

Geiser Pollman Park
Photo Courtesy of Base Camp Baker

City of
Baker City,
Oregon

**Annual
Financial
Report**

For Fiscal Year Ended June 30,

2013

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

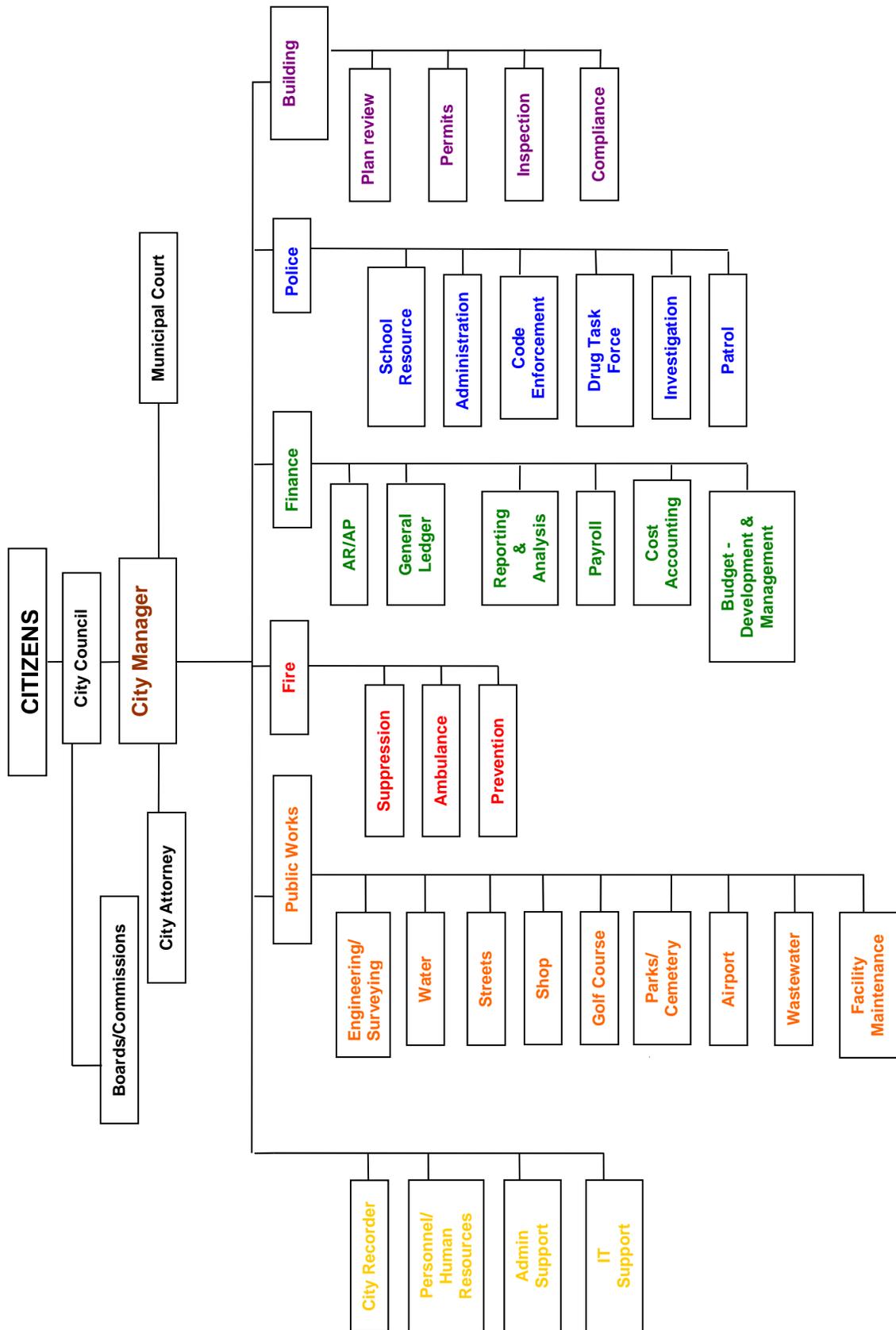
	<u>Page</u>
Introductory Section:	
Organization Chart	1
List of Officials of the City	2
Financial Section:	
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-15
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	25-42
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Funds:	
General Fund	43
State Tax Street Fund	44
LID Repayment Fund	45
State and Federal Grants Fund	46
Notes to Required Supplementary Information	47
Other Supplementary Information:	
Non Major Governmental Funds	48
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	50
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	
Sam-O Swim Maintenance Fund	51

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

Financial Section, Continued:	<u>Page</u>	
Other Supplementary Information, Continued:		
John Schmitz Trust Fund	51	
Tree City Fund	52	
Sidewalk Utility Fund	52	
Schedule of Revenues, Expenditures and Changes in Fund		
Balance Budget and Actual - Capital Project Funds		
Fire Equipment Reserve Fund	53	
Resort Utility Underground Fund	53	
Schedule of Revenues, Expenditures and Changes in Fund		
Balance Budget and Actual - Permanent Funds		
Mount Hope Trust Fund	54	
One Hundred Year Trust Fund	54	
A. Silvers Street Tree Trust	54	
Major Business-Type Funds	55	
Schedule of Revenues, Expenditures and Changes in Fund		
Balance Budget and Actual - Enterprise Funds		
Water Utility Fund	56	
Wastewater Utility Fund and Reclaimed Water Use Fund - Capital Projects	57	
Golf Course Operation Fund	58	
Building Inspections Fund	59	
Internal Service Funds	60	
Combining Statement of Net Position - Internal Service Funds	61	
Combining Statement of Revenues, Expenditures and Changes in Net Position - Internal Service Funds	62	
Combining Statement of Cash Flows - Internal Service Funds	63	
Schedule of Revenues, Expenditures and Changes in Fund		
Balance Budget and Actual - Internal Service Funds		
Central Stores Fund	64	
Insurance Reserve Fund	64	
Equipment and Vehicle Fund	65	
Other Supplementary Schedule:		
Summary of Property Tax Transactions	66	
Audit Comments:		
Report of Independent Accountants on Internal Control Structure and Other Comments and Disclosures Required by State of Oregon		67-68
Single Audit:		
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		69-70
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133		71-72
Schedule of Expenditures of Federal Awards		73
Notes to Schedule of Expenditures of Federal Awards		74
Schedule of Findings and Questioned Costs		75-76

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, 2013

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

APPOINTED CITY OFFICERS AS OF JUNE 30, 2012

City Manager:

Mike Kee

City Finance Director:

Jeanie Dexter

City Attorney:

Brent Smith

Municipal Judge:

Don Williams

Financial Section



Randell C. Guyer, Jr.
Kent J. Bailey
Robert P. Seymour

David F. Lindley
Scott A. Martin
Megan R. Adams

Jacob J. Collier

Michael J. Rudi

Linda L. Cyr

INDEPENDENT AUDITOR'S REPORT

January 7, 2014

The Honorable Mayor Richard Langrell
And the Members of the City Council
City of Baker City, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Baker City, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–15 and 43–47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker City, Oregon's basic financial statements. The introductory section on pages 1-2, combining and individual fund financial statements and budgetary comparison schedules on pages 48-65, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

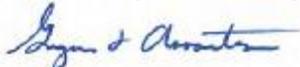
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014, on our consideration of the City of Baker City, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Baker City, Oregon's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 7, 2014, on our consideration of the City Baker City, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Guyer & Associates
Certified Public Accountants
A Professional Corporation

By



Robert P. Seymour, a Principal

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 16-17 of this report.

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

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

The City maintains thirteen governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Street Fund, LID Repayment Fund, and State and Federal Grants Fund which are considered to be major funds. The basic governmental fund financial statements can be found on pages 18-21 of this report. Data from the other governmental funds are combined into a single, aggregated presentation on these statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 49-50.

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 22-24 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-42 of this report.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Baker City, assets exceeded liabilities by \$47,942,560 at the close of the most recent fiscal year.

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

**City of Baker City
Summary of Net Position
June 30, 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012-13</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2011-12</u>
ASSETS						
Current and Other Assets	\$ 6,415,249	\$ 5,559,897	\$ 4,015,046	\$ 3,476,578	\$ 10,430,295	\$ 9,036,475
Capital Assets	17,499,656	15,218,839	21,598,790	21,359,109	39,098,446	36,577,948
Total Assets	\$ 23,914,905	\$ 20,778,736	\$ 25,613,836	\$ 24,835,687	\$ 49,528,741	\$ 45,614,423
LIABILITIES						
Long-Term Liabilities	52,916	58,085	-	-	52,916	58,085
Other Liabilities	1,248,257	555,549	285,008	262,471	1,533,265	818,020
Total Liabilities	1,301,173	613,634	285,008	262,471	1,586,181	876,105
NET POSITION						
Invested in Capital Assets,						
Net of Related Debt	\$ 17,441,571	\$ 15,155,853	\$ 21,431,268	\$ 21,172,656	\$ 38,872,839	\$ 36,328,509
Restricted	1,548,253	1,553,708	-	-	1,548,253	1,553,708
Unrestricted	3,623,908	3,455,541	3,897,560	3,400,560	7,521,468	6,856,101
Total Net Position	\$ 22,613,732	\$ 20,165,102	\$ 25,328,828	\$ 24,573,216	\$ 47,942,560	\$ 44,738,318

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

An additional portion of the City's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,521,468) may be used to meet the City's ongoing obligations to citizens and creditors.

Net position for the City as a whole increased by \$3,204,242 during the fiscal year ended June 30, 2013. The following is an analysis of this increase.

**City of Baker City
Summary of Changes in Net Position
June 30, 2013**

	Governmental Activities		Business-type Activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
REVENUES						
Program Revenues						
Charges for Services	\$ 944,248	\$ 906,985	\$ 3,534,968	\$ 3,472,010	\$ 4,479,216	\$ 4,378,995
Operating Grants/Contrib.	690,468	678,721	-	-	690,468	678,721
Capital Grants/Contrib.	2,556,364	1,897,046	-	-	2,556,364	1,897,046
General Revenues:						
Property Taxes	2,941,713	2,902,841	-	-	2,941,713	2,902,841
Franchise Taxes	796,145	819,085	-	-	796,145	819,085
Investment Earnings	29,968	27,570	18,189	16,500	48,157	44,070
SAIF Refunds	25,960	-	-	-	25,960	-
Unrestricted Grants/Contrib.	233,802	224,900	-	-	233,802	224,900
Rental Income	26,294	24,440	6,782	6,782	33,076	31,222
Miscellaneous	317,030	29,437	44,218	57,075	361,248	86,512
Total Revenues	\$ 8,561,992	\$ 7,511,025	\$ 3,604,157	\$ 3,552,367	\$ 12,166,149	\$ 11,063,392
EXPENSES						
General Government	\$ 505,521	\$ 591,152	\$ -	\$ -	\$ 505,521	\$ 591,152
Public Safety	3,560,996	3,435,715	-	-	3,560,996	3,435,715
Transportation and Streets	1,239,251	1,153,332	-	-	1,239,251	1,153,332
Culture & Recreation	280,970	303,648	-	-	280,970	303,648
Economic Development	93,226	71,138	-	-	93,226	71,138
Cemetery	135,309	129,844	-	-	135,309	129,844
Airport	260,723	272,584	-	-	260,723	272,584
Hydro-Electric Plant	5,691	774	-	-	5,691	774
Interest on Long-Term Debt	4,253	5,683	-	-	4,253	5,683
Water	-	-	1,518,752	1,442,589	1,518,752	1,442,589
Wastewater	-	-	1,022,281	1,007,305	1,022,281	1,007,305
Golf Course	-	-	42,715	21,828	42,715	21,828
Building Department	-	-	292,219	366,328	292,219	366,328
Total Expenses	6,085,940	5,963,870	2,875,967	2,838,050	8,961,907	8,801,920
Operating Transfers	(27,422)	(75,351)	27,422	75,351	-	-
Extraordinary Item - Bequest	-	883,380	-	-	-	883,380
Change in Net Position	2,448,630	2,355,184	755,612	789,668	3,204,242	3,144,852
Net Position—Beginning of Year	20,165,102	17,809,918	24,573,216	23,783,548	44,738,318	41,593,466
Net Position—End of Year	\$ 22,613,732	\$ 20,165,102	\$ 25,328,828	\$ 24,573,216	\$ 47,942,560	\$ 44,738,318

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Analysis of Changes in Net Position

Governmental activities: Net position of the governmental activities increased by \$2,448,630. During 2012-13 the Oregon Department of Transportation provided to the City services valued at \$157,350 for the update of the City's Transportation System Plan. Also during that time Crossroads Arts Center received a grant for \$20,000 which was used towards the reconstruction of the exterior stairs at the Carnegie building which is owned by the City.

