

City of Baker City, Oregon Annual Financial Report

For the Fiscal Year Ended June 30, 2015



BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

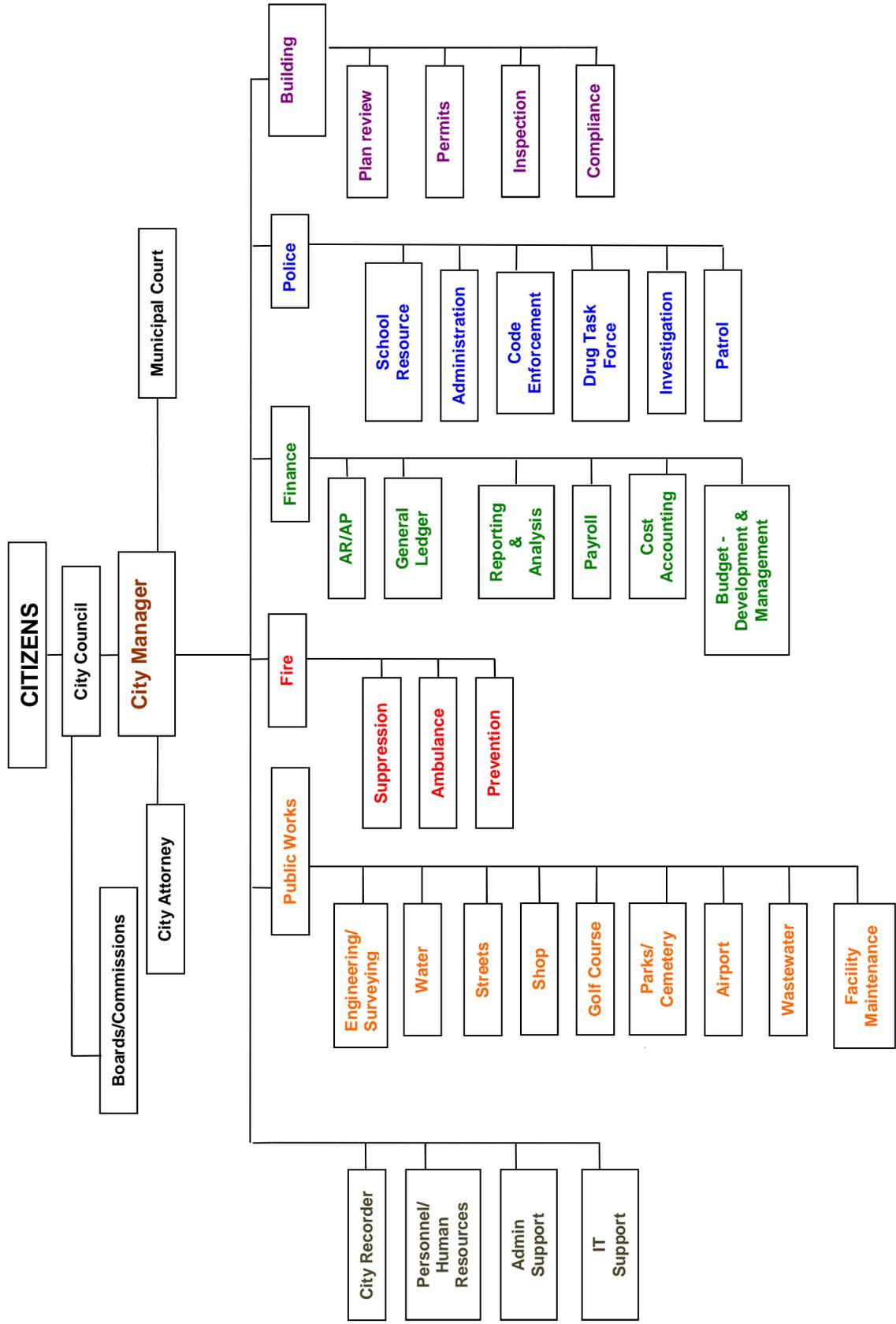
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Introductory Section

City of Baker City



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

ELECTED MAYOR AND CITY COUNCIL AT JUNE 30, 2015

	<u>Term Expiration</u>
<u>Mayor:</u>	
Kim Mosier 2304 Second Street	December 31, 2016
<u>Council Members:</u>	
Mike Downing 923 Walnut Street	December 31, 2016
Richard Langrell 175 Campbell Street	December 31, 2016
Rosemary Abell 2005 Washington Avenue	December 31, 2016
Benjamin Merrill 2434 Third Street	December 31, 2018
R. Mack Augenfeld 2905 Fifth Avenue	December 31, 2018
James Thomas 1675 East Street	December 31, 2018

APPOINTED CITY OFFICERS AS OF JUNE 30, 2015

City Manager:

Mike Kee

City Attorney:

Andrew Martin

City Finance Director:

Jeanie Dexter

Municipal Judge:

Don Williams

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Financial Section



Scott A. Martin
Megan R. Adams

Robert P. Seymour
Jacob J. Collier

Michael J. Rudi

Randell C. Guyer, Jr.
Kent J. Bailey

David F. Lindley
Linda L. Cyr

Kara J. Bond

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Kim Moser
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, 2015, 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, 2015, 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 and pension information on pages 5–15 and 53–60 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, and pension information 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

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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 61-77, 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.

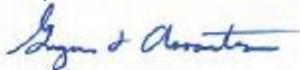
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, 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, 2016, on our consideration of the City Baker City, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Guyer & Associates
Certified Public Accountants
A Professional Corporation
La Grande, Oregon
January 7, 2016

By



Robert P. Seymour, a Principal

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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, 2015**

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 62-63.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds to account for its equipment maintenance and replacement and inventory 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 25-52 of this report.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Baker City, assets exceeded liabilities by \$50,720,912 at the close of the most recent fiscal year.

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

**City of Baker City
Summary of Net Position
June 30, 2015**

	Governmental Activities		Business-type Activities		Total	
	2014-15	2013-14*	2014-15	2013-14*	2014-15	2013-14*
ASSETS						
Current and Other Assets	\$ 6,674,676	\$ 5,274,205	\$ 3,800,567	\$ 3,480,110	\$ 10,475,243	\$ 8,754,315
Capital Assets	19,473,846	19,911,124	25,431,823	23,218,864	44,905,669	43,129,988
Total Assets	\$ 26,148,522	\$ 25,185,329	\$ 29,232,390	\$ 26,698,974	\$ 55,380,912	\$ 51,884,303
LIABILITIES						
Long-Term Liabilities	-	-	1,768,581	-	1,768,581	-
Other Liabilities	539,027	387,706	310,271	831,595	849,298	1,219,301
Total Liabilities	539,027	387,706	2,078,852	831,595	2,617,879	1,219,301
DEFERRED INFLOWS						
Total Liab. and Deferred	1,495,486	-	546,635	-	2,042,121	-
	2,034,513	-	2,625,487	831,595	4,660,000	1,219,301
NET POSITION						
Invested in Capital Assets, Net of Related Debt	\$ 19,473,846	\$ 19,911,124	\$ 23,534,044	\$ 23,070,435	\$ 43,007,890	\$ 42,981,559
Restricted	1,635,267	1,553,409	-	-	1,635,267	1,553,409
Unrestricted	3,004,896	3,333,090	3,072,859	2,796,944	6,077,755	6,130,034
Total Net Position	\$ 24,114,009	\$ 24,797,623	\$ 26,606,903	\$ 25,867,379	\$ 50,720,912	\$ 50,665,002

*The 2013-14 comparative information has not been restated for the implementation of GASB 68 and 71 due to the lack of available actuarial information.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

An additional portion of the City's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,077,755) may be used to meet the City's ongoing obligations to citizens and creditors. Net position for the City as a whole increased by \$2,463,449 during the fiscal year ended June 30, 2015. The following is an analysis of this increase.

**City of Baker City
Summary of Changes in Net Position
June 30, 2015**

	Governmental Activities		Business-type Activities		Total	
	2014-15	2013-14*	2014-15	2013-14*	2014-15	2013-14*
REVENUES						
Program Revenues						
Charges for Services	\$ 975,892	\$ 971,248	\$ 3,734,336	\$ 3,516,641	\$ 4,710,228	\$ 4,487,889
Operating Grants/Contrib.	697,243	784,735	-	-	697,243	784,735
Capital Grants/Contrib.	190,818	2,552,587	300,925	-	491,743	2,552,587
General Revenues:						
Property Taxes	3,051,512	2,966,779	-	-	3,051,512	2,966,779
Franchise Taxes	811,931	830,544	-	-	811,931	830,544
Investment Earnings	32,388	26,037	13,793	17,438	46,181	43,475
SAIF Refunds	26,818	22,940	-	-	26,818	22,940
Unrestricted Grants/Contrib.	251,386	244,493	-	-	251,386	244,493
Rental Income	34,061	28,478	48,527	6,783	82,588	35,261
Miscellaneous	39,097	37,223	80,934	99,815	120,031	137,038
Total Revenues	<u>\$ 6,111,146</u>	<u>\$ 8,465,064</u>	<u>\$ 4,178,515</u>	<u>\$ 3,640,677</u>	<u>\$ 10,289,661</u>	<u>\$ 12,105,741</u>
EXPENSES						
General Government	\$ 386,564	\$ 503,728	\$ -	\$ -	\$ 386,564	\$ 503,728
Public Safety	2,907,137	3,617,186	-	-	2,907,137	3,617,186
Transportation and Streets	1,084,451	1,370,051	-	-	1,084,451	1,370,051
Culture & Recreation	296,386	303,010	-	-	296,386	303,010
Economic Development	33,334	25,626	-	-	33,334	25,626
Cemetery	146,782	130,471	-	-	146,782	130,471
Airport	167,277	177,702	-	-	167,277	177,702
Hydro-Electric Plant	3,031	2,063	-	-	3,031	2,063
Interest on Long-Term Debt	5,720	6,255	-	-	5,720	6,255
Water	-	-	1,572,281	1,713,432	1,572,281	1,713,432
Wastewater	-	-	920,577	1,120,871	920,577	1,120,871
Golf Course	-	-	80,127	44,573	80,127	44,573
Building Department	-	-	222,545	271,728	222,545	271,728
Total Expenses	<u>5,030,682</u>	<u>6,136,092</u>	<u>2,795,530</u>	<u>3,150,604</u>	<u>7,826,212</u>	<u>9,286,696</u>
Operating Transfers	(1,000)	(48,478)	1,000	48,478	-	-
Extraordinary Item - Bequest	-	(96,603)	-	-	-	(96,603)
Change in Net Position	1,079,464	2,183,891	1,383,985	538,551	2,463,449	2,722,442
Net Position—Beginning of Year	24,797,623	22,613,732	25,867,379	25,328,828	50,665,002	47,942,560
Restatement of Beg Net Position	(1,763,078)	-	(644,461)	-	(2,407,539)	-
Net Position—End of Year	<u>\$ 24,114,009</u>	<u>\$ 24,797,623</u>	<u>\$ 26,606,903</u>	<u>\$ 25,867,379</u>	<u>\$ 50,720,912</u>	<u>\$ 50,665,002</u>

*The 2013-14 comparative information has not been restated for the implementation of GASB 68 and 71 due to the lack of available actuarial information.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Analysis of Changes in Net Position

Governmental activities: Net position of the governmental activities increased by \$1,079,464. Of that increase \$1,164,426 was due to the implementation of GASB 68 and 71 which requires the City to account for its portion of the change in net pension liability or asset related to its pension plan with Oregon Public Employees System (OPERS). Depreciation expense for governmental activities exceeded assets placed in service by \$344,553 during the fiscal year ended June 30, 2015. Also during that time, the State of Oregon Solid Waste Orphan Account provided to the City services valued at \$9,667 for the venting of methane gas and monitoring of the City's old landfill site. The City received a State of Oregon Recreational Trails grant reimbursement of \$107,647 that was included in deferred inflows on the modified accrual basis of accounting.

Business-type activities: Net position of the business-type activities increased by \$1,383,985. Of that increase, \$463,361 was due to the implementation of GASB 68 and 71 which requires the City to account for its portion of the change in net pension liability or asset related to its pension plan with OPERS. The City received \$300,925 in grants and donations for various capital projects including the U.V. facility construction; water facility plan; watershed master plan; and the irrigation plan at the golf course. In addition, the City collects revenue in excess of routine operational cost in order to set aside funds for capital improvements to the water and wastewater systems such as the U.V. project, the Mt. Line project and the wastewater effluent disposal project.

