internal Service Funds
Cash from Operating Activities:				
Receipts from Customers and Users	\$ 1,517	\$ -	\$ -	\$ 1,517
Receipts from Interfund Services Provided	141,000	-	353,444	494,444
Other Receipts	-	-	3,106	3,106
Receipts for Compensated Absence				
Accrual Transfer	-	-	5,329	5,329
Payments to Suppliers	(111,152)	-	(160,389)	(271,541)
Payments to Employees	-	-	(182,450)	(182,450)
Payments for Interfund Services Used	-	-	(70)	(70)
Net Cash Provided (Used) by Operating Activities	<u>31,365</u>	<u>-</u>	<u>18,970</u>	<u>50,335</u>
Cash Flows from Non Capital Financing Activities:				
Advances from (to) Other Funds	-	-	-	-
Repayments from (to) Other Funds	-	-	45,835	45,835
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>45,835</u>	<u>45,835</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of Capital Assets	-	-	(76,935)	(76,935)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(76,935)</u>	<u>(76,935)</u>
Cash Flows from Investing Activities:				
Receipts on Sale of Capital Assets	-	-	5,170	5,170
Interest on Investments	-	138	9,206	9,344
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>138</u>	<u>14,376</u>	<u>14,514</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,365	138	2,246	33,749
Cash and Cash Equivalents, July 1, 2010	<u>18,739</u>	<u>11,190</u>	<u>622,644</u>	<u>652,573</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 50,104</u>	<u>\$ 11,328</u>	<u>\$ 624,890</u>	<u>\$ 686,322</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	<u>\$ 3,098</u>	<u>\$ -</u>	<u>\$ (50,745)</u>	<u>\$ (47,647)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	84,388	84,388
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	-	-	(408)	(408)
(Increase) Decrease in Inventories	(15,142)	-	-	(15,142)
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	43,409	-	(6,500)	36,909
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	-	(311)	(311)
Increase (Decrease) in Compensated Absences Payable	-	-	(7,454)	(7,454)
Total Adjustments	<u>28,267</u>	<u>-</u>	<u>69,715</u>	<u>97,982</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,365</u>	<u>\$ -</u>	<u>\$ 18,970</u>	<u>\$ 50,335</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
CENTRAL STORES FUND					
Revenue:					
Charges for Services	\$ 193,000	\$ 193,000	\$ 142,517	\$ -	\$ 142,517
Total Revenues	193,000	193,000	142,517	-	142,517
Expenses:					
Cost of Inventory Sold	193,000	193,000	139,419	-	139,419
Total Expenses	193,000	193,000	139,419	-	139,419
Net Change in Fund Balance	-	-	3,098	-	3,098
Fund Balance, July 1, 2010	250,000	250,000	267,578	-	267,578
Fund Balance, June 30, 2011	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 270,676</u>	<u>\$ -</u>	<u>\$ 270,676</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
INSURANCE RESERVE FUND					
Revenue:					
Interest	\$ 100	\$ 100	\$ 138	\$ -	\$ 138
Total Revenues	100	100	138	-	138
Expenditures:					
Insurance Penalty	11,245	11,245	-	-	-
Other Financing Sources:					
Transfers In	-	-	-	-	-
Net Change in Fund Balance	(11,145)	(11,145)	138	-	138
Fund Balance, July 1, 2010	11,145	11,145	11,190	-	11,190
Fund Balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,328</u>	<u>\$ -</u>	<u>\$ 11,328</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
EQUIPMENT & VEHICLE FUND					
Revenue:					
Charges for Services	\$ 445,251	\$ 445,251	\$ 353,444	\$ -	\$ 353,444
Interest	6,000	6,000	7,541	1,665	9,206
Miscellaneous	6,878	6,878	3,514	-	3,514
Gain on Equipment Sale	-	-	5,170	-	5,170
Total Revenues	458,129	458,129	369,669	1,665	371,334
Expenses:					
Equipment Operations	389,688	389,688	323,315	-	323,315
Equipment Purchases	90,000	90,000	76,935	(76,935)	-
Depreciation	-	-	-	84,388	84,388
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	679,688	679,688	400,250	7,453	407,703
Excess (Deficit) of Revenues Over Expenses	(221,559)	(221,559)	(30,581)	(5,788)	(36,369)
Other Financing Sources:					
Interfund Transfers In	47,500	47,500	47,500	(47,500)	-
Total Other Financing Sources	47,500	47,500	47,500	(47,500)	-
Net Change in Fund Balance	(174,059)	(174,059)	16,919	(53,288)	(36,369)
Fund Balance, July 1, 2010	572,822	572,822	593,839	683,872	1,277,711
Fund Balance, June 30, 2011	\$ 398,763	\$ 398,763	\$ 610,758	\$ 630,584	\$ 1,241,342

Summary of Property Tax Transactions

BAKER CITY
SUMMARY OF PROPERTY TAX TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Tax Year	Taxes Receivable June 30, 2010	2010-2011 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2011
2010-11		\$ 2,889,533	\$ (68,974)	\$ 1,249	\$ (1,915)	\$ (2,685,911)	\$ 133,982
2009-10	\$ 127,874			3,688	(276)	(73,198)	58,088
2008-09	61,919			4,088	(13)	(34,508)	31,486
2007-08	34,351			5,627	(13)	(31,879)	8,086
2006-07	8,780			2,092	(13)	(9,858)	1,001
Prior	4,785			855	(24)	(2,851)	2,765
	<u>\$ 237,709</u>	<u>\$ 2,889,533</u>	<u>\$ (68,974)</u>	<u>\$ 17,599</u>	<u>\$ (2,254)</u>	<u>\$ (2,838,205)</u>	<u>\$ 235,408</u>

Taxes Receivable June 30, 2011 by Fund

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2010-11	\$ 105,698	\$ 24,746	\$ 3,537
2009-10	45,826	10,729	1,533
2008-09	24,839	5,815	831
2007-08	6,379	1,493	213
2006-07	790	185	26
Prior	2,181	511	73
	<u>\$ 185,713</u>	<u>\$ 43,480</u>	<u>\$ 6,214</u>

Collections by Fund

	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Current Year				
Levy	\$ 2,684,662	\$ 2,117,957	\$ 495,884	\$ 70,821
Interest	1,249	985	231	33
Total	<u>\$ 2,685,911</u>	<u>\$ 2,118,942</u>	<u>\$ 496,115</u>	<u>\$ 70,854</u>
Prior Years				
Taxes & Interest	<u>\$ 152,294</u>	<u>\$ 120,147</u>	<u>\$ 28,130</u>	<u>\$ 4,018</u>

Audit Comments

Independent Auditor's Report
Required by Oregon State Regulations

We have audited the basic financial statements of the City of Baker City, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City of Baker City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. We did note certain other matters that were communicated to the City of Baker City's management in a letter dated December 8, 2011.

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



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

December 8, 2011