Business-type activities: Net position of the business-type activities increased by \$755,612. 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 U.V. project, the Mt. Line project and the wastewater effluent disposal project.

FUND ANALYSIS

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

Major Governmental Funds

General Fund: The ending fund balance of the General Fund increased from \$1,353,298 to \$1,381,752. The increase was mainly the result of additional revenue of \$76,000 of which \$46,000 was from an increase in property tax revenue and \$26,000 was from an unanticipated SAIF refund. In addition expenditures and transfers decreased. The decrease in expenditures was due to a temporary increase of \$108,000 of overhead charges to other funds due mainly to the additional indirect fees charged on the Resort St. project which are reflected as an offset to expenditures in these financial statements.

Street Fund: The ending fund balance of the Street Fund increased from \$812,754 to \$918,585. This was mainly due to an increase in revenue of \$32,000 from property taxes and charges for services and a savings due to the deferral of overlay projects in anticipation of bundling paving with Resort Street to save costs and a savings in snow and ice control due to a light snow year. These savings were partially offset by a transfer to the Resort Street Underground Utility Fund of \$150,000.

LID Repayment Fund: The ending fund balance of the LID Repayment Fund decreased from (\$51,508) to (\$323,601) due to a new LID for the undergrounding of utilities on Resort Street of \$294,881 partially offset by LID repayments.

State and Federal Grants Fund: The ending fund balance of the State and Federal Grants Fund decreased from \$59,540 to (\$406,753). This is due to a Jobs and Transportation Act grant reimbursement of \$459,415 that was not received within two months after the year end and therefore, could not be recorded as a receivable on the modified accrual basis of accounting. This was offset in part by additional HUD repayments of \$25,000 and the expenditures of other small miscellaneous grants during the year.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Enterprise Funds

Water Fund: The ending fund balance of the Water Fund increased from \$17,158,046 to \$17,766,068. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the U.V. and Mountain Line projects.

Wastewater Fund: The ending fund balance of the Wastewater Fund increased from \$5,548,819 to \$5,743,247. 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 decreased from \$1,084,247 to \$1,069,134. This decrease is the result of additional maintenance costs and additional depreciation due to the depreciation on the pond and pump that was installed in 2011-12. 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 \$158,553 to \$135,167. The City had accumulated a reserve to cover unanticipated changes and the potential decline in building permit sales due to the economy. The City began using those reserves during the year ended June 30, 2009 and continues to use them with the continued decline in the housing economy.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the 2012-13 original budget as adopted and the final budget are as follows:

- The City's Hydro Electric Plant generator needed unforeseen repairs necessitating expenditures in the General Fund's Hydro Electric Plant Department of \$14,000 that weren't budgeted.
- A budget correction was made to move \$6,000 of appropriations from the General Fund's Park Department to the General Fund's Cemetery Department for the replacement of the fence around the Veteran's section of the cemetery.
- The General Fund received \$6,586 of additional grants and gifts for the replacement of the fence around the Veteran's section of the cemetery that was appropriated in the General Fund's Cemetery Department.
- The Building Inspection Fund incurred unforeseen personnel costs of \$1,747 due to FMLA leave in the Building Department.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

- The State Tax Street Fund's Street Construction Department incurred additional costs of \$17,500 which were reimbursed by ODOT for the Campbell Street crossing project. Appropriations were transferred from the State Tax Street Fund's Street Preventative Maintenance Department to the Street Construction Department.
- The Samo Swim Center Maintenance Fund incurred unanticipated labor costs of \$6,500 for the repairs and refurbishing of the sand filter and the repair of the pool skimmer system.
- The Fire Equipment Reserve Fund received a grant of \$3,343 from the Department of Homeland Security to purchase carbon monoxide and smoke detectors to give to the public.
- The State and Federal Grants Fund's Small Miscellaneous Grants Department received a grant of \$3,403 from the Department of Homeland Security for the purchase of bullet proof vests.
- The General Fund's Administrative Services Department incurred unforeseen expenditures of \$6,667 to repair the clock in the tower at City Hall.
- The General Fund's Administrative Services Department incurred additional legal expenses due to the renegotiations of the City's three union contracts of \$10,000 which was transferred from savings in the Park Department of \$5,000 and Cemetery Department of \$5,000.
- The General Fund's Community Development Department incurred additional personnel costs of \$2,500 for community events which was transferred from savings in the Planning Department.
- The Golf Course Operation Fund required an additional transfer of \$5,000 from the General Fund to make its budgeted interfund loan payment to the Mt. Hope Trust Fund. Cost savings in the Airport Department were moved to General Fund Transfers.
- The City Council approved Resolution No. 3686 Authorizing and Directing Underground Utility Improvements on Resort Street from Auburn to Campbell. ORS 294.338(6) gives the City the authority to modify its budget to include in appropriations \$294,881 for the cost of the improvements assessed to the property owners.

Significant differences between the 2012-13 final amended budget and the 2012-13 actual expenditures in the General Fund are as follows:

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The City's final amended General Fund budget for the fiscal year ended 2012-13 included a contingency of \$59,333 and an unappropriated ending fund balance of \$900,000, for a total of \$959,333. The actual balance carried forward to 2013-14 is \$1,381,752. The difference of \$422,419 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
REVENUE				
Property Tax Revenue	\$ 2,272,155	\$ 2,315,794	\$ 43,639	Received more prior year property taxes than anticipated.
Franchise Taxes	813,046	796,145	(16,901)	Received more OTEC and Charter (result of the audit) franchise taxes than anticipated but these were offset by less Cascade Natural Gas and Century Link revenue due to a decrease in sales within those companies.
Charges for Services	698,050	773,567	75,517	Received more ambulance revenue due to higher call volume and more collections than anticipated. Received more cemetery revenue than anticipated. Partially offset by a decrease in generated power of \$20,000 due to generator breakdowns.
SAIF Refund	-	25,960	25,960	Received an unanticipated SAIF refund.
Other Revenue	736,296	792,369	<u>56,073</u>	More overhead charges and more liquor taxes were received than anticipated.
Total Revenue Increase			\$ 184,288	
EXPENDITURES				
Personal Services	3,381,181	3,363,449	(17,732)	Public works labor savings in the Parks and Cemetery Departments. Minor savings in the Police Department of \$3,526 and Fire Department \$1,745.
Materials and Services	1,235,926	1,176,489	(59,437)	Fuel prices and insurance costs were lower than anticipated and other cost savings.
Capital Outlay	50,000	50,720	720	The signage for the police car purchased in 2011-12 could not be done until 2012-13 due to the timing of when the car was received.
Debt Service	8,340	8,340	<u>-</u>	Debt payment was made as budgeted.
Total Expenditure Savings			\$ 76,449	
Operating Transfer In	10,655	9,652	(1,003)	Received less Cemetery interest due to interest rate decline
Operating Transfer Out	(86,035)	(86,035)	-	Transfers were made as budgeted.
Beginning Fund Balance	1,190,613	1,353,298	<u>162,685</u>	Additional carryover from budgeted amount.
Difference Budget & Actual			\$ 422,419	

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year ended June 30, 2013 is summarized on pages 36-37 in the notes to the financial statements. The following is a summary of the assets purchased, constructed or received through contributions during the fiscal year ended June 30, 2013:

Resort Street Reconstruction (In Process)	\$ 1,416,955
Resort Street Undergrounding Utilities (In Process)	344,749
Carnegie Exterior Stairs and Sidewalk (\$20,000 from Crossroads)	49,512
Central Park Amphitheater	10,341
Warehouse Roof	8,118
E Street Stormwater (In Process)	33,211
E Street Overlay (In Process)	21,169
Ambulance	134,931
EMS Glide Scopes	25,180
City Hall Phone System Upgrade	18,304
Hydro Generator Rebuild	13,614
City Hall Tower Clock Rebuild	6,450
V Box Sander	10,500
Cemetery Veteran's Section Fence	9,962
Golf Course Sprayer (Purchased by Equipment Vehicle Fund)	16,000
4 th and Carter Street Stormwater	6,811
Airport Taxiway Rehabilitation	869,081
Transportation System Plan (Paid for by ODOT)	157,350
Water System Enhancements	189,701
Mountain Line Project	15,075
Mountain Line NEPA Study	22,215
U.V. Treatment Facility	136,724
Elk Creek Settling Building	7,152
Water Conservation Plan	10,850
Scenic Vista Tank	209,483
Reservoir Sediment Removal and Repair	11,750
Wastewater Pipe Curing	144,581
Wastewater System Enhancements	44,629
Reclaimed Water Use Study (In Process)	26,561
Mower	5,839
Police Car Signage and Retrofit (2011-12 Police Car)	2,562
Police Car	29,855
Aerial Truck	23,000
GMC 1 Ton - Used	9,748
Chevy Extended Cab - Used	9,885
Vactor Level Wind	6,212
Total	\$ 4,058,060

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

There was no new long-term debt issued during the fiscal year ended June 30, 2013.

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 \$76,787 in 2012-13 to \$115,960 in 2013-14.
- Baker City Employees Association, police and fire contracts have been negotiated for a three year period which ends December 31, 2016 (Police and Fire) and June 30, 2016 (BCEA). Increases for non-represented staff have not been set for future years. The known impact of these actions is listed in the table below.

	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Non-Represented</u>
2013-2014				
Salary Increase	1%	1.5%	1%	TBD
2014-2015				
Salary Increase	1.5%	1.5%	1%	TBD
2015-2016		1.5%+	1% +	
Salary Increase	1.5%	0.5%-1/16	0.5%-1/16	TBD

- An actuarial analysis of the City's PERS liability at December 31, 2011 was completed September 2012. The actuarial valuation was used to set future contribution rates for the period July 1, 2013 to June 30, 2015, however, Senate Bill 822 made significant changes to those rates. The rate changes are listed in the table below.

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

- 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.
- The City has raised water rates annually in order to complete repairs on the City's water system and implement UV treatment for State compliance.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

- Effective July 1, 2013 the City raised wastewater rates to \$18.35 (for residential). Public works staff project that the current rate increase will not be enough for significant system modernization, rehabilitation and modification when required by state and federal agencies.

REQUESTS FOR INFORMATION

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

Basic Financial Statement

BAKER CITY
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 3,808,909	\$ 3,333,828	\$ 7,142,737
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	237,760	182,810	420,570
Interest Receivable	199	-	199
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	273,741	-	273,741
Intergovernmental Receivable	1,382,585	300	1,382,885
Note Receivable	6,239	-	6,239
Contracts and Special Assessments Receivable	629,229	50,418	679,647
Internal Balances	(447,690)	447,690	-
Inventories	284,720	-	284,720
Capital Assets (Net of Accumulated Depreciation):			
Land	2,152,603	1,342,160	3,494,763
Construction in Process	1,983,899	1,446,939	3,430,838
Buildings	2,105,224	209,713	2,314,937
Improvements Other than Buildings	15,400	110,312	125,712
Machinery and Equipment	1,474,010	102,487	1,576,497
Infrastructure	9,768,520	18,387,179	28,155,699
Other Assets	239,557	-	239,557
Total Assets	\$ 23,914,905	\$ 25,613,836	\$ 49,528,741
LIABILITIES:			
Accounts Payable	\$ 829,930	\$ 92,033	\$ 921,963
Accrued Payroll Taxes and Benefits Payable	175,680	66,097	241,777
Other Payables	5	-	5
Customer Deposits	-	27,995	27,995
Compensated Absences Payable	237,473	98,883	336,356
Noncurrent Liabilities:			
Due Within One Year	5,169	-	5,169
Due in More than One Year	52,916	-	52,916
Total Liabilities	1,301,173	285,008	1,586,181
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	17,441,571	21,431,268	38,872,839
Restricted for:			
Cemetery Care	760,100	-	760,100
2089 Celebration	2,904	-	2,904
Street Trees	6,787	-	6,787
Airport	-	-	-
Car Seats	1,621	-	1,621
Nonspendable	1,301,118	-	1,301,118
Unrestricted	3,099,631	3,897,560	6,997,191
Total Net Position	\$ 22,613,732	\$ 25,328,828	\$ 47,942,560