FUND ANALYSIS

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

Major Governmental Funds

General Fund: The ending fund balance of the General Fund decreased from \$1,495,126 to \$1,340,669. The decrease was mainly the result of transfers to other funds to support capital purchases including the LAMP expansion, FAA taxiway rehabilitation, golf course equipment and fire equipment. In addition, transfers were used to support golf course operations and the City's Tree City program. The decrease was also due to a repayment of a \$36,256 short term interfund loan from the Equipment and Vehicle Fund that was used to help pay off the long-term debt for the airport in 2013-14. These transfers were partially offset by an increase in charges for services of approximately \$73,000 due to an increase in ambulance call volume.

Street Fund: The ending fund balance of the Street Fund increased from \$651,546 to \$848,465. This increase was mainly due to a savings of approximately \$200,000 in preventative maintenance. This savings was the result of Council approving the exchange of a \$450,000 chip seal project for a \$250,000 overlay project on Pocahontas in order to partner with the County and save money on asphalt costs.

LID Repayment Fund: The ending fund balance of the LID Repayment Fund increased from (\$238,100) to (\$181,658) due to repayments on the LID for the undergrounding of utilities on Resort Street and other LID repayments.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Major Governmental Funds (Continued)

State and Federal Grants Fund: The ending fund balance of the State and Federal Grants Fund decreased from \$55,113 to (\$54,086). This decrease was due to State of Oregon Recreational Trails grant of approximately \$108,000 that was received after the 2014-15 fiscal year ended.

Enterprise Funds

Water Fund: The ending fund balance of the Water Fund increased from \$18,172,392 to \$18,811,437. This is due to the continued effort to set aside funds for future infrastructure enhancements such as the U.V. debt repayment and Mountain Line projects.

Wastewater Fund: The ending fund balance of the Wastewater Fund increased from \$5,935,400 to \$6,060,604. 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 \$1,073,073 to \$1,066,117. This decrease was due to an increase in maintenance costs related to golf course equipment and the golf course irrigation system.

Building Inspections Fund: The ending fund balance of the Building Inspections Fund decreased from \$127,946 to \$94,415. 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 2014-15 original budget as adopted and the final budget are as follows:

- The State and Federal Grants Fund LAMP III Pathway/Park Department received an unanticipated Recreational Trails grant of \$108,200 to expand the pathway at River Drive from Main Street to the Myrtle Street river access point.
- In the 2014-15 adopted budget, the State and Federal Grants Fund Small Miscellaneous Grants Department was transferred to the Tree City Fund in order to consolidate tree activities. The ending fund balance in that department was \$121 more than anticipated requiring an additional appropriation for the State and Federal Grants Fund transfer.
- The General Fund had a \$5,000 unanticipated expenditure for a system impact study to determine if Idaho Power could purchase the electricity generated by the City's hydroelectric plant.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

- The Golf Course Operation Fund required an additional transfer of \$6,000 from the General Fund to cover unanticipated personnel and material and services costs for repairs to the irrigation main line, shop building, and golf course equipment. In addition, a \$4,000 savings in Community Development Department was transferred to the Golf Course Operation Fund to fund a deficit beginning fund balance of \$3,918 which was due to prior year unanticipated irrigation repairs.
- A savings in the General Fund Planning Department was transferred to the Tree City Fund to fund approximately \$2,000 in additional personnel costs for tree projects due to the creation of a Baker City Tree Guide and other significant tree projects.
- The General Fund's Administrative Services Department incurred unforeseen legal expenditures of approximately \$33,000 due to the settlement of attorney fees in the matter of Langrell v. City of Baker City.
- The Federal Aviation Administration (FAA) requires an independent fee estimate for projects over the \$100,000 FAA threshold. At the time of adoption, the City did not anticipate the design cost to exceed \$100,000. The cost for the independent fee estimate was \$3,000.
- The General Fund transferred \$5,000 to the Golf Course Operation Fund for approximately \$5,000 of additional unanticipated personnel and material and services costs for repairs to the irrigation main line.
- The General Fund's Hydro Electric Plant Department was estimated to incur additional costs to purchase electrical equipment required by the Interconnection and Transmission Agreement with OTEC. An additional \$10,000 was budgeted to offset the equipment costs that were not offset by a savings in the estimated cost of the system impact study.
- The Samo Swim Center Maintenance Fund incurred approximately \$1,000 of additional personnel cost due to the cost of public works labor to repair the showers. These costs were offset by a savings in materials and services in the Samo Swim Center Maintenance Fund.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Significant differences between the 2014-15 final amended budget and the 2014-15 actual expenditures in the General Fund are as follows:

The City's final amended General Fund budget for the fiscal year ended 2014-15 included a contingency of \$16,000 and an unappropriated ending fund balance of \$783,645, for a total of \$799,645. The actual balance carried forward to 2015-16 is \$1,340,669. The difference of \$541,024 is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
REVENUE				
Property Tax Revenue	\$ 2,330,375	\$ 2,379,784	\$ 49,409	Received more prior year property taxes than anticipated.
Franchise Taxes	817,685	811,931	(5,754)	Received less OTEC and Cascade Natural Gas franchise taxes than anticipated partially offset by unanticipated Lightspeed franchise.
Charges for Services	804,000	876,938	72,938	Received more ambulance revenue due to higher call volume and more collections than anticipated.
SAIF Refund	-	26,818	26,818	Received an unanticipated SAIF refund.
Other Revenue	752,800	709,901	(42,899)	Less overhead charges to other funds due to the reduction of the overhead rate charged for U.V. project which was offset in part by less intergovernmental revenue collected than anticipated.
Total Revenue Increase			\$ 100,512	
EXPENDITURES				
Personnel Services	3,559,642	3,469,196	90,446	Savings in the Admin Department of \$11,729, Police Dept \$6,515 and Fire Department \$81,582. Partially offset by additional costs in Public Works labor in the General Fund.
Materials and Services	1,318,218	1,221,189	97,029	Fuel prices and insurance costs were lower than anticipated. Savings in contracted labor in Cemetery Department due to fewer interments than anticipated.
Capital Outlay	83,000	71,264	11,736	Minor differences in capital outlay budget versus actual costs.
Total Expenditure Savings			\$ 199,211	
Operating Transfer In	12,200	10,929	(1,271)	Received less Cemetery interest due to interest rate decline.
Interfund Loan Transfer Out	36,452	36,429	23	Interfund loan payment was made as budgeted.
Operating Transfer Out	172,680	172,680	-	Transfers were made as budgeted.
Beginning Fund Balance	1,252,577	1,495,126	242,549	Additional carryover from budgeted amount.
Difference Budget & Actual			\$ 541,024	

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year ended June 30, 2015 is summarized on pages 37-38 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, 2015:

Resort Street Reconstruction	\$ 24,323
Geiser Pollman Sidewalk Improvements	6,080
LAMP Pathway Extension-Main Street to Myrtle St. (In Process)	107,520
Land for LAMP Pathway Extension	30,824
Industrial Park Flood Map	5,300
Storm Water Facility Plan (Additional Costs)	2,046
Pear Street Sediment Vault	10,410
Storm Water Pipe Curing	39,498
Pocahontas Street Overlay	223,344
City Hall Window Replacement (In Process)	14,500
Taxiway Apron Rehabilitation Project (In Process)	3,000
City Hall ADA Ramp Reconstruction	15,240
Airport Transformer	5,369
Hydro Transmission Equipment	13,400
Asphalt Dump Bed	18,654
Police Vehicle	19,755
Watershed Utility Vehicle	13,463
Mountain Line National Environmental Protection Act (NEPA) Study (In Process)	135,035
Little Mill Diversion Improvements (In Process)	6,496
Water Master Plan (In Process)	52,462
Watershed Management Plan	32,310
U.V. Treatment Facility (Additional Costs)	2,248,531
Temporary U.V. Treatment Facility (Additional Costs)	2,969
Reservoir Hoist System	10,758
Water System Enhancements	48,885
Lagoon Phone System	8,550
Wastewater Pipe Curing	131,801
Wastewater System Enhancements	44,738
Donated Driving Range Net (Excludes Volunteer Labor)	9,898
Three Golf Course Mowers, Verticut and Terrain Cut	197,612
Golf Course Irrigation System	13,831
Total	<u><u>\$ 3,496,602</u></u>

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The City entered into a financing contract with Oregon Infrastructure Finance Authority (IFA) to finance \$2,000,000 of the U.V. water treatment project. Of this amount, \$1,750,000 was financed on a twenty-year note payable to Oregon IFA including interest at 3.55%. The remaining \$250,000 was financed with a forgivable promissory note to Oregon IFA. This amount was forgiven May 12, 2015.

The City entered into a financing contract with Oregon IFA to finance \$20,000 of the Water Master Plan. As of June 30, 2015, \$18,581 had been advanced to the City. This contract is forgivable if certain loan requirements are met. The Water Master Plan was in process as of June 30, 2015 and the City anticipates that upon completion of this project this note will be forgiven.

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 \$118,487 in 2014-15 to \$119,111 in 2015-16.
- 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>
2015-2016		1.5% +	1% +	
Salary Increase	1.5%	0.5% 1/2016	0.5% 1/2016	TBD

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

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

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

- 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 is currently in the process of completing a Water Master Plan which will assist the City in determining future infrastructure needs such as Mountain Line improvements and alternative water sources. The current water rates will need to be adjusted based on the future infrastructure needs for the City.
- Due to state and federal regulatory requirements the City's wastewater system may require significant modernization, rehabilitation and modifications in the future. The current wastewater rates will not be sufficient to fund these enhancements when required.

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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 4,191,834	\$ 2,943,548	\$ 7,135,382
Refundable Deposit	9,061	-	9,061
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	252,334	209,442	461,776
Interest Receivable	689	-	689
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	285,272	-	285,272
Intergovernmental Receivable	204,816	20,835	225,651
Contracts and Special Assessments Receivable	491,044	43,463	534,507
Internal Balances	(239,179)	239,179	-
Inventories	282,673	-	282,673
Capital Assets (Net of Accumulated Depreciation):			
Land	2,150,002	1,342,160	3,492,162
Construction in Process	125,020	391,954	516,974
Buildings	1,908,579	216,017	2,124,596
Improvements Other than Buildings	17,556	89,325	106,881
Machinery and Equipment	1,186,799	282,700	1,469,499
Infrastructure	14,085,890	23,109,667	37,195,557
Net Pension Asset	941,391	344,100	1,285,491
Other Assets	254,741	-	254,741
Total Assets	\$ 26,148,522	\$ 29,232,390	\$ 55,380,912
LIABILITIES:			
Accounts Payable	\$ 119,741	\$ 67,890	\$ 187,631
Accrued Payroll Taxes and Benefits Payable	183,161	67,350	250,511
Accrued Interest Payable	-	41,836	41,836
Other Payables	5	-	5
Customer Deposits	-	35,170	35,170
Notes Payable	-	1,768,581	1,768,581
Compensated Absences Payable	236,120	98,025	334,145
Total Liabilities	539,027	2,078,852	2,617,879
DEFERRED INFLOWS:			
Deferred Inflows Related to Pension Obligations	1,495,486	546,635	2,042,121
Total Liabilities and Deferred Inflows	2,034,513	2,625,487	4,660,000
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	19,473,846	23,534,044	43,007,890
Restricted for:			
Cemetery Care	779,212	-	779,212
2089 Celebration	2,932	-	2,932
Street Trees	17,437	-	17,437
Samo Swim Improvements	50,000	-	50,000
Car Seats	2,731	-	2,731
Nonexpendable	782,955	-	782,955
Unrestricted	3,004,896	3,072,859	6,077,755
Total Net Position	\$ 24,114,009	\$ 26,606,903	\$ 50,720,912

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

BAKER CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 386,564	\$ 53,161	\$ 12,859	\$ 7,500	\$ (313,044)	\$ -	\$ (313,044)
Public Safety	2,907,137	715,730	6,135	19	(2,185,253)	-	(2,185,253)
Highways and Streets	1,084,451	68,608	677,180	24,322	(314,341)	-	(314,341)
Culture and Recreation	296,386	74	1,069	158,977	(136,266)	-	(136,266)
Airport	167,277	6,646	-	-	(160,631)	-	(160,631)
Cemetery	146,782	63,058	-	-	(83,724)	-	(83,724)
Hydro-electric Plant	3,031	68,615	-	-	65,584	-	65,584
Economic and Community Development	33,334	-	-	-	(33,334)	-	(33,334)
Interest on Long Term Debt	5,720	-	-	-	(5,720)	-	(5,720)
Total Governmental Activities	5,030,682	975,892	697,243	190,818	(3,166,729)	-	(3,166,729)
Business-type Activities:							
Water Utility	1,572,281	2,269,005	-	299,925	-	996,649	996,649
Wastewater Utility	920,577	1,220,107	-	-	-	299,530	299,530
Golf Operation	80,127	-	-	1,000	-	(79,127)	(79,127)
Building Inspection	222,545	245,224	-	-	-	22,679	22,679
Total Business-type Activities	2,795,530	3,734,336	-	300,925	-	1,239,731	1,239,731
Total Government	7,826,212	4,710,228	697,243	491,743	(3,166,729)	1,239,731	(1,926,998)
General Revenues:							
Property Taxes					3,051,512	-	3,051,512
Franchise Taxes					811,931	-	811,931
Grants and Contributions Not Restricted to a Particular Program					251,386	-	251,386
Rental Income					34,061	48,527	82,588
Interest on Investments					32,388	13,793	46,181
SAIF Refund					26,818	-	26,818
Miscellaneous					39,097	80,934	120,031
Transfers:							
Operating					(1,000)	1,000	-
Total General Revenue and Transfers					4,246,193	144,254	4,390,447
Change in Net Position					1,079,464	1,383,985	2,463,449
Net Position July 1, 2014					24,797,623	25,867,379	50,665,002
Restatement of Beginning Net Position					(1,763,078)	(644,461)	(2,407,539)
Net Position June 30, 2015					24,114,009	26,606,903	50,720,912

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

**BAKER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>LID Repayment Fund</u>	<u>State and Federal Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and Cash Equivalents	\$ 1,436,818	\$ 823,031	\$ 69,462	\$ -	\$ 1,464,514	\$ 3,793,825
Refundable Deposit	9,061	-	-	-	-	9,061
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	241,097	2,706	-	4,325	2,986	251,114
Interest Receivable	-	-	689	-	-	689
Taxes Receivable	225,052	52,690	-	-	7,530	285,272
Contracts and Special Assessments Receivable	-	-	269,190	221,854	-	491,044
Due From Other Funds	7,216	-	-	-	90,684	97,900
Advances to Other Funds	-	-	-	-	272,740	272,740
Intergovernmental Receivable	42,452	53,150	-	108,096	1,118	204,816
Other Assets	253,853	-	-	-	888	254,741
Total Assets	<u>\$ 2,215,549</u>	<u>\$ 931,577</u>	<u>\$ 339,341</u>	<u>\$ 334,275</u>	<u>\$ 1,840,460</u>	<u>\$ 5,661,202</u>
Liabilities:						
Accounts Payable	\$ 44,013	\$ 12,220	\$ 29	\$ 45,111	\$ 8,274	\$ 109,647
Wages, Payroll Taxes and Benefits Payable	157,580	17,619	-	2,208	201	177,608
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	88,248	7,216	-	95,464
Advances from Other Funds	-	-	162,843	-	-	162,843
Total Liabilities	<u>201,598</u>	<u>29,839</u>	<u>251,120</u>	<u>54,535</u>	<u>8,475</u>	<u>545,567</u>
Deferred Inflows:						
Deferred Revenue	673,282	53,273	269,879	333,826	10,212	1,340,472
Fund Balance (Deficit):						
Nonspendable	253,853	-	-	-	783,843	1,037,696
Restricted for 2089 Celebration	-	-	-	-	2,932	2,932
Restricted for Cemetery Care	-	-	-	-	274,061	274,061
Restricted for Street Trees	-	-	-	-	14,118	14,118
Restricted for Samo Swim Improvements	-	-	-	-	50,000	50,000
Restricted for Car Seat Program	-	-	-	2,731	-	2,731
Committed for Cemetery Care	-	-	-	-	505,151	505,151
Committed for Sidewalks	-	-	-	-	108,016	108,016
Committed for Street Trees	-	-	-	-	3,319	3,319
Assigned for Big Deal Grants	-	-	-	5,000	-	5,000
Assigned for Wellness	-	-	-	729	-	729
Assigned for Public Safety	-	-	-	16,076	-	16,076
Assigned for Airport	-	-	-	5,353	-	5,353
Assigned for Skate Park	-	-	-	4,179	-	4,179
Assigned for Fire Equipment	-	-	-	-	43,847	43,847
Assigned for Samo Swim Maintenance	-	-	-	-	36,486	36,486
Assigned for Parks	-	-	-	4,695	-	4,695
Assigned for Trees	-	-	-	695	-	695
Assigned for Streets	-	848,465	-	-	-	848,465
Unassigned	1,086,816	-	(181,658)	(93,544)	-	811,614
Total Fund Balance (Deficit)	<u>1,340,669</u>	<u>848,465</u>	<u>(181,658)</u>	<u>(54,086)</u>	<u>1,821,773</u>	<u>3,775,163</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 2,215,549</u>	<u>\$ 931,577</u>	<u>\$ 339,341</u>	<u>\$ 334,275</u>	<u>\$ 1,840,460</u>	<u>\$ 5,661,202</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, 2015

Fund Balances of Governmental Funds		\$ 3,775,163
<p>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.</p>		
		1,340,472
<p>Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.</p>		
		19,003,443
<p>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.</p>		
- Compensated absences payable		(231,498)
<p>Internal service funds are proprietary-type funds and are not reported with the governmental funds. However, because internal service funds are expected to benefit primarily governmental activities, their assets, liabilities, and net position are reported along with governmental activities in the Statement of Net Position.</p>		
- Current assets and interfund receivable	\$ 904,720	
- Capital assets - net	470,403	
- Noncurrent assets - net pension asset	34,695	
- Current liabilities and interfund payable	(15,647)	
- Compensated absences payable	(4,622)	
- Deferred inflows related to pension obligations	(55,117)	
Subtotal	1,334,432	
<p>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.</p>		
		(574,330)
<p>Pension assets, liabilities and deferred outflows are recorded based on actuarially determined amounts in the statement of net position but are not recorded in the fund financial statements as they are not expected to be liquidated with current resources:</p>		
- Net pension asset	906,696	
- Deferred inflows related to pensions	(1,440,369)	
Subtotal	(533,673)	
Net Position of Governmental Activities		\$ 24,114,009

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, 2015

	<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	\$ 2,379,784	\$ 557,197	\$ -	\$ -	\$ 79,570	\$ 3,016,551
Franchise	811,931	-	-	-	-	811,931
Licenses and Permits	10,750	-	-	-	-	10,750
Intergovernmental	253,386	676,547	-	25,907	1,522	957,362
Charges for Services	876,938	13,285	-	784	55,323	946,330
Fines and Forfeitures	37,569	-	-	-	-	37,569
Rental Income	34,061	-	-	-	-	34,061
Interest and Dividends	7,915	3,585	4,415	176	12,905	28,996
SAIF Refund	26,818	-	-	-	-	26,818
Miscellaneous	27,019	633	43,186	6,605	51,439	128,882
Bequest	-	-	-	-	2,663	2,663
Total Revenue	<u>4,466,171</u>	<u>1,251,247</u>	<u>47,601</u>	<u>33,472</u>	<u>203,422</u>	<u>6,001,913</u>
Expenditures:						
Current:						
General Government	488,466	-	189	2,031	-	490,686
Public Safety	3,542,431	-	-	8,034	-	3,550,465
Highways and Streets	-	760,376	-	-	-	760,376
Sidewalks	-	-	-	-	23,128	23,128
Parks and Recreation	88,416	-	-	7,768	83,678	179,862
Airport	52,266	-	-	-	-	52,266
Cemetery	148,719	-	-	-	-	148,719
Hydro-electric Plant	3,169	-	-	-	-	3,169
Economic and Community Development	19,337	-	-	1,000	10,549	30,886
Debt Service:						
Principal	-	-	-	-	-	-
Interest	173	-	5,547	-	-	5,720
Capital Outlay:						
General Government	29,740	-	-	-	-	29,740
Public Safety	19,755	-	-	-	-	19,755
Parks and Recreation	6,080	-	-	138,344	-	144,424
Highways and Streets	-	293,952	-	24,323	-	318,275
Sidewalks	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-
Hydro-electric Plant	13,400	-	-	-	-	13,400
Economic and Community Development	5,300	-	-	-	-	5,300
Airport	5,369	-	-	3,000	-	8,369
Total Expenditures:	<u>4,422,621</u>	<u>1,054,328</u>	<u>5,736</u>	<u>184,500</u>	<u>117,355</u>	<u>5,784,540</u>
Excess (Deficit) of Revenues Over Expenditures	<u>43,550</u>	<u>196,919</u>	<u>41,865</u>	<u>(151,028)</u>	<u>86,067</u>	<u>217,373</u>
Other Financing Sources (Uses):						
Transfers In	10,929	-	14,577	52,700	59,871	138,077
Transfers Out	(172,680)	-	-	(10,871)	(17,526)	(201,077)
Total Other Financing Sources (Uses)	<u>(161,751)</u>	<u>-</u>	<u>14,577</u>	<u>41,829</u>	<u>42,345</u>	<u>(63,000)</u>
Net Change in Fund Balance	(118,201)	196,919	56,442	(109,199)	128,412	154,373
Fund Balance (Deficit), July 1, 2014	<u>1,458,870</u>	<u>651,546</u>	<u>(238,100)</u>	<u>55,113</u>	<u>1,693,361</u>	<u>3,620,790</u>
Fund Balance (Deficit), June 30, 2015	<u>\$ 1,340,669</u>	<u>\$ 848,465</u>	<u>\$ (181,658)</u>	<u>\$ (54,086)</u>	<u>\$ 1,821,773</u>	<u>\$ 3,775,163</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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	154,373
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.		93,769
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.		(344,553)
The value of donated services is reported as revenue and as expenditures in the Statement of Activities but is not reported in the governmental funds.		
- State of Oregon Solid Waste Orphan Fund grant		9,667
- Old landfill site testing, venting and monitoring of methane gas		(9,667)
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	\$	(37,126)
- Repayment of long term debt		<u>-</u>
Subtotal		(37,126)
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.		64,337
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.		(15,762)
Pension costs are determined based on actuarially determined amounts. The amounts paid into the pension plan exceeded the actuarially determined liability amount.		<u>1,164,426</u>
Change in Net Position of Governmental Activities	\$	<u><u>1,079,464</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, 2015

	<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	\$ 1,446,851	\$ 1,366,154	\$ 1,099	\$ 129,444	\$ 2,943,548	\$ 398,009
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	118,846	90,480	-	116	209,442	1,220
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	19,925	-	-	910	20,835	-
Due From Other Funds	-	-	-	-	-	56,061
Inventories	-	-	-	-	-	282,673
Total Current Assets	1,585,622	1,460,111	1,099	130,470	3,177,302	737,963
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	166,757
Special Assessments Receivable	-	39,986	-	-	39,986	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	391,954	-	-	-	391,954	-
Buildings	269,522	35,037	106,146	-	410,705	39,524
Improvements other than Buildings	-	-	356,585	-	356,585	-
Infrastructure	25,401,922	8,981,113	-	-	34,383,035	-
Machinery, Equipment, and Vehicles	212,737	477,182	226,765	19,913	936,597	2,507,512
Less: Accumulated Depreciation	(7,139,684)	(4,888,750)	(347,190)	(13,589)	(12,389,213)	(2,076,633)
Net Capital Assets	19,316,709	4,708,380	1,400,410	6,324	25,431,823	470,403
Other Assets:						
Net Pension Asset	186,399	126,526	172	31,003	344,100	34,695
Total Noncurrent Assets	19,503,108	4,874,892	1,400,582	37,327	25,815,909	671,855
Total Assets	\$ 21,088,730	\$ 6,335,003	\$ 1,401,681	\$ 167,797	\$ 28,993,211	\$ 1,409,818
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 39,181	\$ 16,536	\$ 130	\$ 12,043	\$ 67,890	\$ 10,094
Customer Deposits	35,170	-	-	-	35,170	-
Due to Other Funds	-	-	58,497	-	58,497	-
Accrued Payroll Taxes and Benefits Payable	37,890	22,713	10	6,737	67,350	5,553
Compensated Absences Payable	58,523	34,152	-	5,350	98,025	4,622
Accrued Interest Payable	41,836	-	-	-	41,836	-
Current Portion of Long Term Debt	62,528	-	-	-	62,528	-
Total Current Liabilities	275,128	73,401	58,637	24,130	431,296	20,269
Long-Term Liabilities:						
Notes Payable	1,706,053	-	-	-	1,706,053	-
Advances From Other Funds	-	-	276,654	-	276,654	-
Total Long-Term Liabilities	1,706,053	-	276,654	-	1,982,707	-
Total Liabilities	1,981,181	73,401	335,291	24,130	2,414,003	20,269
Deferred Inflows:						
Deferred Inflows Related to Pensions	296,112	200,998	273	49,252	546,635	55,117
Total Liabilities and Deferred Inflows	2,277,293	274,399	335,564	73,382	2,960,638	75,386
Net Position:						
Invested in Capital Assets, Net of Related Debt	17,548,128	4,708,380	1,065,259	6,324	23,328,091	470,403
Unrestricted	1,263,309	1,352,224	858	88,091	2,704,482	864,029
Total Net Position	\$ 18,811,437	\$ 6,060,604	\$ 1,066,117	\$ 94,415	26,032,573	\$ 1,334,432

Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds
Related to Net Position of Business-type Activities

574,330

Net Position of Business-Type Activities

\$ 26,606,903

BAKER CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>		
Operating Revenue:						
Charges for Sales and Services	\$ 2,269,005	\$ 1,220,107	\$ -	\$ 245,224	\$ 3,734,336	\$ 459,317
Miscellaneous	10,052	59,812	-	1,172	71,036	1,591
Total Operating Revenue	<u>2,279,057</u>	<u>1,279,919</u>	<u>-</u>	<u>246,396</u>	<u>3,805,372</u>	<u>460,908</u>
Operating Expenses:						
Cost of Sales and Services	1,080,931	696,763	-	220,553	1,998,247	371,588
Interest Expense	34,585	-	-	-	34,585	-
Depreciation	464,335	231,703	-	1,992	698,030	92,725
Total Operating Expenses	<u>1,579,851</u>	<u>928,466</u>	<u>-</u>	<u>222,545</u>	<u>2,730,862</u>	<u>464,313</u>
Operating Income (Loss)	<u>699,206</u>	<u>351,453</u>	<u>-</u>	<u>23,851</u>	<u>1,074,510</u>	<u>(3,405)</u>
Nonoperating Revenue (Expense):						
Gain on Equipment Sale	-	-	-	-	-	2,350
Investment Earnings	6,036	6,947	135	675	13,793	3,392
Rental Income	3,000	3,782	41,745	-	48,527	-
Capital Grants and Donations	299,925	-	10,898	-	310,823	-
Depreciation and Expenses - Rental Property	-	-	(78,407)	-	(78,407)	-
Interest Expense	-	-	(2,023)	-	(2,023)	-
Total Nonoperating Revenue (Expense)	<u>308,961</u>	<u>10,729</u>	<u>(27,652)</u>	<u>675</u>	<u>292,713</u>	<u>5,742</u>
Income Before Transfers	<u>1,008,167</u>	<u>362,182</u>	<u>(27,652)</u>	<u>24,526</u>	<u>1,367,223</u>	<u>2,337</u>
Other Financing Sources (Uses):						
Transfers In	-	-	63,000	-	63,000	62,000
Transfers Out	(20,000)	-	(42,000)	-	(62,000)	-
Total Other Financing Sources	<u>(20,000)</u>	<u>-</u>	<u>21,000</u>	<u>-</u>	<u>1,000</u>	<u>62,000</u>
Change in Net Position	988,167	362,182	(6,652)	24,526	1,368,223	64,337
Net Position, July 1, 2014	18,172,392	5,935,400	1,073,073	127,946		1,335,074
Restatement of Beginning Net Position	<u>(349,122)</u>	<u>(236,978)</u>	<u>(304)</u>	<u>(58,057)</u>		<u>(64,979)</u>
Net Position, June 30, 2015	<u>\$ 18,811,437</u>	<u>\$ 6,060,604</u>	<u>\$ 1,066,117</u>	<u>\$ 94,415</u>		<u>\$ 1,334,432</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					15,762	
Change in Net Position of Business-Type Activities					<u>\$ 1,383,985</u>	

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

**BAKER CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	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	\$ 2,245,315	\$ 1,182,191	\$ -	\$ 245,026	\$ 3,672,532	\$ 1,792
Receipts from Interfund Services Provided	-	-	-	-	-	457,347
Other Receipts	10,052	59,812	-	487	70,351	725
Payments to Suppliers	(271,412)	(156,407)	-	(90,710)	(518,529)	(265,796)
Payments to Employees	(791,300)	(496,210)	-	(154,341)	(1,441,851)	(167,317)
Payments for Interfund Services Used	(298,046)	(207,357)	-	(18,614)	(524,017)	(39)
Net Cash Provided (Used) by Operating Activities	<u>894,609</u>	<u>382,029</u>	<u>-</u>	<u>(18,152)</u>	<u>1,258,486</u>	<u>26,712</u>
Cash Flows From Non Capital Financing Activities:						
Advances from (to) Other Funds	(20,000)	-	56,000	-	36,000	(222,378)
Repayments from LID for Line Extension	-	3,478	-	-	3,478	-
Repayments from (to) Other Funds	6,347	-	-	-	6,347	122,909
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(13,653)</u>	<u>3,478</u>	<u>56,000</u>	<u>-</u>	<u>45,825</u>	<u>(99,469)</u>
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	-	-	-	-	-	2,350
Purchases of Capital Assets	-	-	(211,443)	-	(211,443)	-
Acquisition/Construction of Capital Assets	(3,082,969)	(176,487)	-	-	(3,259,456)	-
Proceeds from Capital Debt	1,768,581	-	-	-	1,768,581	-
Other Receipts	291,038	-	1,000	-	292,038	-
Advances from (to) Other Funds	-	-	249,378	-	249,378	-
Principal Paid on Interfund Debt	-	-	(97,655)	-	(97,655)	-
Interest Paid on Interfund Debt	-	-	(2,023)	-	(2,023)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(1,023,350)</u>	<u>(176,487)</u>	<u>(60,743)</u>	<u>-</u>	<u>(1,260,580)</u>	<u>2,350</u>
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	41,745	-	48,527	-
Expenses Rental Property	-	-	(36,573)	-	(36,573)	-
Interest on Investments	6,036	6,947	135	675	13,793	3,392
Net Cash Provided (Used) by Investing Activities	<u>9,036</u>	<u>10,729</u>	<u>5,307</u>	<u>675</u>	<u>25,747</u>	<u>3,392</u>
Net Increase (Decrease) in Cash and Cash Equivalents						
	(133,358)	219,749	564	(17,477)	69,478	(67,015)
Cash and Cash Equivalents, July 1, 2014	<u>1,580,209</u>	<u>1,146,405</u>	<u>535</u>	<u>146,921</u>	<u>2,874,070</u>	<u>465,024</u>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 1,446,851</u>	<u>\$ 1,366,154</u>	<u>\$ 1,099</u>	<u>\$ 129,444</u>	<u>\$ 2,943,548</u>	<u>\$ 398,009</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 699,206	\$ 351,453	\$ -	\$ 23,851	\$ 1,074,510	\$ (3,405)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	464,335	231,703	-	1,992	698,030	92,725
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(28,940)	(37,916)	-	(883)	(67,739)	(1,044)
(Increase) Decrease in Inventories	-	-	-	-	-	(10,469)
Increase (Decrease) in Customer Deposits	5,250	-	-	-	5,250	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	(53,103)	(9,357)	-	(4,738)	(67,198)	(6,969)
Increase (Decrease) in Accrued Interest Payable Related to Operating Activities**	34,585	-	-	-	34,585	-
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	12,006	9,195	-	2,645	23,846	(1,672)
Increase (Decrease) in Compensated Absences Payable	679	(543)	-	(1,211)	(1,075)	2,103
Net Change in Pension Liabilities	(239,409)	(162,506)	-	(39,808)	(441,723)	(44,557)
Total Adjustments	<u>195,403</u>	<u>30,576</u>	<u>-</u>	<u>(42,003)</u>	<u>183,976</u>	<u>30,117</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 894,609</u>	<u>\$ 382,029</u>	<u>\$ -</u>	<u>\$ (18,152)</u>	<u>\$ 1,258,486</u>	<u>\$ 26,712</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 \$25,701 and Wastewater Fund \$8,733.

**Increase (Decrease) in Accrued Interest Payable Related to the Construction of Capital Assets in the Water Fund is \$7,251.

**A non-cash transaction occurred when a driving range net valued at \$9,898 (excluding volunteer labor) was donated to the Golf Course Operation Fund.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

fiduciary fund financial statements. Revenues are recorded when earned and expenses are 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.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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

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

Additionally, the City reports the following fund types:

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

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

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

The City has 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, 2015

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, interest expense 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 Tiedemann Consulting, LLC 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.

Assets, Liabilities, and Net Position or Equity

Cash, Cash Equivalents and Investments

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

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

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash, Cash Equivalents and Investments (Continued)

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

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.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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. The construction of the U.V. treatment facility was funded in part by a \$1,750,000 note payable to the State of Oregon – Infrastructure Finance Authority. The interest accrued of \$7,251 while the U.V. treatment facility was under construction is included in the capitalized value of the asset.

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

Assets	Years
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.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize issuance costs, as well as premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows and Outflows of Resources

In the governmental fund statements, amounts that will not be collected within two months of the fiscal year end are considered deferred inflows. These amounts include past due property taxes, franchise fees, intergovernmental revenues and trade accounts receivable.

In the proprietary fund and government wide statements deferred inflows and outflows relate to pension activity. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

Government-Wide Statements

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

- § *Invested in capital assets, net of related debt* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Statements (Continued)

- § *Restricted net position* – Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- § *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- § *Nonexpendable* – Includes permanent endowments and permanent fund principal amounts and is required to be retained in perpetuity.

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

Fund Financial Statements

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

- § *Nonspendable* – amounts that are not in a spendable form (such as inventory and prepaids) or are required to remain 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.
- § *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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

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 significantly 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 for a community wide celebration, \$5,000 to establish the next one hundred year trust fund and 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 and car seats 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 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 the 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 category. The Council made several transfers of budgetary appropriations throughout the year.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Deficit Fund Equity

The LID Repayment Fund had a deficit fund balance of \$181,658 as of June 30, 2015. 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 \$54,086 as of June 30, 2015 for the purposes of compliance with Oregon Local Budget Law. The deficit fund balance is due to a State of Oregon Recreational Trails Grant that was not susceptible to accrual since the payment was not received within two months after the fiscal year ended.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At June 30, 2015, the City's carrying amount of deposits was \$127,931 and the bank balance was \$258,404. In addition, the City had \$17,227 of cash on hand. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no formal investment policy but does follow the requirements of Chapter 295 of the Oregon Revised Statutes (ORS) for managing custodial credit risk. Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts. ORS Chapter 295 requires depository banks to deposit with a third party bank custodian securities having a value of 10%, 25% or 110% of public funds on deposit in excess of FDIC insurance limits depending on the capitalization level of the depository bank. This collateral is to be in the name of the Oregon State Treasurer (Treasurer). Should a bank holding public funds in amounts in excess of FDIC insurance limits fail, the Treasurer shall have the authority to recover losses of public funds due to the bank failure from the collateral pledged by the failed bank to the Treasurer and if there is a deficiency, recover the deficient amount from collateral pledged by all banks participating in this public funds deposit collateral program. All of the City's banks participate in this program, however, since the collateral is not held in the City's name, deposits in excess of FDIC insurance are still considered to be exposed to custodial credit risk. As of June 30, 2015 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$	258,404
Uninsured and uncollateralized		-
Total	\$	258,404

At June 30, 2015 the City had an investment of \$6,990,223 in the Oregon Short Term Fund (OSTF), an external investment pool administered by the Oregon State Treasurer. The OSTF is regulated under the statutes of the State of Oregon (ORS 294.805-294.895). The OSTF invests in US Agency Securities, Corporate Bonds, Commercial Paper and Certificates of Deposit. The City considers its investment in the OSTF to be a cash equivalent since there is no limitation on the withdrawal of these funds.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

3. DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ -	\$ -	\$ 689	\$ -	\$ -	\$ 689
Property Taxes	225,052	52,690	-	-	7,530	285,272
Franchise Taxes	31,252	-	-	-	-	31,252
Trade Accounts	388,586	2,706	-	4,325	3,107	398,724
Special Assessments	-	-	-	221,854	-	221,854
LID Receivables	-	-	269,190	-	-	269,190
Intergovernmental	42,452	53,150	-	108,096	1,118	204,816
Gross Receivables	687,342	108,546	269,879	334,275	11,755	1,411,797
Less: Allowance for Uncollectibles	(178,741)	-	-	-	(121)	(178,862)
Total Receivables	\$ 508,601	\$ 108,546	\$ 269,879	\$ 334,275	\$ 11,634	\$ 1,232,935

Internal Service Funds have trade account receivables at year end of \$1,220 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	\$ 123,601	\$ 92,941	\$ 116	\$ -	\$ 216,658
Special Assessments	-	43,463	-	-	43,463
Intergovernmental	19,925	-	910	-	20,835
Gross Receivables	143,526	136,404	1,026	-	280,956
Less: Allowance for Uncollectibles	(4,755)	(2,461)	-	-	(7,216)
Total Receivables	\$ 138,771	\$ 133,943	\$ 1,026	\$ -	\$ 273,740

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%. The final payment on this promissory note was received on May 21, 2015.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

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

	Deferred Revenue
Trade Accounts Receivable	\$ 213,466
Intergovernmental Receivable	107,647
Delinquent Property Taxes Receivable	273,773
Special Assessments Not Due	221,854
Local Improvement District Receivables Not Due	269,190
Interest Receivable	689
Oregon Trail Electric Cooperative Capital Credits	253,853
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,340,472

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$253,853, special assessments receivable in the amount of \$221,854, contracts receivable included in trade receivables of \$3,125, and the local improvement district receivables of \$269,190 are not expected to be collected within one year.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increase/ Transfer	Decrease/ Transfer	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ -	\$ 125,020	\$ -	\$ 125,020
Land	2,113,878	36,124	-	2,150,002
Total capital assets, not being depreciated	<u>2,113,878</u>	<u>161,144</u>	<u>-</u>	<u>2,275,022</u>
Capital assets, being depreciated:				
Buildings	4,925,445	20,609	-	4,946,054
Improvements other than buildings	113,071	6,080	-	119,151
Machinery and equipment	5,092,157	51,809	(41,193)	5,102,773
Infrastructure	35,987,461	299,621	-	36,287,082
Total capital assets being depreciated	<u>46,118,134</u>	<u>378,119</u>	<u>(41,193)</u>	<u>46,455,060</u>
Less accumulated depreciation for:				
Buildings	(2,931,914)	(105,561)	-	(3,037,475)
Improvements other than buildings	(100,704)	(891)	-	(101,595)
Machinery and equipment	(3,716,125)	(241,042)	41,193	(3,915,974)
Infrastructure	(21,572,145)	(629,047)	-	(22,201,192)
Total accumulated depreciation	<u>(28,320,888)</u>	<u>(976,541)</u>	<u>41,193</u>	<u>(29,256,236)</u>
Total capital assets, being depreciated, net	<u>17,797,246</u>	<u>(598,422)</u>	<u>-</u>	<u>17,198,824</u>
Governmental activities capital assets, net	<u>\$ 19,911,124</u>	<u>\$ (437,278)</u>	<u>\$ -</u>	<u>\$ 19,473,846</u>

Construction in process for governmental activities of \$125,020 is comprised of \$14,500 for City Hall windows, \$3,000 for Taxiway Rehabilitation project in process, and \$107,520 for the LAMP extension in process.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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	\$ 2,031,079	\$ 193,993	\$ (1,833,118)	\$ 391,954
Land	<u>1,342,160</u>	<u>-</u>	<u>-</u>	<u>1,342,160</u>
Total capital assets, not being depreciated	3,373,239	193,993	(1,833,118)	1,734,114
Capital assets, being depreciated:				
Buildings	410,705	-	-	410,705
Machinery and equipment	703,141	233,456	-	936,597
Improvements other than buildings	346,687	9,898	-	356,585
Infrastructure	<u>30,029,925</u>	<u>2,519,992</u>	<u>1,833,118</u>	<u>34,383,035</u>
Total capital assets, being depreciated	31,490,458	2,763,346	1,833,118	36,086,922
Less accumulated depreciation for:				
Buildings	(185,400)	(9,288)	-	(194,688)
Machinery and equipment	(611,235)	(42,662)	-	(653,897)
Improvements other than buildings	(251,489)	(15,771)	-	(267,260)
Infrastructure	<u>(10,596,709)</u>	<u>(676,659)</u>	<u>-</u>	<u>(11,273,368)</u>
Total accumulated depreciation	<u>(11,644,833)</u>	<u>(744,380)</u>	<u>-</u>	<u>(12,389,213)</u>
Total capital assets, being depreciated, net	<u>19,845,625</u>	<u>2,018,966</u>	<u>1,833,118</u>	<u>23,697,709</u>
Business-type activities capital assets, net	<u>\$ 23,218,864</u>	<u>\$ 2,212,959</u>	<u>\$ -</u>	<u>\$ 25,431,823</u>

Construction in process for business-type activities of \$391,954 is comprised of \$332,996 for pipe and the N.E.P.A. study for the Forest Service portion of the mountain line water improvement project, \$6,496 for the Little Mill diversion improvement project, and \$52,462 for the water facility plan. During the year ended June 30, 2015 the City received a donation of a driving range net of \$9,898. This value does not include donated labor to install the net.

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

Governmental activities:	
General government	\$ 43,089
Public safety	170,120
Highway and streets, including depreciation of general infrastructure assets	425,350
Culture and recreation	121,439
Economic and Community Development	4,859
Airport	117,463
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>92,725</u>
Total depreciation expense - governmental activities	<u>\$ 976,541</u>
Business-type activities:	
Water utility	\$ 464,335
Wastewater utility	231,703
Building inspections	1,992
Golf operation	<u>46,350</u>
Total depreciation expense-business-type activities	<u>\$ 744,380</u>

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	LID Repayment	\$ 16,865
Equipment and Vehicle	Golf Course Operations	39,196
Anthony Silvers Street Tree Trust	LID Repayment	71,383
Mt Hope Trust	Golf Course Operations	19,301
General	State and Federal Grants	7,216
Total		<u>\$ 153,961</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	Golf Course Operations	166,757
Anthony Silvers Street Tree Trust	LID Repayment	162,843
Mt. Hope Trust	Golf Course Operations	109,897
Total		<u>\$ 439,497</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, 2015 are as follows:

	General Fund	LID Fund	S&F Grant Fund	Nonmajor Governmental Funds	Internal Service Funds	Enterprise Funds	Total
Transfer from:							
General Fund	\$ -	\$ 980	\$ 52,700	\$ 56,000	\$ -	\$ 63,000	\$ 172,680
State & Federal Grants Fund	7,000	-	-	3,871	-	-	10,871
Non Major Governmental Funds	3,929	13,597	-	-	-	-	17,526
Enterprise Funds	-	-	-	-	62,000	-	62,000
Total Transfers	<u>\$ 10,929</u>	<u>\$ 14,577</u>	<u>\$ 52,700</u>	<u>\$ 59,871</u>	<u>\$ 62,000</u>	<u>\$ 63,000</u>	<u>\$ 263,077</u>

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

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

3. DETAILED NOTES ON ALL FUNDS (Continued)

Contracts, Notes and Capital Lease Obligations

The following is a summary of the City's business-type outstanding debt at June 30, 2015:

	Business-Type Activities Long-Term Obligations
Note Payable to the Oregon Infrastructure Finance Authority (IFA) for \$1,750,000 dated May 16, 2014 for the construction of the U.V. Treatment Facility, the first annual installment of \$130,940 is due December 1, 2015 with annual installments of \$123,690 due December 1, thereafter, including interest at 3.55%.	\$ 1,750,000
Forgivable Promissory Note to Oregon Infrastructure Finance Authority (IFA) for \$18,581 dated September 8, 2014 for the update of the Water Master Plan, the first annual installment of \$4,083 is due December 1, 2016 with annual installments of \$2,902 due December 1, thereafter, including interest at 3.46%. This loan is forgivable in full if certain conditions are met. The City is currently in the process of completing the Water Master Plan and anticipates that upon completion this loan will be forgiven.	18,581
Total Business-Type Long-Term Liabilities	<u>\$ 1,768,581</u>

The following is a summary of maturities of the governmental activity long-term liability as of June 30, 2015:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015-2016	\$ 62,528	\$ 68,412	\$ 130,940
2016-2017	66,881	60,891	127,772
2017-2018	68,415	58,177	126,592
2018-2019	70,842	55,750	126,592
2019-2020	73,355	53,237	126,592
2020-2034	1,426,560	435,620	1,862,180
Total	<u>\$ 1,768,581</u>	<u>\$ 732,087</u>	<u>\$ 2,500,668</u>

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 196,891	\$ 308,663	\$ (269,434)	\$ 236,120	\$ 236,120

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

3. DETAILED NOTES ON ALL FUNDS (Continued)

Contracts, Notes and Capital Lease Obligations

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Compensated absences	\$ 99,100	\$ 115,279	\$ (116,354)	\$ 98,025	\$ 98,025
Note payable – OR IFA	-	1,750,000		1,750,000	62,528
Forgivable note OR IFA	-	18,581	-	18,581	-
Business-type activity					
Long-term liabilities	<u>\$ 99,100</u>	<u>\$1,883,860</u>	<u>\$ (116,354)</u>	<u>\$ 1,866,606</u>	<u>\$ 160,553</u>

The compensated absences liability for the Internal Service Funds is \$4,622 and is included in the above totals for governmental activities.

Operating Lease Obligations

The City terminated its operating lease with John Deere Financial during July 2014 for \$97,612 and purchased the equipment from Pacific Power Group for \$100,000 for a total cost of \$197,612.

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

General Information - Plan description

Employees of the City are provided with pensions through the Oregon Public Employees system (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238 (Continued)

Death Benefits (Continued)

- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

2. OPSRP Pension Program (OPSRP DB) (Continued)

Pension Benefits (Continued)

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000 (see changes in plan provisions on page 50).

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

3. OPSRP Individual Account Program (OPSRP IAP) (Continued)

Pension Benefits (Continued)

years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$705,831, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 16.16 percent for Tier One/Tier Two Members, 10.74 percent for OPSRP Pension Program General Service Members, 13.47 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$1,285,491 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.0567 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's recognized pension expense (income) of (\$1,186,659). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,480,477
Changes in proportion and differences between City contributions and proportionate share of contributions	-	30,419
City contributions subsequent to the measurement date	468,775	-
Total	\$ 468,775	\$ 2,510,896

\$468,775 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (626,732)
2017	(626,732)
2018	(626,732)
2019	(626,732)
2020	(3,968)
Thereafter	0
	<u>\$ (2,510,896)</u>

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Actuarial Assumptions (Continued)

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

**BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 2,722,205	\$ (1,285,491)	\$ (4,675,062)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Changes in Plan Provisions Subsequent to Measurement Date (Continued)

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

Commitments, Contingencies and Subsequent Events

Accrued liabilities do not include sick leave of approximately \$694,452 which was earned as of June 30, 2015, but is payable only for absences from work under the City's sick leave plan.