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

BAKER CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 505,521	\$ 87,554	\$ 21,834	\$ 34,500	\$ (361,633)	\$ -	\$ (361,633)
Public Safety	3,560,996	626,746	25,098	57,625	(2,851,527)	-	(2,851,527)
Highways and Streets	1,239,251	88,419	643,536	1,601,099	1,093,803	-	1,093,803
Culture and Recreation	280,970	185	-	3,158	(277,627)	-	(277,627)
Airport	260,723	5,378	-	849,710	594,365	-	594,365
Cemetery	135,309	93,777	-	10,272	(31,260)	-	(31,260)
Hydro-electric Plant	5,691	42,189	-	-	36,498	-	36,498
Economic and Community Development	93,226	-	-	-	(93,226)	-	(93,226)
Interest on Long Term Debt	4,253	-	-	-	(4,253)	-	(4,253)
Total Governmental Activities	6,085,940	944,248	690,468	2,556,364	(1,894,860)	-	(1,894,860)
Business-type Activities:							
Water Utility	1,518,752	2,097,755	-	-	-	579,003	579,003
Wastewater Utility	1,022,281	1,166,414	-	-	-	144,133	144,133
Golf Operation	42,715	3,500	-	-	-	(39,215)	(39,215)
Building Inspection	292,219	267,299	-	-	-	(24,920)	(24,920)
Total Business-type Activities	2,875,967	3,534,968	-	-	-	659,001	659,001
Total Government	\$ 8,961,907	\$ 4,479,216	\$ 690,468	\$ 2,556,364	(1,894,860)	659,001	(1,235,859)
General Revenues:							
Property Taxes					2,941,713	-	2,941,713
Franchise Taxes					796,145	-	796,145
Grants and Contributions Not Restricted to a Particular Program					233,802	-	233,802
Rental Income					26,294	6,782	33,076
Interest on Investments					29,968	18,189	48,157
SAIF Refund					25,960	-	25,960
Miscellaneous					317,030	44,218	361,248
Transfers:							
Operating					(27,422)	27,422	-
Total General Revenues, Transfers and Extraordinary Items					4,343,490	96,611	4,440,101
Change in Net Position					2,448,630	755,612	3,204,242
Net Position July 1, 2012					20,165,102	24,573,216	44,738,318
Net Position June 30, 2013					\$ 22,613,732	\$ 25,328,828	\$ 47,942,560

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

**BAKER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<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	\$ 782,247	\$ 920,884	\$ 17,198	\$ -	\$ 1,556,049	\$ 3,276,378
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	223,596	5,460	-	7,231	-	236,287
Interest Receivable	-	-	199	-	-	199
Taxes Receivable	215,954	50,561	-	-	7,226	273,741
Contracts and Special Assessments Receivable	-	-	407,375	221,854	-	629,229
Note Receivable	-	-	-	-	6,239	6,239
Due From Other Funds	722,998	-	-	-	23,594	746,592
Advances to Other Funds	-	-	-	-	438,809	438,809
Intergovernmental Receivable	34,814	47,484	-	1,276,366	23,921	1,382,585
Other Assets	238,669	-	-	-	888	239,557
Total Assets	<u>\$ 2,218,278</u>	<u>\$ 1,024,389</u>	<u>\$ 424,772</u>	<u>\$ 1,505,451</u>	<u>\$ 2,056,726</u>	<u>\$ 7,229,616</u>
Liabilities:						
Accounts Payable	\$ 68,539	\$ 28,621	\$ -	\$ 495,272	\$ 219,082	\$ 811,514
Customer Deposit	-	-	-	-	-	-
Payroll Taxes and Benefits Payable	140,752	24,360	-	1,796	423	167,331
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	18,921	722,998	-	741,919
Advances from Other Funds	-	-	321,878	-	-	321,878
Total Liabilities	<u>209,296</u>	<u>52,981</u>	<u>340,799</u>	<u>1,220,066</u>	<u>219,505</u>	<u>2,042,647</u>
Deferred Inflows:						
Deferred Revenue	<u>627,230</u>	<u>52,823</u>	<u>407,574</u>	<u>692,138</u>	<u>13,022</u>	<u>1,792,787</u>
Fund Balance (Deficit):						
Nonspendable	238,669	-	-	-	777,729	1,016,398
Restricted for 2089 Celebration	-	-	-	-	2,904	2,904
Restricted for Cemetery Care	-	-	-	-	254,061	254,061
Restricted for Street Trees	-	-	-	-	6,491	6,491
Restricted for Car Seats	-	-	-	1,621	-	1,621
Committed for Cemetery Care	-	-	-	-	505,151	505,151
Committed for Sidewalks	-	-	-	-	91,069	91,069
Committed for Street Trees	-	-	-	-	296	296
Assigned for Underground Utilities	-	-	-	-	100,132	100,132
Assigned for Wellness	-	-	-	999	-	999
Assigned for Public Safety	-	-	-	26,463	-	26,463
Assigned for Skate Park	-	-	-	4,138	-	4,138
Assigned for Fire Equipment	-	-	-	-	5,940	5,940
Assigned for Samo Swim Maintenance	-	-	-	-	80,426	80,426
Assigned for Parks	-	-	-	2,031	-	2,031
Assigned for Trees	-	-	-	3,679	-	3,679
Assigned for Streets	-	918,585	-	-	-	918,585
Unassigned	1,143,083	-	(323,601)	(445,684)	-	373,798
Total Fund Balance (Deficit)	<u>1,381,752</u>	<u>918,585</u>	<u>(323,601)</u>	<u>(406,753)</u>	<u>1,824,199</u>	<u>3,394,182</u>
Total Liabilities and Fund Balance	<u>\$ 2,218,278</u>	<u>\$ 1,024,389</u>	<u>\$ 424,772</u>	<u>\$ 1,505,451</u>	<u>\$ 2,056,726</u>	<u>\$ 7,229,616</u>

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

BAKER CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013

Fund Balances of Governmental Funds		\$ 3,394,182
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The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.		1,792,787
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Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.		16,890,560
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All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.

- Compensated absences payable	\$ (229,034)	
- Long term debt	(58,085)	
Subtotal		(287,119)

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

- Current assets and interfund receivable	\$ 864,642	
- Capital assets - net	609,096	
- Current liabilities	(26,765)	
- Compensated absences payable	(8,439)	
Subtotal		1,438,534

That portion of internal service fund net position arising from transactions with enterprise-type funds are included in internal balances between governmental activities and business-type activities on the Statement of Net Position.		(615,212)
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Net Position of Governmental Activities		\$ 22,613,732
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The notes to the financial statements are an integral part of this statement.

BAKER CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<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	\$ 2,315,794	\$ 542,215	\$ -	\$ -	\$ 77,430	\$ 2,935,439
Franchise	796,145	-	-	-	-	796,145
Licenses and Permits	51,366	-	-	-	-	51,366
Intergovernmental	248,802	642,845	-	1,851,729	27,264	2,770,640
Charges for Services	773,567	88,094	-	960	325	862,946
Fines and Forfeitures	29,495	-	-	-	-	29,495
Rental Income	26,294	-	-	-	-	26,294
Interest and Dividends	7,908	4,788	2,847	247	10,656	26,446
SAIF Refund	25,960	-	-	-	-	25,960
Miscellaneous	21,718	691	20,775	36,459	30,431	110,074
Bequest	-	-	-	-	2,670	2,670
Total Revenue	<u>4,297,049</u>	<u>1,278,633</u>	<u>23,622</u>	<u>1,889,395</u>	<u>148,776</u>	<u>7,637,475</u>
Expenditures:						
Current:						
General Government	427,843	-	20	15,631	-	443,494
Public Safety	3,350,766	-	-	19,540	3,612	3,373,918
Highways and Streets	-	896,289	-	-	-	896,289
Sidewalks	-	-	-	-	15,106	15,106
Parks and Recreation	82,479	-	-	3,029	78,802	164,310
Airport	43,451	-	-	-	-	43,451
Cemetery	133,892	-	-	-	-	133,892
Hydro-electric Plant	5,691	-	-	-	-	5,691
Economic and Community Development	59,003	-	-	29,611	756	89,370
Debt Service:						
Principal	4,901	-	-	-	-	4,901
Interest	3,439	-	814	-	-	4,253
Capital Outlay:						
General Government	24,754	-	-	-	-	24,754
Public Safety	32,417	-	-	-	160,111	192,528
Parks and Recreation	-	-	-	10,341	-	10,341
Highways and Streets	-	71,691	-	1,416,955	-	1,488,646
Sidewalks	-	-	-	-	29,512	29,512
Cemetery	9,962	-	-	-	-	9,962
Hydro-electric Plant	13,614	-	-	-	-	13,614
Economic and Community Development	-	-	-	-	344,749	344,749
Airport	-	-	-	869,081	-	869,081
Total Expenditures:	<u>4,192,212</u>	<u>967,980</u>	<u>834</u>	<u>2,364,188</u>	<u>632,648</u>	<u>8,157,862</u>
Excess (Deficit) of Revenues Over Expenditures	<u>104,837</u>	<u>310,653</u>	<u>22,788</u>	<u>(474,793)</u>	<u>(483,872)</u>	<u>(520,387)</u>
Other Financing Sources (Uses):						
Transfers In	9,652	555	-	8,500	554,258	572,965
Transfers Out	(86,035)	(205,377)	(294,881)	-	(4,197)	(590,490)
Total Other Financing Sources (Uses)	<u>(76,383)</u>	<u>(204,822)</u>	<u>(294,881)</u>	<u>8,500</u>	<u>550,061</u>	<u>(17,525)</u>
Net Change in Fund Balance	28,454	105,831	(272,093)	(466,293)	66,189	(537,912)
Fund Balance (Deficit), July 1, 2012	<u>1,353,298</u>	<u>812,754</u>	<u>(51,508)</u>	<u>59,540</u>	<u>1,758,010</u>	<u>3,932,094</u>
Fund Balance (Deficit), June 30, 2013	<u>\$ 1,381,752</u>	<u>\$ 918,585</u>	<u>\$ (323,601)</u>	<u>\$ (406,753)</u>	<u>\$ 1,824,199</u>	<u>\$ 3,394,182</u>

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, 2013

Net Change in Fund Balances - Total Governmental Funds		\$ (537,912)
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.		723,032
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.		2,146,099
Donations of capital assets are not reported in the fund financial statements as they do not affect current resources. However, the resulting increase in net position is reported in the Statement of Activities.		177,350
Proceeds from the issuance of long-term debt provide current financial resources and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases or decreases in noncurrent liabilities in the Statement of Net Position.		
- Change in compensated absences payable	\$ (21,752)	
- Repayment of long term debt	<u>4,901</u>	
		(16,851)
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.		(51,427)
That portion of the change in net position of internal service funds arising from transactions with business-type funds is an adjustment to internal balances between governmental activities and business-type activities on the Statement of Net Position.		<u>8,339</u>
Change in Net Position of Governmental Activities		<u><u>\$ 2,448,630</u></u>

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

BAKER CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<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>	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 2,232,251	\$ 952,502	\$ -	\$ 149,075	\$ 3,333,828	\$ 532,531
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	113,042	62,241	7,500	27	182,810	1,473
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	300	300	-
Due From Other Funds	5,766	-	-	-	5,766	14,420
Inventories	-	-	-	-	-	284,720
Total Current Assets	2,351,059	1,018,220	7,500	149,402	3,526,181	833,144
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	31,498
Special Assessments Receivable	-	46,941	-	-	46,941	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	1,381,458	65,481	-	-	1,446,939	-
Buildings	245,068	35,037	106,146	-	386,251	39,524
Improvements other than Buildings	-	-	346,687	-	346,687	-
Infrastructure	19,891,038	8,507,398	-	-	28,398,436	-
Machinery, Equipment, and Vehicles	199,274	468,632	17,975	19,913	705,794	2,517,782
Less: Accumulated Depreciation	(6,282,155)	(4,443,722)	(291,995)	(9,605)	(11,027,477)	(1,948,210)
Net Capital Assets	15,614,941	4,736,624	1,236,917	10,308	21,598,790	609,096
Total Noncurrent Assets	15,614,941	4,783,565	1,236,917	10,308	21,645,731	640,594
Total Assets	\$ 17,966,000	\$ 5,801,785	\$ 1,244,417	\$ 159,710	\$ 25,171,912	\$ 1,473,738
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 69,503	\$ 8,118	\$ 1,995	\$ 12,417	\$ 92,033	\$ 18,416
Customer Deposits	27,995	-	-	-	27,995	-
Due to Other Funds	-	-	24,859	-	24,859	-
Accrued Payroll Taxes and Benefits Payable	39,286	20,359	-	6,452	66,097	8,349
Compensated Absences Payable	63,148	30,061	-	5,674	98,883	8,439
Total Current Liabilities	199,932	58,538	26,854	24,543	309,867	35,204
Long-Term Liabilities:						
Advances From Other Funds	-	-	148,429	-	148,429	-
Total Long-Term Liabilities	-	-	148,429	-	148,429	-
Total Liabilities	199,932	58,538	175,283	24,543	458,296	35,204
Net Position:						
Invested in Capital Assets, Net of Related Debt	15,614,941	4,736,624	1,063,629	10,308	21,425,502	609,096
Unrestricted	2,151,127	1,006,623	5,505	124,859	3,288,114	829,438
Total Net Position	\$ 17,766,068	\$ 5,743,247	\$ 1,069,134	\$ 135,167	24,713,616	\$ 1,438,534
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Position of Business-type Activities					615,212	
Net Position of Business-Type Activities					\$ 25,328,828	