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

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

5. NEW ACCOUNTING PRONOUNCEMENT—GASB STMT NO. 68 AND 71

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The City implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 4 - Pension Plan and Note 6 - Change in Accounting Principle.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

6. CHANGE IN ACCOUNTING PRINCIPLE

Based on implementation of GASB Statement No. 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as originally reported)	\$ 24,797,623	\$ 25,867,379	\$ 50,665,002
Cumulative effect of change in accounting principle	(1,763,078)	(644,461)	(2,407,539)
Net position - beginning (as restated)	\$ 23,034,545	\$ 25,222,918	\$ 48,257,463

**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, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GENERAL FUND					
Revenue:					
Property Taxes	\$ 2,330,375	\$ 2,330,375	\$ 2,379,784	\$ -	\$ 2,379,784
Franchise Taxes	817,685	817,685	811,931	-	811,931
Licenses and Permits	6,200	6,200	10,750	-	10,750
Intergovernmental	271,500	271,500	253,386	-	253,386
Charges for Services	804,000	804,000	876,938	-	876,938
Fines and Forfeitures	30,500	30,500	37,569	-	37,569
Rental Income	26,500	26,500	34,061	-	34,061
Interest and Dividends	6,000	6,000	7,915	-	7,915
SAIF Refund	-	-	26,818	-	26,818
Miscellaneous	52,100	52,100	27,019	-	27,019
Overhead Charges to Other Funds	360,000	360,000	339,201	(339,201)	-
Total Revenues	4,704,860	4,704,860	4,805,372	(339,201)	4,466,171
Expenditures:					
General Government:					
Administration	1,134,407	1,167,407	1,141,654	(684,201)	457,453
Planning	63,000	61,000	60,753	-	60,753
Total General Government	1,197,407	1,228,407	1,202,407	(684,201)	518,206
Public Safety:					
Police	1,750,159	1,750,159	1,718,145	345,000	2,063,145
Fire	1,577,328	1,577,328	1,499,041	-	1,499,041
Total Public Safety	3,327,487	3,327,487	3,217,186	345,000	3,562,186
Parks and Recreation:					
Parks	104,669	104,669	94,496	-	94,496
Airport	68,679	68,679	57,635	-	57,635
Debt Service - Airport	-	-	-	173	173
Cemetery	186,448	186,448	148,719	-	148,719
Hydro Electric Plant	3,170	18,170	16,569	-	16,569
Community Development	31,000	27,000	24,637	-	24,637
Operating Contingency	75,000	16,000	-	-	-
Total Expenditures	4,993,860	4,976,860	4,761,649	(339,028)	4,422,621
Excess (Deficit) of Revenues Over Expenditures	(289,000)	(272,000)	43,723	(173)	43,550
Other Financing Sources (Uses):					
Transfers In	12,200	12,200	10,929	-	10,929
Transfers Out	(192,132)	(209,132)	(209,109)	36,429	(172,680)
Total Other Financing Sources (Uses)	(179,932)	(196,932)	(198,180)	36,429	(161,751)
Net Change in Fund Balance	(468,932)	(468,932)	(154,457)	36,256	(118,201)
Fund Balance, July 1, 2014	1,252,577	1,252,577	1,495,126	(36,256)	1,458,870
Fund Balance, June 30, 2015	\$ 783,645	\$ 783,645	\$ 1,340,669	\$ -	\$ 1,340,669

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE TAX STREET FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE TAX STREET FUND					
Revenue:					
Taxes	\$ 545,595	\$ 545,595	\$ 557,197	\$ -	\$ 557,197
Intergovernmental	690,368	690,368	676,547	-	676,547
Charges for Services	13,000	13,000	13,285	-	13,285
Interest	1,500	1,500	3,585	-	3,585
Miscellaneous	891	891	633	-	633
Total Revenues	1,251,354	1,251,354	1,251,247	-	1,251,247
Expenditures:					
Maintenance	725,037	725,037	614,300	-	614,300
Storm Water Maintenance	176,744	176,744	95,217	-	95,217
Preventative Maintenance	469,165	469,165	254,140	-	254,140
Street Lighting	76,509	76,509	73,589	-	73,589
Snow and Ice Control	83,811	83,811	15,952	-	15,952
Street Construction	7,607	7,607	1,130	-	1,130
Operating Contingency	100,000	100,000	-	-	-
Total Expenditures	1,638,873	1,638,873	1,054,328	-	1,054,328
Excess (Deficit) of Revenues Over Expenditures	(387,519)	(387,519)	196,919	-	196,919
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-
Net Change in Fund Balance	(387,519)	(387,519)	196,919	-	196,919
Fund Balance, July 1, 2014	616,841	616,841	651,546	-	651,546
Fund Balance, June 30, 2015	\$ 229,322	\$ 229,322	\$ 848,465	\$ -	\$ 848,465

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LID REPAYMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
LID REPAYMENT FUND					
Revenue:					
Interest	\$ 3,000	\$ 3,000	\$ 341	\$ 4,074	\$ 4,415
Special Assessments/LID Repayments	30,000	30,000	47,260	(4,074)	43,186
Total Revenues	<u>33,000</u>	<u>33,000</u>	<u>47,601</u>	<u>-</u>	<u>47,601</u>
Expenditures:					
Administration	300	300	189	-	189
Debt Service	-	-	-	5,547	5,547
Total Expenditures	<u>300</u>	<u>300</u>	<u>189</u>	<u>5,547</u>	<u>5,736</u>
Excess (Deficit) of Revenues Over Expenditures	32,700	32,700	47,412	(5,547)	41,865
Other Financing Sources and (Uses):					
Transfer In	14,577	14,577	14,577	-	14,577
Interfund Loan Transfers Out	(76,277)	(76,277)	(76,277)	76,277	-
Total Other Financing Uses	<u>(61,700)</u>	<u>(61,700)</u>	<u>(61,700)</u>	<u>76,277</u>	<u>14,577</u>
Net Change in Fund Balance	(29,000)	(29,000)	(14,288)	70,730	56,442
Fund Balance, July 1, 2014	<u>29,000</u>	<u>29,000</u>	<u>83,722</u>	<u>(321,822)</u>	<u>(238,100)</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,434</u>	<u>\$ (251,092)</u>	<u>\$ (181,658)</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, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE & FEDERAL GRANTS FUND					
Revenue:					
Intergovernmental	\$ 33,050	\$ 141,250	\$ 25,907	\$ -	\$ 25,907
Charges for Services	700	700	784	-	784
Interest	65	65	176	-	176
Miscellaneous	1,200	1,200	6,605	-	6,605
Total Revenues	35,015	143,215	33,472	-	33,472
Expenditures:					
Administration	960	960	2,031	-	2,031
Public Safety	24,787	24,787	8,034	-	8,034
Transportation and Streets	31,050	34,050	27,323	-	27,323
Parks and Recreation	56,262	164,341	146,112	-	146,112
Economic/Community Development	5,000	5,000	1,000	-	1,000
Operating Contingency	8,353	5,353	-	-	-
Total Expenditures	126,412	234,491	184,500	-	184,500
Excess (Deficit) of Revenues Over Expenditures	(91,397)	(91,276)	(151,028)	-	(151,028)
Other Financing Sources:					
Transfers Out	(10,750)	(10,871)	(10,871)	-	(10,871)
Transfers In	52,700	52,700	52,700	-	52,700
Total Other Financing Sources	41,950	41,829	41,829	-	41,829
Net Change in Fund Balance	(49,447)	(49,447)	(109,199)	-	(109,199)
Fund Balance, July 1, 2014	57,756	57,756	55,113	-	55,113
Fund Balance, June 30, 2015	\$ 8,309	\$ 8,309	\$ (54,086)	\$ -	\$ (54,086)

BAKER CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Two Fiscal Years

Year Ended June 30,	(a) City's Proportion of the Net Pension Liability (Asset)	(b) City's Proportionate Share of the Net Pension Liability (Asset)	(c) City's Covered Payroll	(b/c) City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.05671163%	\$ (1,285,491)	\$ 3,370,480	-38.14%	103.60%
2014	0.05671163%	2,894,078	3,466,206	83.49%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

BAKER CITY
SCHEDULE OF CONTRIBUTIONS
For the Last Two Fiscal Years

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2015	\$ 468,775	\$ 468,775	-	\$ 3,370,480	13.91%
2014	486,539	486,539	-	3,466,206	14.04%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

BAKER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Changes of Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

BAKER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ (154,457)	\$ 196,919	\$ (14,288)	\$ (109,199)
<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.	(339,201)	-	-	-
<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.	339,201	-	-	-
Loans or loan payments made to other funds are reported as an other financing use (transfer) on a budget basis. Such loans are reclassified as either interfund loans payable (current portion) or advances from other funds (long-term portion) or, as a reduction in interfund loans payable or advances from other funds. The interest portion of interfund loans repaid is reclassified to debt service.	36,256	-	70,730	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$345,000 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ (118,201)</u>	<u>\$ 196,919</u>	<u>\$ 56,442</u>	<u>\$ (109,199)</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, 2015**

	Special Revenue			Capital Projects				Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Resort Underground Utility	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Trust		
Assets:											
Cash and Cash Equivalents	\$ 92,448	\$ 274,061	\$ 2,219	\$ 110,225	\$ 43,829	\$ -	\$ -	\$ 375,953	\$ 2,932	\$ 562,847	\$ 1,464,514
Interest Receivable	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Receivable	-	-	1,100	-	18	-	-	-	-	-	1,118
Accounts Receivable (Net of Allowance)	-	-	-	2,986	-	-	-	-	-	-	2,986
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	7,530	-	-	-	-	-	-	-	-	-	7,530
Due from Other Funds	-	-	-	-	-	-	19,301	-	-	71,383	90,684
Advances to Other Funds	-	-	-	-	-	-	109,897	-	-	162,843	272,740
Other Investments	-	-	-	-	-	-	888	-	-	-	888
Total Assets	\$ 99,978	\$ 274,061	\$ 3,319	\$ 113,211	\$ 43,847	\$ -	\$ 506,039	\$ 2,932	\$ 797,073	\$ 1,840,460	
Liabilities:											
Accounts Payable	\$ 6,174	\$ -	\$ -	\$ 2,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,274
Accrued Payroll Taxes	92	-	-	109	-	-	-	-	-	-	201
Total Liabilities	6,266	-	-	2,209	-	-	-	-	-	-	8,475
Deferred Inflows:											
Deferred Revenue	7,226	-	-	2,986	-	-	-	-	-	-	10,212
Fund Balance:											
Restricted for 2089 Celebration	-	-	-	-	-	-	-	-	2,932	-	2,932
Restricted for Cemetery Care	-	274,061	-	-	-	-	-	-	-	-	274,061
Restricted for Street Trees	-	-	-	-	-	-	-	-	14,118	-	14,118
Restricted for Samo Swim Maintenance	50,000	-	-	-	-	-	505,151	-	-	-	505,151
Committed for Cemetery Care	-	-	-	-	-	-	-	-	-	-	108,016
Committed for Sidewalks	-	-	3,319	108,016	-	-	-	-	-	-	108,016
Committed for Street Trees	-	-	-	-	-	-	-	-	-	-	3,319
Assigned for Fire Equipment	-	-	-	-	43,847	-	-	-	-	-	43,847
Assigned for Samo Swim Maintenance	36,486	-	-	-	-	-	-	-	-	-	36,486
Nonspendable	-	-	-	-	-	-	888	-	-	782,955	783,843
Total Fund Balance	86,486	274,061	3,319	108,016	43,847	-	506,039	2,932	797,073	1,821,773	
Total Liabilities, Deferred Inflows and Fund Balance	\$ 99,978	\$ 274,061	\$ 3,319	\$ 113,211	\$ 43,847	\$ -	\$ 506,039	\$ 2,932	\$ 797,073	\$ 1,840,460	

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue			Capital Projects				Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Resort Underground Utility	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Fund		
Revenue:											
Taxes	\$ 79,570	-	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 79,570
Intergovernmental	-	-	1,504	-	18	-	-	-	-	-	1,522
Charges for Services	-	-	-	55,323	-	-	-	-	-	-	55,323
Interest	347	1,371	23	448	219	-	2,558	14	7,925	-	12,905
Miscellaneous	50,800	-	639	-	-	-	-	-	-	-	51,439
Bequest	-	-	-	-	-	-	-	-	2,663	-	2,663
Total Revenue	130,717	1,371	2,166	55,771	237	-	2,558	14	10,588	-	203,422
Expenditures:											
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Community Development	-	-	8,787	-	-	-	-	-	1,762	-	10,549
Sidewalks	-	-	-	23,128	-	-	-	-	-	-	23,128
Parks and Recreation	83,678	-	-	-	-	-	-	-	-	-	83,678
Total Expenditures	83,678	-	8,787	23,128	-	-	-	-	1,762	-	117,355
Excess (Deficit) of Revenues Over Expenditures	47,039	1,371	(6,621)	32,643	237	-	2,558	14	8,826	-	86,067
Other Financing Sources (Uses):											
Transfers In	10,000	20,000	9,871	-	20,000	-	-	-	-	-	59,871
Transfers Out	-	(1,371)	-	-	-	(13,597)	(2,558)	-	-	-	(17,526)
Total Other Financing Sources (Uses)	10,000	18,629	9,871	-	20,000	(13,597)	(2,558)	-	-	-	42,345
Net Change in Fund Balance	57,039	20,000	3,250	32,643	20,237	(13,597)	-	14	8,826	-	128,412
Fund Balance, July 1, 2014	29,447	254,061	69	75,373	23,610	13,597	506,039	2,918	788,247	-	1,693,361
Fund Balance, June 30, 2015	\$ 86,486	\$ 274,061	\$ 3,319	\$ 108,016	\$ 43,847	\$ -	\$ 506,039	\$ 2,932	\$ 797,073	\$ -	\$ 1,821,773