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

BAKER CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
Operating Revenue:						
Charges for Sales and Services	\$ 2,097,755	\$ 1,166,414	\$ -	\$ 267,299	\$ 3,531,468	\$ 511,154
Miscellaneous	10,347	33,021	-	630	43,998	4,471
Total Operating Revenue	<u>2,108,102</u>	<u>1,199,435</u>	<u>-</u>	<u>267,929</u>	<u>3,575,466</u>	<u>515,625</u>
Operating Expenses:						
Cost of Sales and Services	1,160,946	807,871	-	290,227	2,259,044	463,012
Depreciation	354,979	208,940	-	1,992	565,911	101,264
Total Operating Expenses	<u>1,515,925</u>	<u>1,016,811</u>	<u>-</u>	<u>292,219</u>	<u>2,824,955</u>	<u>564,276</u>
Operating Income (Loss)	<u>592,177</u>	<u>182,624</u>	<u>-</u>	<u>(24,290)</u>	<u>750,511</u>	<u>(48,651)</u>
Nonoperating Revenue (Expense):						
Gain on Equipment Sale	-	-	220	-	220	3,599
Investment Earnings	11,617	5,742	-	830	18,189	3,522
Rental Income	3,000	3,782	3,500	-	10,282	-
Depreciation and Expenses - Rental Property	-	-	(41,604)	-	(41,604)	-
Interest Expense	-	-	(1,069)	-	(1,069)	-
Total Nonoperating Revenue (Expense)	<u>14,617</u>	<u>9,524</u>	<u>(38,953)</u>	<u>830</u>	<u>(13,982)</u>	<u>7,121</u>
Income Before Transfers	<u>606,794</u>	<u>192,148</u>	<u>(38,953)</u>	<u>(23,460)</u>	<u>736,529</u>	<u>(41,530)</u>
Other Financing Sources (Uses):						
Transfers In	1,228	2,280	23,840	74	27,422	1,481
Transfers Out	-	-	-	-	-	(11,378)
Total Other Financing Sources (Uses)	<u>1,228</u>	<u>2,280</u>	<u>23,840</u>	<u>74</u>	<u>27,422</u>	<u>(9,897)</u>
Change in Net Position	608,022	194,428	(15,113)	(23,386)	763,951	(51,427)
Net Position, July 1, 2012	<u>17,158,046</u>	<u>5,548,819</u>	<u>1,084,247</u>	<u>158,553</u>		<u>1,489,961</u>
Net Position, June 30, 2013	<u>\$ 17,766,068</u>	<u>\$ 5,743,247</u>	<u>\$ 1,069,134</u>	<u>\$ 135,167</u>		<u>\$ 1,438,534</u>
					(8,339)	
					<u>\$ 755,612</u>	

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds
Change in Net Position 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, 2013

	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	\$ 2,082,602	\$ 1,160,141	\$ 7,500	\$ 272,183	\$ 3,522,426	\$ 1,957
Receipts from Interfund Services Provided	-	-	-	-	-	508,710
Other Receipts	10,347	33,021	-	630	43,998	3,580
Payments to Suppliers	(169,458)	(137,060)	-	(86,259)	(392,777)	(293,242)
Payments to Employees	(693,988)	(467,887)	-	(181,269)	(1,343,144)	(171,335)
Payments for Interfund Services Used	(282,889)	(202,679)	-	(22,737)	(508,305)	(174)
Net Cash Provided (Used) by Operating Activities	<u>946,614</u>	<u>385,536</u>	<u>7,500</u>	<u>(17,452)</u>	<u>1,322,198</u>	<u>49,496</u>
Cash Flows From Non Capital Financing Activities:						
Advances from (to) Other Funds	(5,766)	-	29,606	-	23,840	-
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	1,228	2,280	-	74	3,582	20,363
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(4,538)</u>	<u>5,757</u>	<u>29,606</u>	<u>74</u>	<u>30,899</u>	<u>20,363</u>
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	-	-	16,000	-	16,000	3,599
Purchases of Capital Assets	-	-	-	-	-	(58,633)
Acquisition/Construction of Capital Assets	(587,242)	(223,888)	(21,361)	-	(832,491)	-
Principal Paid on Interfund Debt	-	-	(18,931)	-	(18,931)	-
Interest Paid on Interfund Debt	-	-	(1,069)	-	(1,069)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(587,242)</u>	<u>(223,888)</u>	<u>(25,361)</u>	<u>-</u>	<u>(836,491)</u>	<u>(55,034)</u>
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	3,600	-	10,382	-
Receipts from Loan Collections	-	-	-	-	-	-
Expenses Rental Property	-	-	(22,091)	-	(22,091)	-
Interest on Investments	11,617	5,742	-	830	18,189	3,522
Net Cash Provided (Used) by Investing Activities	<u>14,617</u>	<u>9,524</u>	<u>(18,491)</u>	<u>830</u>	<u>6,480</u>	<u>3,522</u>
Net Increase (Decrease) in Cash and Cash Equivalents	369,451	176,929	(6,746)	(16,548)	523,086	18,347
Cash and Cash Equivalents, July 1, 2012	1,862,800	775,573	6,746	165,623	2,810,742	514,184
Cash and Cash Equivalents, June 30, 2013	<u>\$ 2,232,251</u>	<u>\$ 952,502</u>	<u>\$ -</u>	<u>\$ 149,075</u>	<u>\$ 3,333,828</u>	<u>\$ 532,531</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 592,177	\$ 182,624	\$ -	\$ (24,290)	\$ 750,511	\$ (48,651)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	354,979	208,940	-	1,992	565,911	101,264
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(14,478)	(6,273)	7,500	4,884	(8,367)	(1,379)
(Increase) Decrease in Inventories	-	-	-	-	-	(6,905)
Increase (Decrease) in Customer Deposits	(675)	-	-	-	(675)	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	4,314	4,566	-	2,274	11,154	6,911
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	4,995	(3,476)	-	(3,993)	(2,474)	(293)
Increase (Decrease) in Compensated Absences Payable	5,302	(845)	-	1,681	6,138	(1,451)
Total Adjustments	<u>354,437</u>	<u>202,912</u>	<u>7,500</u>	<u>6,838</u>	<u>571,687</u>	<u>98,147</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 946,614</u>	<u>\$ 385,536</u>	<u>\$ 7,500</u>	<u>\$ (17,452)</u>	<u>\$ 1,322,198</u>	<u>\$ 49,496</u>

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

*Increase (Decrease) in Accounts Payable Related to the Acquisition/Construction of Capital Assets is as follows - Water Fund \$29,665; Wastewater Fund (\$1,906) and Golf Course Operations Fund (\$21,360).

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Cash, Cash Equivalents and Investments

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

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

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash, Cash Equivalents and Investments (Continued)

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

Receivables and Payables

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

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

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

Inventories

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

Capital Assets

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no debt-financed construction activity in the fiscal year ended June 30, 2013.

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position 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 position 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 position* – Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Fund Financial Statements

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

- *Committed* – amounts constrained to specific purposes by the City itself at the highest level of decision making authority. This generally occurs by the adoption of an ordinance by the City Council.
- *Assigned* – amounts the City intends to use for a specific purpose. Assignment can be made by the designation of revenue sources to a particular fund, such as franchise fees designated to be received by the Street Fund, by informal motion of the City Council or by decision of management.
- *Unassigned* – amounts that are available for any purpose.

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

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

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

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

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

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

Use of Estimates

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Deficit Fund Equity

The LID Repayment Fund had a deficit fund balance of \$323,601 as of June 30, 2013. 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 \$406,753 due to a grant reimbursement that was not susceptible to accrual since the payment was not received within two months after the fiscal year end.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At June 30, 2013, the City's carrying amount of deposits was \$350,074 and the bank balance was \$361,618. 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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Chapter 295 requires depository banks to deposit with a third party bank custodian securities having a value of 10%, 25% or 110% of public funds on deposit in excess of FDIC insurance limits depending on the capitalization level of the depository bank. This collateral is to be in the name of the Oregon State Treasurer (Treasurer). Should a bank holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City's banks participate in this program, however, since the collateral is not held in the City's name, deposits in excess of FDIC insurance are still considered to be exposed to custodial credit risk. As of June 30, 2013 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 291,722
Uninsured and uncollateralized	69,896
Total	\$ 361,618

At June 30, 2013 the City had an investment of \$6,792,186 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	\$ -	\$ -	\$ 199	\$ -	\$ -	\$ 199
Property Taxes	215,954	50,561	-	-	7,226	273,741
Franchise Taxes	32,934	-	-	-	-	32,934
Trade Accounts	307,531	5,712	-	7,231	-	320,474
Special Assessments	-	-	-	221,854	-	221,854
LID Receivables	-	-	407,375	-	-	470,375
Intergovernmental	34,814	47,484	-	1,276,366	23,921	1,382,585
Gross Receivables	591,233	103,757	407,574	1,505,451	31,147	2,639,162
Less: Allowance for Uncollectibles	(116,869)	(252)	-	-	-	(117,121)
Total Receivables	\$ 474,364	\$ 103,505	\$ 407,574	\$ 1,505,451	\$ 31,147	\$ 2,522,041

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

Internal Service Funds have trade account receivables at year end of \$1,473 which are included with governmental activities in the Statement of Net Position.

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

	Water Utility Fund	Wastewater Utility Fund	Building Inspection Fund	Golf Course Operation Fund	Total
Trade Accounts	\$ 121,986	\$ 66,814	\$ 27	\$ 7,500	\$ 196,327
Special Assessments	-	50,418	-	-	50,418
Intergovernmental	-	-	300	-	300
Gross Receivables	121,986	117,232	327	7,500	247,045
Less: Allowance for Uncollectibles	(8,944)	(4,573)	-	-	(13,517)
Total Receivables	<u>\$ 113,042</u>	<u>\$ 112,659</u>	<u>\$ 327</u>	<u>\$ 7,500</u>	<u>\$ 233,528</u>

In April 2012 the City received from the estate of Anthony Silvers a promissory note for \$9,619 with Daniel Burton with interest at 8%. As of June 30, 2013 the note is scheduled to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013-2014	2,957	392	3,349
2014-2015	3,202	147	3,349
2015-2016	80	1	81
Total	<u>\$ 6,239</u>	<u>\$ 540</u>	<u>\$ 6,779</u>

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

	<u>Deferred Revenue</u>
Trade Accounts Receivable	\$ 198,427
Intergovernmental Receivable	463,053
Delinquent Property Taxes Receivable	256,971
Special Assessments Not Due	221,854
Local Improvement District Receivables Not Due	407,375
Interest Receivable	199
Note Receivable	6,239
Oregon Trail Electric Cooperative Capital Credits	238,669
Total Deferred/Unearned Revenue – Governmental Funds	<u>\$ 1,792,787</u>

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$238,669, special assessments receivable in the amount of \$221,854, contracts receivable included in trade receivables of \$4,831, local improvement district receivables of \$407,375 and the long term portion of the notes receivable of \$3,282 are not expected to be collected within one year.

Capital Assets

Capital asset activity for the year ended June 30, 2013 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	\$ 199,928	\$ 1,816,084	\$ (32,113)	\$ 1,983,899
Land	2,152,603	-	-	2,152,603
Total capital assets, not being depreciated	<u>2,352,531</u>	<u>1,816,084</u>	<u>(32,113)</u>	<u>4,136,502</u>
Capital assets, being depreciated:				
Buildings	4,887,162	49,512	-	4,936,674
Improvements other than buildings	102,730	10,341	-	113,071
Machinery and equipment	4,988,168	300,029	(239,141)	5,049,056
Infrastructure	29,670,535	1,075,317	-	30,745,852
Total capital assets being depreciated	<u>39,648,595</u>	<u>1,435,199</u>	<u>(239,141)</u>	<u>40,844,653</u>
Less accumulated depreciation for:				
Buildings	(2,729,695)	(101,754)	-	(2,831,449)
Improvements other than buildings	(93,452)	(4,219)	-	(97,671)
Machinery and equipment	(3,566,838)	(247,350)	239,141	(3,575,047)
Infrastructure	(20,392,302)	(585,030)	-	(20,977,332)
Total accumulated depreciation	<u>(26,782,287)</u>	<u>(938,353)</u>	<u>239,141</u>	<u>(27,481,499)</u>
Total capital assets, being depreciated, net	<u>12,866,308</u>	<u>496,846</u>	<u>-</u>	<u>13,363,154</u>
Governmental activities capital assets, net	<u>\$ 15,218,839</u>	<u>\$ 2,312,930</u>	<u>\$ (32,113)</u>	<u>\$ 17,499,656</u>

Construction in process for governmental activities of \$1,983,899 is comprised of \$1,584,770 for construction work on Resort Street, \$344,749 for work moving Resort Street utilities underground, \$33,211 for storm water work on E Street and \$21,169 for prep work on E Street for the overlay.

During the year ended June 30, 2013 Crossroads Arts Center received a grant for \$20,000 to use towards the reconstruction of the exterior stairs at the Carnegie building which is owned by the City. The City received a \$157,350 grant from the State of Oregon Department of Transportation to update its transportation system plan.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase/ Transfer</u>	<u>Decrease/ Transfer</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 1,258,343	\$ 207,727	\$ (19,131)	\$ 1,446,939
Land	<u>1,342,160</u>	<u>-</u>	<u>-</u>	<u>1,342,160</u>
Total capital assets, not being depreciated	2,600,503	207,727	(19,131)	2,789,099
Capital assets, being depreciated:				
Buildings	375,405	10,846	-	386,251
Machinery and equipment	709,689	12,051	(15,946)	705,794
Improvements other than buildings	346,687	-	-	346,687
Infrastructure	<u>27,771,039</u>	<u>627,397</u>	<u>-</u>	<u>28,398,436</u>
Total capital assets, being depreciated	29,202,820	650,294	(15,946)	29,837,168
Less accumulated depreciation for:				
Buildings	(168,443)	(8,095)	-	(176,538)
Machinery and equipment	(582,029)	(21,444)	166	(603,307)
Improvements other than buildings	(221,256)	(15,119)	-	(236,375)
Infrastructure	<u>(9,472,486)</u>	<u>(538,771)</u>	<u>-</u>	<u>(10,011,257)</u>
Total accumulated depreciation	<u>(10,444,214)</u>	<u>(583,429)</u>	<u>166</u>	<u>(11,027,477)</u>
Total capital assets, being depreciated, net	<u>18,758,606</u>	<u>66,865</u>	<u>(15,780)</u>	<u>18,809,691</u>
Business-type activities capital assets, net	<u>\$ 21,359,109</u>	<u>\$ 274,592</u>	<u>\$ (34,911)</u>	<u>\$ 21,598,790</u>

Construction in process for business-type activities of \$1,459,589 is comprised of \$1,180,362 for pipe, legal costs and the N.E.P.A. study for the Forest Service portion of the mountain line water improvement project, \$206,594 for the U.V. water treatment facility, \$7,152 for the Elk Creek settling building reconstruction and \$65,481 for a reclaimed water use study.

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

Governmental activities:

General government	\$ 39,614
Public safety	171,746
Highway and streets, including depreciation of general infrastructure assets	287,060
Culture and recreation	116,042
Economic and Community Development	3,859
Airport	217,272
Cemetery	1,496
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>101,264</u>

Total depreciation expense - governmental activities

\$ 938,353

Business-type activities:

Water utility	\$ 354,979
Wastewater utility	208,940
Building inspections	1,992
Golf operation	<u>17,518</u>

Total depreciation expense-business-type activities

\$ 583,429

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 14,420
Anthony Silvers Street Tree Trust	LID Repayment	4,501
Mt Hope Trust	Golf Course Operations	19,093
Water Utility	Golf Course Operations	5,766
General	State and Federal Grants	722,998
Total		<u>\$ 766,778</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	\$ 31,498
Anthony Silvers Street Tree Trust	LID Repayment	290,380
Mt. Hope Trust	Golf Course Operations	148,429
Total		<u>\$ 470,307</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, 2013 are as follows:

	General Fund	Street Fund	S&F Grant Fund	Nonmajor Governmental Funds	Internal Service Funds	Enterprise Funds	Total
Transfer from:							
General Fund	\$ -	\$ -	\$ 8,500	\$ 54,000	\$ -	\$ 23,535	\$ 86,035
Street Fund	-	-	-	205,377	-	-	205,377
Internal Service Fund	5,455	555	-	-	1,481	3,887	11,378
LID Repayment Fund	-	-	-	294,881	-	-	294,881
Non Major Governmental Funds	4,197	-	-	-	-	-	4,197
Total Transfers	<u>\$ 9,652</u>	<u>\$ 555</u>	<u>\$ 8,500</u>	<u>\$ 554,258</u>	<u>\$ 1,481</u>	<u>\$ 27,422</u>	<u>\$ 601,868</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 LIDs and capital projects.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013:

	Governmental Activities Long-Term Obligations
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%	\$ 58,085
Total Governmental Activity Long-Term Liabilities	\$ 58,085

The following is a summary of maturities of the governmental activity long-term liability as of June 30, 2013:

Fiscal Year	Principal	Interest	Totals
2013-2014	\$ 5,169	\$ 3,171	\$ 8,340
2014-2015	5,451	2,889	8,340
2015-2016	5,749	2,591	8,340
2016-2017	6,062	2,278	8,340
2017-2018	6,393	1,947	8,340
2018-2022	29,261	4,100	33,361
Total	\$ 58,085	\$ 16,976	\$ 75,061

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note payable - OR Economic Development Department	\$ 62,986	\$ -	\$ (4,901)	\$ 58,085	\$ 5,169
Compensated absences	217,172	295,239	(274,938)	237,473	237,473
Governmental activity Long-term liabilities	\$ 280,158	\$ 295,239	\$ (279,839)	\$ 295,558	\$ 242,642
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business Type Activities:					
Compensated absences	\$ 92,745	\$ 104,484	\$ (98,346)	\$ 98,883	\$ 98,883

The compensated absences liability for the Internal Service Funds is \$8,439 and is included in the above totals for governmental activities.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013 was 16.04%, it increased to 16.16% as of July 1, 2013. 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, 2013

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. As of June 30, 2013 the City's rate for member contributions is 10.77% for general service and 13.48% for police/fire members, it decreased to 10.74% and 13.47% for police/fire members of July 1, 2013.
 - 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
06/30/11	\$ 588,629	100%	\$ -
06/30/12	\$ 715,899	100%	\$ -
06/30/13	\$ 710,295	100%	\$ -

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. OTHER INFORMATION (Continued)

Commitments, Contingencies and Subsequent Events

Accrued liabilities do not include sick leave of approximately \$750,972 which was earned as of June 30, 2013, 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.

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.

On September 10, 2013 the City Council voted to return the real property at 1935 Clifford Street in Baker City that was bequeathed from Anthony Silvers during the year ended June 30, 2012 to the estate. The estimated value of the property at the time of donation was \$100,300. As of the year ended June 30, 2013 it had a depreciated value of \$97,251.

As of July 31, 2013 the City paid in full the Note Payable to the Oregon Economic and Community Development Department with a balance due at June 30, 2013 of \$58,085. The payoff was funded in part by a \$36,256 interfund loan between the General Fund and the Equipment and Vehicle Fund.

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, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GENERAL FUND					
Revenue:					
Property Taxes	\$ 2,272,155	\$ 2,272,155	\$ 2,315,794	\$ -	\$ 2,315,794
Franchise Taxes	813,046	813,046	796,145	-	796,145
Licenses and Permits	49,650	49,650	51,366	-	51,366
Intergovernmental	233,000	233,000	248,802	-	248,802
Charges for Services	698,050	698,050	773,567	-	773,567
Fines and Forfeitures	28,300	28,300	29,495	-	29,495
Rental Income	26,260	26,260	26,294	-	26,294
Interest and Dividends	6,500	6,500	7,908	-	7,908
SAIF Refund	-	-	25,960	-	25,960
Miscellaneous	26,000	32,586	21,718	-	21,718
Overhead Charges to Other Funds	360,000	360,000	406,786	(406,786)	-
Total Revenues	4,512,961	4,519,547	4,703,835	(406,786)	4,297,049
Expenditures:					
General Government:					
Administration	1,076,449	1,093,116	1,080,320	(688,786)	391,534
Planning	64,432	61,932	61,063	-	61,063
Total General Government	1,140,881	1,155,048	1,141,383	(688,786)	452,597
Public Safety:					
Police	1,709,588	1,709,588	1,695,518	282,000	1,977,518
Fire	1,422,335	1,422,335	1,405,665	-	1,405,665
Total Public Safety	3,131,923	3,131,923	3,101,183	282,000	3,383,183
Parks and Recreation:					
Parks	103,289	92,289	82,479	-	82,479
Airport	57,155	52,155	43,451	-	43,451
Debt Service - Airport	8,340	8,340	8,340	-	8,340
Cemetery	148,941	156,527	143,854	-	143,854
Hydro Electric Plant	5,165	19,165	19,305	-	19,305
Community Development	57,500	60,000	59,003	-	59,003
Operating Contingency	80,000	59,333	-	-	-
Total Expenditures	4,733,194	4,734,780	4,598,998	(406,786)	4,192,212
Excess (Deficit) of Revenues Over Expenditures	(220,233)	(215,233)	104,837	-	104,837
Other Financing Sources (Uses):					
Transfers In	10,655	10,655	9,652	-	9,652
Transfers Out	(81,035)	(86,035)	(86,035)	-	(86,035)
Total Other Financing Sources (Uses)	(70,380)	(75,380)	(76,383)	-	(76,383)
Net Change in Fund Balance	(290,613)	(290,613)	28,454	-	28,454
Fund Balance, July 1, 2012	1,190,613	1,190,613	1,353,298	-	1,353,298
Fund Balance, June 30, 2013	\$ 900,000	\$ 900,000	\$ 1,381,752	\$ -	\$ 1,381,752