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SAMO SWIM MAINTENANCE FUND					
Revenue:					
Taxes	\$ 77,984	\$ 77,984	\$ 79,570	\$ -	\$ 79,570
Interest	350	350	347	-	347
Miscellaneous	-	-	50,800	-	50,800
Total Revenues	<u>78,334</u>	<u>78,334</u>	<u>130,717</u>	<u>-</u>	<u>79,917</u>
Expenditures:					
Samo Swim Center	121,764	121,764	83,678	-	83,678
Contingency	70	70	-	-	-
Total Expenditures	<u>121,834</u>	<u>121,834</u>	<u>83,678</u>	<u>-</u>	<u>83,678</u>
Excess (Deficit) of Revenues Over Expenditures	(43,500)	(43,500)	47,039	-	(3,761)
Other Financing Sources:					
Transfers In	10,000	10,000	10,000	-	10,000
Net Change in Fund Balance	(33,500)	(33,500)	57,039	-	6,239
Fund Balance, July 1, 2014	33,500	33,500	29,447	-	29,447
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,486</u>	<u>\$ -</u>	<u>\$ 86,486</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
JOHN SCHMITZ TRUST FUND					
Revenue:					
Interest	\$ 2,000	\$ 2,000	\$ 1,371	\$ -	\$ 1,371
Expenditures:					
Operating Contingency	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers In	20,000	20,000	20,000	-	20,000
Transfers Out	(2,000)	(2,000)	(1,371)	-	(1,371)
Total Other Financing Sources	<u>18,000</u>	<u>18,000</u>	<u>18,629</u>	<u>-</u>	<u>18,629</u>
Net Change in Fund Balance	20,000	20,000	20,000	-	20,000
Fund Balance, July 1, 2014	254,061	254,061	254,061	-	254,061
Fund Balance, June 30, 2015	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ 274,061</u>	<u>\$ -</u>	<u>\$ 274,061</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
TREE CITY FUND					
Revenue:					
Interest	\$ -	\$ -	\$ 23	\$ -	\$ 23
Intergovernmental	1,000	1,000	1,504	-	1,504
Miscellaneous	-	-	639	-	639
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>2,166</u>	<u>-</u>	<u>2,166</u>
Expenditures:					
Community Development	8,750	10,871	8,787	-	8,787
Other Financing Sources:					
Transfers In	7,750	9,871	9,871	-	9,871
Net Change in Fund Balance	-	-	3,250	-	3,250
Fund Balance, July 1, 2014	-	-	69	-	69
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,319</u>	<u>\$ -</u>	<u>\$ 3,319</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SIDEWALK UTILITY FUND					
Revenue:					
Charges for Services	\$ 55,000	\$ 55,000	\$ 55,323	\$ -	\$ 55,323
Interest	350	350	448	-	448
Total Revenues	<u>55,350</u>	<u>55,350</u>	<u>55,771</u>	<u>-</u>	<u>55,771</u>
Expenditures:					
Sidewalk Grants	40,865	40,865	23,128	-	23,128
Sidewalk Projects	47,000	47,000	-	-	-
Operating Contingency	20,000	20,000	-	-	-
Total Expenditures	<u>107,865</u>	<u>107,865</u>	<u>23,128</u>	<u>-</u>	<u>23,128</u>
Net Change in Fund Balance	(52,515)	(52,515)	32,643	-	32,643
Fund Balance, July 1, 2014	52,567	52,567	75,373	-	75,373
Fund Balance, June 30, 2015	<u>\$ 52</u>	<u>\$ 52</u>	<u>\$ 108,016</u>	<u>\$ -</u>	<u>\$ 108,016</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
FIRE EQUIPMENT RESERVE FUND					
Revenue:					
Interest	\$ 200	\$ 200	\$ 219	\$ -	\$ 219
Intergovernmental	555,560	555,560	18	-	18
Miscellaneous	1,000	1,000	-	-	-
Total Revenues	<u>556,760</u>	<u>556,760</u>	<u>237</u>	<u>-</u>	<u>237</u>
Expenditures:					
Fire and EMS Equipment	585,800	585,800	-	-	-
Operating Contingency	14,560	14,560	-	-	-
Total Expenditures	<u>600,360</u>	<u>600,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over Expenditures	(43,600)	(43,600)	237	-	237
Other Financing Sources (Uses):					
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	(23,600)	(23,600)	20,237	-	20,237
Fund Balance, July 1, 2014	<u>23,600</u>	<u>23,600</u>	<u>23,610</u>	<u>-</u>	<u>23,610</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,847</u>	<u>\$ -</u>	<u>\$ 43,847</u>

	Budget		Actual		GAAP Basis
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	
RESORT UTILITY UNDERGROUND FUND					
Other Financing Uses:					
Transfer Out	\$ (13,597)	\$ (13,597)	\$ (13,597)	\$ -	\$ (13,597)
Net Change in Fund Balance	(13,597)	(13,597)	(13,597)	-	(13,597)
Fund Balance, July 1, 2014	<u>13,597</u>	<u>13,597</u>	<u>13,597</u>	<u>-</u>	<u>13,597</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
MT HOPE TRUST FUND					
Revenue:					
Interest	\$ 3,200	\$ 3,200	\$ 1,789	\$ 769	\$ 2,558
Total Revenues	3,200	3,200	1,789	769	2,558
Other Financing Sources (Uses):					
Transfers Out	(3,200)	(3,200)	(2,558)	-	(2,558)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	16,800	16,800	17,442	(20,000)	(2,558)
Net Change in Fund Balance	20,000	20,000	19,231	(19,231)	-
Fund Balance, July 1, 2014	357,611	357,611	357,611	148,428	506,039
Fund Balance, June 30, 2015	<u>\$ 377,611</u>	<u>\$ 377,611</u>	<u>\$ 376,842</u>	<u>\$ 129,197</u>	<u>\$ 506,039</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ONE HUNDRED YEAR TRUST					
Revenue:					
Interest	\$ 15	\$ 15	\$ 14	\$ -	\$ 14
Total Revenues	15	15	14	-	14
Net Change in Fund Balance	15	15	14	-	14
Fund Balance, July 1, 2014	2,915	2,915	2,918	-	2,918
Fund Balance, June 30, 2015	<u>\$ 2,930</u>	<u>\$ 2,930</u>	<u>\$ 2,932</u>	<u>\$ -</u>	<u>\$ 2,932</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
A. SILVERS STREET TREE TRUST					
Revenue:					
Interest	\$ 7,500	\$ 7,500	\$ 2,802	\$ 5,123	\$ 7,925
Bequest	3,700	3,700	2,663	-	2,663
Total Revenues	11,200	11,200	5,465	5,123	10,588
Expenditures:					
Community Development	6,300	6,300	1,762	-	1,762
Other Financing Sources:					
Interfund Loan Transfers In	61,277	61,277	61,277	(61,277)	-
Total Other Financing Sources	61,277	61,277	61,277	(61,277)	-
Net Change in Fund Balance	66,177	66,177	64,980	(56,154)	8,826
Fund Balance, July 1, 2014	496,584	496,584	497,866	290,381	788,247
Fund Balance, June 30, 2015	<u>\$ 562,761</u>	<u>\$ 562,761</u>	<u>\$ 562,846</u>	<u>\$ 234,227</u>	<u>\$ 797,073</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.

Golf Course Capital Projects Fund: This fund accounts for the acquisition of golf course equipment. It is funded by lease payments paid by the golf course concessionaire. While separately budgeted for Oregon budget law purposes it is a division of the golf course enterprise activity and is combined with the Golf Course Operation Fund in the GAAP presentation of the financial statements.

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, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WATER UTILITY FUND					
Revenue:					
Charges for Services	\$ 2,210,129	\$ 2,210,129	\$ 2,269,005	\$ -	\$ 2,269,005
Interest	3,000	3,000	6,036	-	6,036
Miscellaneous	38,000	38,000	74,015	238,962	312,977
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
Total Revenues	<u>2,264,129</u>	<u>2,264,129</u>	<u>2,362,056</u>	<u>225,962</u>	<u>2,588,018</u>
Expenses:					
Maintenance	1,393,818	1,393,818	1,389,871	(308,940)	1,080,931
Construction	2,931,632	2,931,632	2,498,165	(2,498,165)	-
Depreciation	-	-	-	464,335	464,335
Interest Expense	-	-	-	34,585	34,585
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	<u>4,525,450</u>	<u>4,525,450</u>	<u>3,888,036</u>	<u>(2,308,185)</u>	<u>1,579,851</u>
Excess (Deficit) of Revenues Over Expenses	<u>(2,261,321)</u>	<u>(2,261,321)</u>	<u>(1,525,980)</u>	<u>2,534,147</u>	<u>1,008,167</u>
Other Financing Sources (Uses):					
Loan Proceeds	2,000,000	2,000,000	2,018,581	(2,018,581)	-
Transfer Out	(20,000)	(20,000)	(20,000)	-	(20,000)
Total Other Financing Sources	<u>1,980,000</u>	<u>1,980,000</u>	<u>1,998,581</u>	<u>-</u>	<u>(20,000)</u>
Net Change in Fund Balance	(281,321)	(281,321)	472,601	2,534,147	988,167
Fund Balance, July 1, 2014	843,768	843,768	907,994	17,264,398	18,172,392
Restatement of Beginning Net Position	-	-	-	(349,122)	(349,122)
Fund Balance, June 30, 2015	<u>\$ 562,447</u>	<u>\$ 562,447</u>	<u>\$ 1,380,595</u>	<u>\$ 19,449,423</u>	<u>\$ 18,811,437</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
WASTEWATER UTILITY FUND*					
Revenue:					
Charges for Services	\$ 1,095,757	\$ 1,095,757	\$ 1,110,399	\$ 109,708	\$ 1,220,107
Rental Income	3,782	3,782	3,782	-	3,782
Interest	3,750	3,750	4,669	2,278	6,947
Special Assessments/LID Repayments	750	750	705	(705)	-
Miscellaneous	30,000	30,000	59,812	-	59,812
Total Revenues	1,134,039	1,134,039	1,179,367	111,281	1,290,648
Expenses:					
Maintenance	966,590	966,590	862,386	(165,623)	696,763
Construction	304,572	304,572	176,539	(176,539)	-
Depreciation	-	-	-	231,703	231,703
Operating Contingency	100,000	100,000	-	-	-
Total Expenses	1,371,162	1,371,162	1,038,925	(110,459)	928,466
Net Change in Fund Balance	(237,123)	(237,123)	140,442	221,740	362,182
Fund Balance, July 1, 2014	819,374	819,374	886,670	5,048,730	5,935,400
Restatement of Beginning Net Position	-	-	-	(236,978)	(236,978)
Fund Balance, June 30, 2015	\$ 582,251	\$ 582,251	\$ 1,027,112	\$ 5,033,492	\$ 6,060,604
	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
RECLAIMED WATER USE FUND - CAPITAL PROJECTS*					
Revenue:					
Interest	\$ 1,500	\$ 1,500	\$ 1,573	\$ (1,573)	\$ -
Miscellaneous	40,000	40,000	-	-	-
Charges for Services	109,825	109,825	109,708	(109,708)	-
Total Revenues	151,325	151,325	111,281	(111,281)	-
Expenditures:					
Maintenance	5,491	5,491	5,433	(5,433)	-
Construction	80,000	80,000	-	-	-
Operating Contingency	90,000	90,000	-	-	-
Total Expenses	175,491	175,491	5,433	(5,433)	-
Net Change in Fund Balance	(24,166)	(24,166)	105,848	(105,848)	-
Fund Balance, July 1, 2014	256,578	256,578	267,224	(267,224)	-
Fund Balance, June 30, 2015	\$ 232,412	\$ 232,412	\$ 373,072	\$ (373,072)	\$ -