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE TAX STREET FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE TAX STREET FUND					
Revenue:					
Taxes	\$ 531,965	\$ 531,965	\$ 542,215	\$ -	\$ 542,215
Intergovernmental	581,990	581,990	642,845	-	642,845
Charges for Services	68,000	68,000	88,094	-	88,094
Interest	4,000	4,000	4,788	-	4,788
Miscellaneous	891	891	691	-	691
Total Revenues	<u>1,186,846</u>	<u>1,186,846</u>	<u>1,278,633</u>	<u>-</u>	<u>1,278,633</u>
Expenditures:					
Maintenance	639,711	639,711	566,430	-	566,430
Storm Water Maintenance	193,409	175,909	60,846	-	60,846
Preventative Maintenance	421,470	421,470	229,806	-	229,806
Street Lighting	72,633	72,633	62,846	-	62,846
Snow and Ice Control	77,032	77,032	24,302	-	24,302
Street Construction	7,335	24,835	23,750	-	23,750
Operating Contingency	100,000	100,000	-	-	-
Total Expenditures	<u>1,511,590</u>	<u>1,511,590</u>	<u>967,980</u>	<u>-</u>	<u>967,980</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(324,744)</u>	<u>(324,744)</u>	<u>310,653</u>	<u>-</u>	<u>310,653</u>
Other Financing Sources (Uses):					
Transfers In	555	555	555	-	555
Transfers Out	(210,000)	(210,000)	(205,377)	-	(205,377)
Total Other Financing Uses	<u>(209,445)</u>	<u>(209,445)</u>	<u>(204,822)</u>	<u>-</u>	<u>(204,822)</u>
Net Change in Fund Balance	(534,189)	(534,189)	105,831	-	105,831
Fund Balance, July 1, 2012	<u>704,209</u>	<u>704,209</u>	<u>812,754</u>	<u>-</u>	<u>812,754</u>
Fund Balance, June 30, 2013	<u>\$ 170,020</u>	<u>\$ 170,020</u>	<u>\$ 918,585</u>	<u>\$ -</u>	<u>\$ 918,585</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LID REPAYMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
LID REPAYMENT FUND					
Revenue:					
Interest	\$ 1,800	\$ 1,800	\$ 48	\$ 2,799	\$ 2,847
Special Assessments/LID Repayments	15,000	15,000	23,574	(2,799)	20,775
Total Revenues	<u>16,800</u>	<u>16,800</u>	<u>23,622</u>	<u>-</u>	<u>23,622</u>
Expenditures:					
Administration	6,300	6,300	20	-	20
Debt Service	-	-	-	814	814
Total Expenditures	<u>6,300</u>	<u>6,300</u>	<u>20</u>	<u>814</u>	<u>834</u>
Excess (Deficit) of Revenues Over Expenditures	10,500	10,500	23,602	(814)	22,788
Other Financing Sources and (Uses):					
Transfer Out	-	-	(294,881)	-	(294,881)
Interfund Loan Transfers In	-	-	294,881	(294,881)	-
Interfund Loan Transfers Out	(31,500)	(31,500)	(31,074)	31,074	-
Total Other Financing Uses	<u>(31,500)</u>	<u>(31,500)</u>	<u>(31,074)</u>	<u>(263,807)</u>	<u>(294,881)</u>
Net Change in Fund Balance	(21,000)	(21,000)	(7,472)	(264,621)	(272,093)
Fund Balance, July 1, 2012	<u>21,000</u>	<u>21,000</u>	<u>24,671</u>	<u>(76,179)</u>	<u>(51,508)</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,199</u>	<u>\$ (340,800)</u>	<u>\$ (323,601)</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, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE & FEDERAL GRANTS FUND					
Revenue:					
Intergovernmental	\$ 3,149,409	\$ 3,152,812	\$ 1,851,729	\$ -	\$ 1,851,729
Charges for Services	600	600	960	-	960
Interest	130	130	247	-	247
Miscellaneous	20,700	20,700	36,459	-	36,459
Total Revenues	3,170,839	3,174,242	1,889,395	-	1,889,395
Expenditures:					
Administration	15,350	15,350	15,631	-	15,631
Public Safety	94,035	97,438	19,540	-	19,540
Transportation and Streets	2,253,409	2,253,409	1,416,955	-	1,416,955
Parks and Recreation	28,342	28,342	13,370	-	13,370
Airport	884,425	884,425	869,081	-	869,081
Economic/Community Development	8,895	8,895	29,611	-	29,611
Total Expenditures	3,284,456	3,287,859	2,364,188	-	2,364,188
Excess (Deficit) of Revenues Over Expenditures	(113,617)	(113,617)	(474,793)	-	(474,793)
Other Financing Sources:					
Transfers In	8,500	8,500	8,500	-	8,500
Total Other Financing Sources	8,500	8,500	8,500	-	8,500
Net Change in Fund Balance	(105,117)	(105,117)	(466,293)	-	(466,293)
Fund Balance, July 1, 2012	105,117	105,117	59,540	-	59,540
Fund Balance, June 30, 2013	\$ -	\$ -	\$ (406,753)	\$ -	\$ (406,753)

BAKER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 28,454	\$ 105,831	\$ (7,472)	\$ (466,293)
<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.	(406,786)	-	-	-
<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.	406,786	-	-	-
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.	-	-	(264,621)	-
<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>\$ 28,454</u>	<u>\$ 105,831</u>	<u>\$ (272,093)</u>	<u>\$ (466,293)</u>

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Other
Supplementary
Information

Non Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

**BAKER CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue			Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Resort Underground Utility	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Trust		
Samo Swim Maintenance										
Cash and Cash Equivalents	\$ 82,300	\$ 546	\$ 93,003	\$ 142,130	\$ 155,025	\$ 337,629	\$ 2,904	\$ 488,451	\$ 1,556,049	
Interest Receivable	-	-	-	-	-	-	-	-	-	
Intergovernmental Receivable	-	-	-	23,921	-	-	-	-	23,921	
Notes Receivable	-	-	-	-	-	-	-	6,239	6,239	
Taxes Receivable	7,226	-	-	-	-	-	-	-	7,226	
Due from Other Funds	-	-	-	-	-	19,093	-	4,501	23,594	
Advances to Other Funds	-	-	-	-	-	148,429	-	290,380	438,809	
Other Investments	-	-	-	-	-	888	-	-	888	
Total Assets	\$ 89,526	\$ 546	\$ 93,003	\$ 166,051	\$ 155,025	\$ 506,039	\$ 2,904	\$ 789,571	\$ 2,056,726	
Liabilities:										
Accounts Payable	\$ 2,113	\$ -	\$ 1,715	\$ 160,111	\$ 54,893	\$ -	\$ -	\$ -	\$ 219,082	
Accrued Payroll Taxes	204	-	219	-	-	-	-	-	423	
Deferred Revenue	6,783	-	-	-	-	-	-	6,239	13,022	
Total Liabilities	9,100	250	1,934	160,111	54,893	-	-	6,239	232,527	
Fund Balance:										
Restricted for 2089 Celebration	-	-	-	-	-	-	2,904	-	2,904	
Restricted for Cemetery Care	-	-	-	-	-	-	-	-	254,061	
Restricted for Street Trees	-	-	-	-	-	-	-	6,491	6,491	
Committed for Cemetery Care	-	-	-	-	-	505,151	-	-	505,151	
Committed for Sidewalks	-	-	91,069	-	-	-	-	-	91,069	
Committed for Street Trees	-	296	-	-	-	-	-	-	296	
Assigned for Resort Utilities	-	-	-	-	100,132	-	-	-	100,132	
Assigned for Fire Equipment	-	-	-	5,940	-	-	-	-	5,940	
Assigned for Samo Swim Maintenance	80,426	-	-	-	-	-	-	-	80,426	
Nonspendable	-	-	-	-	-	888	-	776,841	777,729	
Total Fund Balance	80,426	296	91,069	5,940	100,132	506,039	2,904	783,332	1,824,199	
Total Liabilities and Fund Balance	\$ 89,526	\$ 546	\$ 93,003	\$ 166,051	\$ 155,025	\$ 506,039	\$ 2,904	\$ 789,571	\$ 2,056,726	

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue			Capital Projects				Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swin Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Resort Underground Utility	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Fund		
Revenue:											
Taxes	\$ 77,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,430
Intergovernmental	-	-	-	-	27,264	-	-	-	-	-	27,264
Charges for Services	-	-	325	-	-	-	-	-	-	-	325
Interest	480	1,386	5	485	659	-	2,811	16	4,814	-	10,656
Miscellaneous	-	-	-	-	30,361	-	70	-	-	-	30,431
Bequest	-	-	-	-	-	-	-	-	2,670	-	2,670
Total Revenue	77,910	1,386	330	485	58,284	-	2,881	16	7,484	-	148,776
Expenditures:											
Public Safety	-	-	-	-	163,723	-	-	-	-	-	163,723
Community Development	-	-	756	-	-	344,749	-	-	-	-	345,505
Sidewalks	-	-	-	44,618	-	-	-	-	-	-	44,618
Parks and Recreation	78,802	-	-	-	-	-	-	-	-	-	78,802
Total Expenditures	78,802	-	756	44,618	163,723	344,749	-	-	-	-	632,648
Excess (Deficit) of Revenues Over Expenditures	(892)	1,386	(426)	(44,133)	(105,439)	(344,749)	2,881	16	7,484	-	(483,872)
Other Financing Sources (Uses):											
Transfers In	34,000	-	-	55,377	20,000	444,881	-	-	-	-	554,258
Transfers Out	-	(1,386)	-	-	-	-	(2,811)	-	-	-	(4,197)
Total Other Financing Sources (Uses)	34,000	(1,386)	-	55,377	20,000	444,881	(2,811)	-	-	-	550,061
Net Change in Fund Balance	33,108	-	(426)	11,244	(85,439)	100,132	70	16	7,484	-	66,189
Fund Balance, July 1, 2012	47,318	254,061	722	79,825	91,379	-	505,969	2,888	775,848	-	1,758,010
Fund Balance, June 30, 2013	\$ 80,426	\$ 254,061	\$ 296	\$ 91,069	\$ 5,940	\$ 100,132	\$ 506,039	\$ 2,904	\$ 783,332	\$ -	\$ 1,824,199

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SAMO SWIM MAINTENANCE FUND					
Revenue:					
Taxes	\$ 76,036	\$ 76,036	\$ 77,430	\$ -	\$ 77,430
Interest	250	250	480	-	480
Total Revenues	<u>76,286</u>	<u>76,286</u>	<u>77,910</u>	<u>-</u>	<u>77,910</u>
Expenditures:					
Samo Swim Center	133,044	137,544	78,802	-	78,802
Contingency	<u>12,242</u>	<u>7,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>145,286</u>	<u>145,286</u>	<u>78,802</u>	<u>-</u>	<u>78,802</u>
Excess (Deficit) of Revenues Over Expenditures	(69,000)	(69,000)	(892)	-	(892)
Other Financing Sources:					
Transfers In	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>-</u>	<u>34,000</u>
Net Change in Fund Balance	(35,000)	(35,000)	33,108	-	33,108
Fund Balance, July 1, 2012	<u>35,000</u>	<u>35,000</u>	<u>47,318</u>	<u>-</u>	<u>47,318</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,426</u>	<u>\$ -</u>	<u>\$ 80,426</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
JOHN SCHMITZ TRUST FUND					
Revenue:					
Interest	\$ 2,000	\$ 2,000	\$ 1,386	\$ -	\$ 1,386
Expenditures:					
Operating Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers Out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,386)</u>	<u>-</u>	<u>(1,386)</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2012	<u>254,061</u>	<u>254,061</u>	<u>254,061</u>	<u>-</u>	<u>254,061</u>
Fund Balance, June 30, 2013	<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, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
TREE CITY FUND					
Revenue:					
Charges for Services	\$ 2,000	\$ 2,000	\$ 325	\$ -	\$ 325
Interest	-	-	5	-	5
Total Revenues	2,000	2,000	330	-	330
Expenditures:					
Community Development	2,000	2,000	756	-	756
Net Change in Fund Balance	-	-	(426)	-	(426)
Fund Balance, July 1, 2012	-	-	722	-	722
Fund Balance, June 30, 2013	\$ -	\$ -	\$ 296	\$ -	\$ 296

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SIDEWALK UTILITY FUND					
Revenue:					
Charges for Services	\$ 2,000	\$ 2,000	\$ -	\$ -	\$ -
Interest	350	350	485	-	485
Total Revenues	2,350	2,350	485	-	485
Expenditures:					
Sidewalk Grants	42,127	42,127	28,343	-	28,343
Sidewalk Projects	16,275	16,275	16,275	-	16,275
Operating Contingency	85,748	85,748	-	-	-
Total Expenditures	144,150	144,150	44,618	-	44,618
Other Financing Sources:					
Transfers In	60,000	60,000	55,377	-	55,377
Net Change in Fund Balance	(81,800)	(81,800)	11,244	-	11,244
Fund Balance, July 1, 2012	81,800	81,800	79,825	-	79,825
Fund Balance, June 30, 2013	\$ -	\$ -	\$ 91,069	\$ -	\$ 91,069

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
FIRE EQUIPMENT RESERVE FUND					
Revenue:					
Interest	\$ 500	\$ 500	\$ 659	\$ -	\$ 659
Intergovernmental	335,350	338,693	27,264	-	27,264
Miscellaneous	31,000	31,000	30,361	-	30,361
Total Revenues	<u>366,850</u>	<u>370,193</u>	<u>58,284</u>	<u>-</u>	<u>58,284</u>
Expenditures:					
Fire and EMS Equipment	459,000	462,343	163,723	-	163,723
Excess (Deficit) of Revenues Over Expenditures	(92,150)	(92,150)	(105,439)	-	(105,439)
Other Financing Sources (Uses):					
Transfers In	20,000	20,000	20,000	-	20,000
Net Change in Fund Balance	(72,150)	(72,150)	(85,439)	-	(85,439)
Fund Balance, July 1, 2012	91,115	91,115	91,379	-	91,379
Fund Balance, June 30, 2013	<u>\$ 18,965</u>	<u>\$ 18,965</u>	<u>\$ 5,940</u>	<u>\$ -</u>	<u>\$ 5,940</u>

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
RESORT UTILITY UNDERGROUND FUND					
Revenue:					
Improvement District Assessment	\$ -	\$ 294,881	\$ -	\$ -	\$ -
Expenditures:					
Materials and Services	150,000	444,881	344,749	-	344,749
Excess (Deficit) of Revenues Over Expenditures	(150,000)	(150,000)	(344,749)	-	(344,749)
Other Financing Sources:					
Transfers In	150,000	150,000	444,881	-	444,881
Net Change in Fund Balance	-	-	100,132	-	100,132
Fund Balance, July 1, 2012	-	-	-	-	-
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,132</u>	<u>\$ -</u>	<u>\$ 100,132</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
MT HOPE TRUST FUND					
Revenue:					
Interest	\$ 2,075	\$ 2,075	\$ 1,742	\$ 1,069	\$ 2,811
Miscellaneous	-	-	70	-	70
Total Revenues	2,075	2,075	1,812	1,069	2,881
Other Financing Sources (Uses):					
Transfers Out	(3,200)	(3,200)	(2,811)	-	(2,811)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	16,800	16,800	17,189	(20,000)	(2,811)
Net Change in Fund Balance	18,875	18,875	19,001	(18,931)	70
Fund Balance, July 1, 2012	319,500	319,500	319,517	186,452	505,969
Fund Balance, June 30, 2013	<u>\$ 338,375</u>	<u>\$ 338,375</u>	<u>\$ 338,518</u>	<u>\$ 167,521</u>	<u>\$ 506,039</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ONE HUNDRED YEAR TRUST					
Revenue:					
Interest	\$ 15	\$ 15	\$ 16	\$ -	\$ 16
Total Revenues	15	15	16	-	16
Net Change in Fund Balance	15	15	16	-	16
Fund Balance, July 1, 2012	2,885	2,885	2,888	-	2,888
Fund Balance, June 30, 2013	<u>\$ 2,900</u>	<u>\$ 2,900</u>	<u>\$ 2,904</u>	<u>\$ -</u>	<u>\$ 2,904</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
A. SILVERS STREET TREE TRUST					
Revenue:					
Interest	\$ 5,275	\$ 5,275	\$ 4,814	\$ -	\$ 4,814
Bequest	2,730	2,730	2,670	-	2,670
Total Revenues	8,005	8,005	7,484	-	7,484
Other Financing Sources and (Uses):					
Interfund Loan Transfers Out	-	-	(294,881)	294,881	-
Total Other Financing Uses:	-	-	(294,881)	294,881	-
Net Change in Fund Balance	8,005	8,005	(287,397)	294,881	7,484
Fund Balance, July 1, 2012	775,975	775,975	775,848	-	775,848
Fund Balance, June 30, 2013	<u>\$ 783,980</u>	<u>\$ 783,980</u>	<u>\$ 488,451</u>	<u>\$ 294,881</u>	<u>\$ 783,332</u>

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Major Business-Type Funds

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

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

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

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

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

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

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WATER UTILITY FUND					
Revenue:					
Charges for Services	\$ 1,963,825	\$ 1,963,825	\$ 2,097,755	\$ -	\$ 2,097,755
Interest	6,000	6,000	11,617	-	11,617
Miscellaneous	13,000	13,000	13,347	-	13,347
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
Total Revenues	<u>1,995,825</u>	<u>1,995,825</u>	<u>2,135,719</u>	<u>(13,000)</u>	<u>2,122,719</u>
Expenses:					
Maintenance	1,336,943	1,336,943	1,199,653	(38,707)	1,160,946
Construction	812,735	812,735	591,200	(591,200)	-
Depreciation	-	-	-	354,979	354,979
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	<u>2,349,678</u>	<u>2,349,678</u>	<u>1,790,853</u>	<u>(274,928)</u>	<u>1,515,925</u>
Excess (Deficit) of Revenues Over Expenses	<u>(353,853)</u>	<u>(353,853)</u>	<u>344,866</u>	<u>261,928</u>	<u>606,794</u>
Other Financing Sources:					
Transfer In	<u>1,228</u>	<u>1,228</u>	<u>1,228</u>	<u>-</u>	<u>1,228</u>
Total Other Financing Sources	<u>1,228</u>	<u>1,228</u>	<u>1,228</u>	<u>-</u>	<u>1,228</u>
Net Change in Fund Balance	(352,625)	(352,625)	346,094	261,928	608,022
Fund Balance, July 1, 2012	<u>1,603,012</u>	<u>1,603,012</u>	<u>1,770,770</u>	<u>15,387,276</u>	<u>17,158,046</u>
Fund Balance, June 30, 2013	<u>\$ 1,250,387</u>	<u>\$ 1,250,387</u>	<u>\$ 2,116,864</u>	<u>\$ 15,649,204</u>	<u>\$ 17,766,068</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WASTEWATER UTILITY FUND*					
Revenue:					
Charges for Services	\$ 1,033,500	\$ 1,033,500	\$ 1,056,507	\$ 109,907	\$ 1,166,414
Rental Income	3,782	3,782	3,782	-	3,782
Interest	3,600	3,600	4,257	1,485	5,742
Special Assessments/LID Repayments	4,327	4,327	848	(848)	-
Miscellaneous	31,000	31,000	33,021	-	33,021
Total Revenues	1,076,209	1,076,209	1,098,415	110,544	1,208,959
Expenses:					
Maintenance	830,450	830,450	808,616	(745)	807,871
Construction	312,188	312,188	189,210	(189,210)	-
Depreciation	-	-	-	208,940	208,940
Operating Contingency	100,000	100,000	-	-	-
Total Expenses	1,242,638	1,242,638	997,826	18,985	1,016,811
Other Financing Sources:					
Transfers In	2,280	2,280	2,280	-	2,280
Total Other Financing Sources	2,280	2,280	2,280	-	2,280
Net Change in Fund Balance	(164,149)	(164,149)	102,869	91,559	194,428
Fund Balance, July 1, 2012	765,655	765,655	714,214	4,834,605	5,548,819
Fund Balance, June 30, 2013	<u>\$ 601,506</u>	<u>\$ 601,506</u>	<u>\$ 817,083</u>	<u>\$ 4,926,164</u>	<u>\$ 5,743,247</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
RECLAIMED WATER USE FUND - CAPITAL PROJECTS*					
Revenue:					
Interest	\$ -	\$ -	\$ 637	\$ (637)	\$ -
Charges for Services	105,100	105,100	109,907	(109,907)	-
Total Revenues	105,100	105,100	110,544	(110,544)	-
Expenditures:					
Maintenance	16,105	16,105	5,467	(5,467)	-
Construction	40,000	40,000	26,561	(26,561)	-
Total Expenses	56,105	56,105	32,028	(32,028)	-
Net Change in Fund Balance	48,995	48,995	78,516	(78,516)	-
Fund Balance, July 1, 2012	86,822	86,822	84,511	(84,511)	-
Fund Balance, June 30, 2013	<u>\$ 135,817</u>	<u>\$ 135,817</u>	<u>\$ 163,027</u>	<u>\$ -</u>	<u>\$ -</u>

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

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE OPERATION FUND					
Revenue:					
Rental Income	11,000	11,000	3,500	-	3,500
Interest Income	-	-	-	-	-
Miscellaneous	16,000	16,000	16,000	(15,780)	220
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>19,500</u>	<u>(15,780)</u>	<u>3,720</u>
Expenses:					
Maintenance	30,840	35,840	24,086	-	24,086
Debt Service	-	-	-	1,069	1,069
Depreciation	-	-	-	17,518	17,518
Total Expenses	<u>30,840</u>	<u>35,840</u>	<u>24,086</u>	<u>18,587</u>	<u>42,673</u>
Excess (Deficit) of Revenues Over Expenses	<u>(3,840)</u>	<u>(8,840)</u>	<u>(4,586)</u>	<u>(34,367)</u>	<u>(38,953)</u>
Other Financing Sources (Uses):					
Interfund Transfers In	18,840	23,840	23,840	-	23,840
Interfund Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
Total Other Financing Sources (Uses)	<u>(1,160)</u>	<u>3,840</u>	<u>3,840</u>	<u>20,000</u>	<u>23,840</u>
Net Change in Fund Balance	(5,000)	(5,000)	(746)	(14,367)	(15,113)
Fund Balance, July 1, 2012	<u>5,000</u>	<u>5,000</u>	<u>484</u>	<u>1,083,763</u>	<u>1,084,247</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (262)</u>	<u>\$ 1,069,396</u>	<u>\$ 1,069,134</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
BUILDING INSPECTIONS FUND					
Revenue:					
Charges for Services	\$ 338,655	\$ 338,655	\$ 267,299	\$ -	\$ 267,299
Interest	600	600	830	-	830
Miscellaneous	500	500	630	-	630
Total Revenues	<u>339,755</u>	<u>339,755</u>	<u>268,759</u>	<u>-</u>	<u>268,759</u>
Expenditures:					
Personnel Services	227,386	229,133	178,957	-	178,957
Materials and Services	137,753	137,753	111,270	-	111,270
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	18,253	-	-	-
Total Expenses	<u>385,139</u>	<u>385,139</u>	<u>290,227</u>	<u>1,992</u>	<u>292,219</u>
Other Financing Sources:					
Transfers In	74	74	74	-	74
Total Other Financing Sources	<u>74</u>	<u>74</u>	<u>74</u>	<u>-</u>	<u>74</u>
Excess (Deficit) of Revenues Over Expenses	<u>(45,310)</u>	<u>(45,310)</u>	<u>(21,394)</u>	<u>(1,992)</u>	<u>(23,386)</u>
Fund Balance, July 1, 2012	<u>139,236</u>	<u>139,236</u>	<u>146,253</u>	<u>12,300</u>	<u>158,553</u>
Fund Balance, June 30, 2013	<u>\$ 93,926</u>	<u>\$ 93,926</u>	<u>\$ 124,859</u>	<u>\$ 10,308</u>	<u>\$ 135,167</u>

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Internal Service Funds

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

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

Insurance Reserve Fund: This fund was created with transfers from other funds. This fund is intended to pay future insurance penalties which the City will pay as part of its risk management discounted insurance program if the City's insurance claims go above the amount projected. Resolution 3684 eliminated this fund during the fiscal year ended June 30, 2013 and its accumulated balance was transferred back to those funds that paid into it.

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

BAKER CITY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	<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	\$ 2,065	\$ -	\$ 530,466	\$ 532,531
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	488	-	985	1,473
Due From Other Funds	-	-	14,420	14,420
Inventories	284,720	-	-	284,720
Total Current Assets	<u>287,273</u>	<u>-</u>	<u>545,871</u>	<u>833,144</u>
Noncurrent Assets:				
Advances to Other Funds	-	-	31,498	31,498
Capital Assets:				
Buildings	-	-	39,524	39,524
Equipment and Vehicles	-	-	2,517,782	2,517,782
Less: Accumulated Depreciation	-	-	(1,948,210)	(1,948,210)
Total Capital Assets	<u>-</u>	<u>-</u>	<u>609,096</u>	<u>609,096</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>640,594</u>	<u>640,594</u>
Total Assets	<u>\$ 287,273</u>	<u>\$ -</u>	<u>\$ 1,186,465</u>	<u>\$ 1,473,738</u>
Current Liabilities:				
Accounts Payable	\$ 8,178	\$ -	\$ 10,238	\$ 18,416
Due to Other Funds	-	-	-	-
Accrued Payroll Taxes and Benefits Payable	-	-	8,349	8,349
Compensated Absences Payable	-	-	8,439	8,439
Total Current Liabilities	<u>8,178</u>	<u>-</u>	<u>27,026</u>	<u>35,204</u>
Net Position:				
Invested in Capital Assets	-	-	609,096	609,096
Unrestricted	279,095	-	550,343	829,438
Total Net Position	<u>\$ 279,095</u>	<u>\$ -</u>	<u>\$ 1,159,439</u>	<u>\$ 1,438,534</u>

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<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	\$ 133,281	\$ -	\$ 377,873	\$ 511,154
Miscellaneous Income	-	-	4,471	4,471
Total Revenue	<u>133,281</u>	<u>-</u>	<u>382,344</u>	<u>515,625</u>
Operating Expenses:				
Cost of Sales and Services	127,249	-	335,763	463,012
Depreciation	-	-	101,264	101,264
Total Expenses	<u>127,249</u>	<u>-</u>	<u>437,027</u>	<u>564,276</u>
Operating Income (Loss)	6,032	-	(54,683)	(48,651)
Nonoperating Revenue (Expense):				
Interest Income	-	-	3,522	3,522
Gain on Equipment Sale	-	-	3,599	3,599
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>-</u>	<u>7,121</u>	<u>7,121</u>
Other Financing Sources (Uses)				
Interfund Transfer In	-	-	1,481	1,481
Interfund Transfer Out	-	(11,378)	-	(11,378)
Total Other Financing Sources:	<u>-</u>	<u>(11,378)</u>	<u>1,481</u>	<u>(9,897)</u>
Change in Net Position	6,032	(11,378)	(46,081)	(51,427)
Net Position July 1, 2012	<u>273,063</u>	<u>11,378</u>	<u>1,205,520</u>	<u>1,489,961</u>
Net Position June 30, 2013	<u>\$ 279,095</u>	<u>\$ -</u>	<u>\$ 1,159,439</u>	<u>\$ 1,438,534</u>

BAKER CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Central Stores</u>	<u>Insurance Reserve Fund</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
Cash from Operating Activities:				
Receipts from Customers and Users	\$ 1,957	\$ -	\$ -	\$ 1,957
Receipts from Interfund Services Provided	130,837	-	377,873	508,710
Other Receipts	-	-	3,580	3,580
Payments to Suppliers	(128,575)	-	(164,667)	(293,242)
Payments to Employees	-	-	(171,335)	(171,335)
Payments for Interfund Services Used	-	-	(174)	(174)
Net Cash Provided (Used) by Operating Activities	<u>4,219</u>	<u>-</u>	<u>45,277</u>	<u>49,496</u>
Cash Flows from Non Capital Financing Activities:				
Advances from (to) Other Funds	-	-	-	-
Repayments from (to) Other Funds	(2,154)	(11,378)	33,895	20,363
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,154)</u>	<u>(11,378)</u>	<u>33,895</u>	<u>20,363</u>
Cash Flows from Capital and Related Financing Activities:				
Receipts on Sale of Capital Assets	-	-	3,599	3,599
Purchases of Capital Assets	-	-	(58,633)	(58,633)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(55,034)</u>	<u>(55,034)</u>
Cash Flows from Investing Activities:				
Interest on Investments	-	-	3,522	3,522
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>3,522</u>	<u>3,522</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,065	(11,378)	27,660	18,347
Cash and Cash Equivalents, July 1, 2012	<u>-</u>	<u>11,378</u>	<u>502,806</u>	<u>514,184</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 2,065</u>	<u>\$ -</u>	<u>\$ 530,466</u>	<u>\$ 532,531</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	<u>\$ 6,032</u>	<u>\$ -</u>	<u>\$ (54,683)</u>	<u>\$ (48,651)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	101,264	101,264
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(488)	-	(891)	(1,379)
(Increase) Decrease in Inventories	(6,905)	-	-	(6,905)
Increase (Decrease) in Accounts Payable	5,580	-	1,331	6,911
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	-	(293)	(293)
Increase (Decrease) in Compensated Absences Payable	-	-	(1,451)	(1,451)
Total Adjustments	<u>(1,813)</u>	<u>-</u>	<u>99,960</u>	<u>98,147</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,219</u>	<u>\$ -</u>	<u>\$ 45,277</u>	<u>\$ 49,496</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
CENTRAL STORES FUND					
Revenue:					
Charges for Services	\$ 210,270	\$ 210,270	\$ 133,281	\$ -	\$ 133,281
Total Revenues	210,270	210,270	133,281	-	133,281
Expenses:					
Cost of Inventory Sold	210,000	210,000	127,249	-	127,249
Operating Contingency	50,000	50,000	-	-	-
Total Expenses	260,000	260,000	127,249	-	127,249
Net Change in Fund Balance	(49,730)	(49,730)	6,032	-	6,032
Fund Balance, July 1, 2012	250,000	250,000	273,063	-	273,063
Fund Balance, June 30, 2013	\$ 200,270	\$ 200,270	\$ 279,095	\$ -	\$ 279,095

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
INSURANCE RESERVE FUND					
Revenue:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
Expenditures:					
Insurance Penalty	-	-	-	-	-
Other Financing (Uses):					
Transfers Out	(11,378)	(11,378)	(11,378)	-	(11,378)
Net Change in Fund Balance	(11,378)	(11,378)	(11,378)	-	(11,378)
Fund Balance, July 1, 2012	11,378	11,378	11,378	-	11,378
Fund Balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
EQUIPMENT & VEHICLE FUND					
Revenue:					
Charges for Services	\$ 502,129	\$ 502,129	\$ 377,873	\$ -	\$ 377,873
Interest	3,000	3,000	2,708	814	3,522
Miscellaneous	5,000	5,000	4,471	-	4,471
Gain on Equipment Sale	-	-	3,599	-	3,599
Total Revenues	<u>510,129</u>	<u>510,129</u>	<u>388,651</u>	<u>814</u>	<u>389,465</u>
Expenses:					
Equipment Operations	413,751	413,751	335,763	-	335,763
Equipment Purchases	76,000	76,000	58,632	(58,632)	-
Depreciation	-	-	-	101,264	101,264
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	<u>689,751</u>	<u>689,751</u>	<u>394,395</u>	<u>42,632</u>	<u>437,027</u>
Excess (Deficit) of Revenues Over Expenses	<u>(179,622)</u>	<u>(179,622)</u>	<u>(5,744)</u>	<u>(41,818)</u>	<u>(47,562)</u>
Other Financing Sources:					
Interfund Transfers In	32,981	32,981	32,555	(31,074)	1,481
Total Other Financing Sources	<u>32,981</u>	<u>32,981</u>	<u>32,555</u>	<u>(31,074)</u>	<u>1,481</u>
Net Change in Fund Balance	<u>(146,641)</u>	<u>(146,641)</u>	<u>26,811</u>	<u>(72,892)</u>	<u>(46,081)</u>
Fund Balance, July 1, 2012	<u>450,000</u>	<u>450,000</u>	<u>477,616</u>	<u>727,904</u>	<u>1,205,520</u>
Fund Balance, June 30, 2013	<u>\$ 303,359</u>	<u>\$ 303,359</u>	<u>\$ 504,427</u>	<u>\$ 655,012</u>	<u>\$ 1,159,439</u>

Summary of Property Tax Transactions

BAKER CITY
SUMMARY OF PROPERTY TAX TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Tax Year	2012-2013 Tax					Taxes Receivable June 30, 2013	
	Taxes Receivable June 30, 2012	Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments		Less Collections
2012-13		\$ 2,991,746	\$ (73,005)	\$ 1,163	\$ (1,380)	\$ (2,787,234)	\$ 131,290
2011-12	\$ 137,745			3,606	(451)	(59,911)	80,989
2010-11	78,209			5,086	(454)	(40,371)	42,470
2009-10	38,662			5,926	344	(31,158)	13,774
2008-09	13,284			3,082	138	(14,296)	2,208
Prior	4,199			533	(81)	(1,641)	3,010
	\$ 272,099	\$ 2,991,746	\$ (73,005)	\$ 19,396	\$ (1,884)	\$ (2,934,611)	\$ 273,741

Taxes Receivable June 30, 2013 by Fund

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2012-13	\$ 103,575	\$ 24,250	\$ 3,466
2011-12	63,892	14,959	2,138
2010-11	33,505	7,844	1,121
2009-10	10,866	2,544	363
2008-09	1,742	408	58
Prior	2,375	556	79
	\$ 215,954	\$ 50,561	\$ 7,226

Collections by Fund

Current Year	Collections by Fund			
	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Levy	\$ 2,786,071	\$ 2,197,959	\$ 514,615	\$ 73,497
Interest	1,163	917	215	31
Total	\$ 2,787,234	\$ 2,198,877	\$ 514,830	\$ 73,528
Prior Years				
Taxes & Interest	\$ 147,377	\$ 116,267	\$ 27,222	\$ 3,888

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, 2013, and have issued our report thereon dated January 7, 2014. 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 except as follows:

1. During the adoption of the budget approved by the budget committee after the budget hearing, the City Council increased estimated expenditures in the Resort Underground Utility Fund by more than 10% of the amount approved by the

budget commit without publishing a revised financial summary and notice of a second budget hearing or holding a second hearing.

2. A transfer of \$294,881 from the LID Fund to the Resort Utility Underground Fund in exchange for future local improvement district assessment collections was not budgeted.
3. An unauthorized interfund loan from the General Fund to the State and Federal Grants fund was caused by the payment of grant funded project invoices prior to receipt of funds from the reimbursement type grant for the project.

These items were violations of Oregon Local Budget Law.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City of Baker City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City's internal control over financial reporting. We did note certain other matters that were communicated to the City of Baker City's management in a letter dated January 7, 2014.

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



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

January 7, 2014

Single Audit

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

The Honorable Mayor Richard Langrell
And the Members of the City Council
City of Baker City, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Baker City, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Baker City, Oregon's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Baker City, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Baker City, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Baker City, Oregon's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Baker City in a separate letter dated January 7, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on

compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Guyer & Associates". The signature is written in a cursive, flowing style.

Guyer & Associates
Certified Public Accountants
Baker City, Oregon
January 7, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor Richard Langrell
And the Members of the City Council
City of Baker City, Oregon

Report on Compliance for Each Major Federal Program

We have audited the City of Baker City, Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Baker City, Oregon's major federal program for the year ended June 30, 2013. the City of Baker City, Oregon's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Baker City, Oregon's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baker City, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Baker City, Oregon's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Baker City, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Baker City, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Baker City, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City, Oregon's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

The City of Baker City, Oregon's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Baker City, Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Guyer & Associates
Certified Public Accountants
Baker City, Oregon
January 7, 2014

City of Baker City
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

FEDERAL GRANTOR - PASS THROUGH GRANTOR - PROGRAM TITLE	Federal CFDA Number	Pass - Through Entity identifying Number	Federal Expenditures
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106		\$ 804,710
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Assistance to Firefighters Grant	97.044		\$ 27,264
DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		\$ 3,403
PASSED THROUGH FROM BAKER COUNTY:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>5,714</u>
Total Expenditures of Federal Awards			<u>\$ 841,091</u>

* denotes program audited as major

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

CITY OF BAKER CITY
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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

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

The Federal Aviation Administration is the City's oversight agency for the Single Audit.

2. Fiscal Period Audited:

This report relates to Single Audit testing procedures performed for program transactions occurring during the fiscal year ended June 30, 2013.

3. Summary of Significant Accounting Policies:

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. The reported expenditures were incurred during the year ended June 30, 2013. These expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

4. Identification of Major Programs:

The Organization had one program with over \$300,000 of Federal expenditures (Type A). Expenditures under the Federal Aviation Administration Airport Improvement Program (CFDA #20.106) were 95.6% of total federal expenditures.

5. Federal Program Fund Classification: Federal Programs listed above are recorded in the State and Federal Grants Fund.

CITY OF BAKER CITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Baker City.
2. No control deficiencies relating to the audit of the financial statements which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the City of Baker City which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness in internal control over major programs disclosed during the audit is reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs (listed below) for the City of Baker City expresses an unqualified opinion on its major federal programs.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:
Federal Aviation Administration:
 1. Airport Improvement Program - CFDA #20.106
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Baker City was determined to be a high-risk auditee.

CITY OF BAKER CITY
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2013

FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings to report.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

All Awards
2013-1 - Year ended June 30, 2013

Condition: City of Baker City does not have any policies or procedures in place to ensure they do not hire an employee or contractor that has been suspended or debarred from engaging in contracts under federal programs.

Criteria: A compliance requirement of federal programs is that employees and contractors used in federally funded programs are not persons who have been excluded from eligibility under the suspended or debarment requirements.

Possible effects: An employee or contractor who is ineligible for federal program funding could have been hired and paid with federal money.

Questioned Costs: None, City of Baker City did not use any ineligible employees or contractors.

Recommendation: City of Baker City should implement policies and procedures to check the excluded persons list or obtain a certified statement for each employee and contractor (including the subcontractors) whose federal expenditures are expected to exceed the current threshold amount (currently \$25,000).

Management's Response: Management agrees with the finding and will make the recommended addition to its policies and procedures.