*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, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE OPERATION FUND					
Revenue:					
Interest	\$ -	\$ -	\$ -	\$ 135	\$ 135
Rental Income	-	-	1	41,744	41,745
Miscellaneous	-	-	-	10,898	10,898
Total Revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>52,777</u>	<u>52,778</u>
Expenses:					
Maintenance	18,739	33,739	32,260	(203)	32,057
Debt Service	-	-	-	2,023	2,023
Depreciation	-	-	-	46,350	46,350
Operating Contingency	2,261	2,261	-	-	-
Total Expenses	<u>21,000</u>	<u>36,000</u>	<u>32,260</u>	<u>48,170</u>	<u>80,430</u>
Excess (Deficit) of Revenues Over Expenses	<u>(21,000)</u>	<u>(36,000)</u>	<u>(32,259)</u>	<u>4,607</u>	<u>(27,652)</u>
Other Financing Sources (Uses):					
Transfers In	41,000	56,000	56,000	7,000	63,000
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(22,000)</u>	<u>(42,000)</u>
Total Other Financing Sources (Uses)	<u>21,000</u>	<u>36,000</u>	<u>36,000</u>	<u>(15,000)</u>	<u>21,000</u>
Net Change in Fund Balance	-	-	3,741	(10,393)	(6,652)
Fund Balance, July 1, 2014	-	-	(3,918)	1,076,991	1,073,073
Restatement of Beginning Net Position	-	-	-	(304)	(304)
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (177)</u>	<u>\$ 1,066,294</u>	<u>\$ 1,066,117</u>
GOLF COURSE PROJECTS FUND					
CAPITAL PROJECTS*					
	Budget		Actual		
	Adopted	Budget	Budget Basis	Adjustment	GAAP Basis
Revenue:					
Interest	\$ -	\$ -	\$ 135	\$ (135)	\$ -
Rental Income	41,758	41,758	41,744	(41,744)	-
Miscellaneous	7,000	7,000	1,000	(1,000)	-
Total Revenues	<u>48,758</u>	<u>48,758</u>	<u>42,879</u>	<u>(42,879)</u>	<u>-</u>
Expenditures:					
Golf Course Equipment	214,378	214,378	211,443	(211,443)	-
Total Expenses	<u>214,378</u>	<u>214,378</u>	<u>211,443</u>	<u>(211,443)</u>	<u>-</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(165,620)</u>	<u>(165,620)</u>	<u>(168,564)</u>	<u>168,564</u>	<u>-</u>
Other Financing Sources (Uses):					
Interfund Loan Transfer In	242,378	242,378	242,378	(242,378)	-
Transfers In	7,000	7,000	7,000	(7,000)	-
Transfers Out	<u>(83,758)</u>	<u>(83,758)</u>	<u>(79,678)</u>	<u>79,678</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>165,620</u>	<u>165,620</u>	<u>169,700</u>	<u>(169,700)</u>	<u>-</u>
Net Change in Fund Balance	-	-	1,136	(1,136)	-
Fund Balance, July 1, 2014	-	-	-	-	-
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,136</u>	<u>\$ (1,136)</u>	<u>\$ -</u>

*The Golf Course Capital Projects Fund is a division of the golf course enterprise activity and is combined with the Golf Course Operation 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, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
BUILDING INSPECTIONS FUND					
Revenue:					
Charges for Services	\$ 261,480	\$ 261,480	\$ 245,224	\$ -	\$ 245,224
Interest	650	650	675	-	675
Miscellaneous	500	500	1,172	-	1,172
Total Revenues	<u>262,630</u>	<u>262,630</u>	<u>247,071</u>	<u>-</u>	<u>247,071</u>
Expenditures:					
Personnel Services	164,333	164,333	155,775	(39,808)	115,967
Materials and Services	124,084	124,084	104,586	-	104,586
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	20,000	-	-	-
Total Expenses	<u>308,417</u>	<u>308,417</u>	<u>260,361</u>	<u>(37,816)</u>	<u>222,545</u>
Other Financing Sources:					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over Expenses	<u>(45,787)</u>	<u>(45,787)</u>	<u>(13,290)</u>	<u>37,816</u>	<u>24,526</u>
Fund Balance, July 1, 2014	106,238	106,238	119,630	8,316	127,946
Restatement of Beginning Net Position	-	-	-	(58,057)	(58,057)
Fund Balance, June 30, 2015	<u>\$ 60,451</u>	<u>\$ 60,451</u>	<u>\$ 106,340</u>	<u>\$ (11,925)</u>	<u>\$ 94,415</u>

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Internal Service Funds

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

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

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

BAKER CITY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 370	\$ 397,639	\$ 398,009
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	178	1,042	1,220
Due From Other Funds	-	56,061	56,061
Inventories	282,673	-	282,673
Total Current Assets	283,221	454,742	737,963
Noncurrent Assets:			
Advances to Other Funds	-	166,757	166,757
Capital Assets:			
Buildings	-	39,524	39,524
Equipment and Vehicles	-	2,507,512	2,507,512
Less: Accumulated Depreciation	-	(2,076,633)	(2,076,633)
Total Capital Assets	-	470,403	470,403
Other Assets:			
Net Pension Asset	-	34,695	34,695
Total Noncurrent Assets	-	671,855	671,855
Total Assets	\$ 283,221	\$ 1,126,597	\$ 1,409,818
Current Liabilities:			
Accounts Payable	\$ 116	\$ 9,978	\$ 10,094
Due to Other Funds	-	-	-
Accrued Payroll Taxes and Benefits Payable	-	5,553	5,553
Compensated Absences Payable	-	4,622	4,622
Total Current Liabilities	116	20,153	20,269
Deferred Inflows:			
Deferred Inflows Related to Pension	-	55,117	55,117
Total Liabilities and Deferred Inflows	116	75,270	75,386
Net Position:			
Invested in Capital Assets	-	470,403	470,403
Unrestricted	283,105	580,924	864,029
Total Net Position	\$ 283,105	\$ 1,051,327	\$ 1,334,432

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Operating Revenue:			
Charges for Sales and Services	\$ 85,167	\$ 374,150	\$ 459,317
Miscellaneous Income	-	1,591	1,591
Total Revenue	<u>85,167</u>	<u>375,741</u>	<u>460,908</u>
Operating Expenses:			
Cost of Sales and Services	83,878	287,710	371,588
Depreciation	-	92,725	92,725
Total Expenses	<u>83,878</u>	<u>380,435</u>	<u>464,313</u>
Operating Income (Loss)	1,289	(4,694)	(3,405)
Nonoperating Revenue (Expense):			
Interest Income	-	3,392	3,392
Gain on Equipment Sale	-	2,350	2,350
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>5,742</u>	<u>5,742</u>
Other Financing Sources:			
Interfund Transfer In	20,000	42,000	62,000
Total Other Financing Sources	<u>20,000</u>	<u>42,000</u>	<u>62,000</u>
Change in Net Position	21,289	43,048	64,337
Net Position July 1, 2014	261,816	1,073,258	1,335,074
Restatement of Beginning Net Position	-	(64,979)	(64,979)
Net Position June 30, 2015	<u>\$ 283,105</u>	<u>\$ 1,051,327</u>	<u>\$ 1,334,432</u>

BAKER CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Cash from Operating Activities:			
Receipts from Customers and Users	\$ 1,792	\$ -	\$ 1,792
Receipts from Interfund Services Provided	83,197	374,150	457,347
Other Receipts	-	725	725
Payments to Suppliers	(98,272)	(167,524)	(265,796)
Payments to Employees	-	(167,317)	(167,317)
Payments for Interfund Services Used	-	(39)	(39)
Net Cash Provided (Used) by Operating Activities	<u>(13,283)</u>	<u>39,995</u>	<u>26,712</u>
Cash Flows from Non Capital Financing Activities:			
Advances from (to) Other Funds	20,000	(242,378)	(222,378)
Repayments from (to) Other Funds	(6,347)	129,256	122,909
Net Cash Provided (Used) by Noncapital Financing Activities	<u>13,653</u>	<u>(113,122)</u>	<u>(99,469)</u>
Cash Flows from Capital and Related Financing Activities:			
Receipts on Sale of Capital Assets	-	2,350	2,350
Purchases of Capital Assets	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>2,350</u>	<u>2,350</u>
Cash Flows from Investing Activities:			
Interest on Investments	-	3,392	3,392
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>3,392</u>	<u>3,392</u>
Net Increase (Decrease) in Cash and Cash Equivalents	370	(67,385)	(67,015)
Cash and Cash Equivalents, July 1, 2014	-	465,024	465,024
Cash and Cash Equivalents, June 30, 2015	<u>\$ 370</u>	<u>\$ 397,639</u>	<u>\$ 398,009</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,289	\$ (4,694)	\$ (3,405)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	92,725	92,725
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	(178)	(866)	(1,044)
(Increase) Decrease in Inventories	(10,469)	-	(10,469)
Increase (Decrease) in Accounts Payable	(3,925)	(3,044)	(6,969)
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	(1,672)	(1,672)
Increase (Decrease) in Compensated Absences Payable	-	2,103	2,103
Net Change in Pension Liabilities	-	(44,557)	(44,557)
Total Adjustments	<u>(14,572)</u>	<u>44,689</u>	<u>30,117</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (13,283)</u>	<u>\$ 39,995</u>	<u>\$ 26,712</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
CENTRAL STORES FUND					
Revenue:					
Charges for Services	\$ 127,600	\$ 127,600	\$ 85,167	\$ -	\$ 85,167
Total Revenues	<u>127,600</u>	<u>127,600</u>	<u>85,167</u>	<u>-</u>	<u>85,167</u>
Expenses:					
Cost of Inventory Sold	157,600	157,600	83,878	-	83,878
Operating Contingency	50,000	50,000	-	-	-
Total Expenses	<u>207,600</u>	<u>207,600</u>	<u>83,878</u>	<u>-</u>	<u>83,878</u>
Other Financing Sources:					
Interfund Transfer In	20,000	20,000	20,000	-	20,000
Total Other Financing Sources	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	(60,000)	(60,000)	21,289	-	21,289
Fund Balance, July 1, 2014	<u>260,000</u>	<u>260,000</u>	<u>261,816</u>	<u>-</u>	<u>261,816</u>
Fund Balance, June 30, 2015	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 283,105</u>	<u>\$ -</u>	<u>\$ 283,105</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
EQUIPMENT & VEHICLE FUND					
Revenue:					
Charges for Services	\$ 515,745	\$ 515,745	\$ 374,150	\$ -	\$ 374,150
Interest	2,400	2,400	1,541	1,851	3,392
Miscellaneous	5,000	5,000	3,941	(2,350)	1,591
Gain on Equipment Sale	-	-	-	2,350	2,350
Total Revenues	<u>523,145</u>	<u>523,145</u>	<u>379,632</u>	<u>1,851</u>	<u>381,483</u>
Expenses:					
Equipment Operations	437,205	437,205	332,267	(44,557)	287,710
Depreciation	-	-	-	92,725	92,725
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	<u>637,205</u>	<u>637,205</u>	<u>332,267</u>	<u>48,168</u>	<u>380,435</u>
Excess (Deficit) of Revenues Over Expenses	<u>(114,060)</u>	<u>(114,060)</u>	<u>47,365</u>	<u>(46,317)</u>	<u>1,048</u>
Other Financing Sources:					
Interfund Loan Transfer Out	(242,378)	(242,378)	(242,378)	242,378	-
Interfund Loan Transfers In	93,210	93,210	89,107	(89,107)	-
Interfund Transfer In	42,000	42,000	42,000	-	42,000
Total Other Financing Sources	<u>(107,168)</u>	<u>(107,168)</u>	<u>(111,271)</u>	<u>153,271</u>	<u>42,000</u>
Net Change in Fund Balance	(221,228)	(221,228)	(63,906)	106,954	43,048
Fund Balance, July 1, 2014	<u>388,509</u>	<u>388,509</u>	<u>442,436</u>	<u>630,822</u>	<u>1,073,258</u>
Restatement of Beginning Net Position	-	-	-	(64,979)	(64,979)
Fund Balance, June 30, 2015	<u>\$ 167,281</u>	<u>\$ 167,281</u>	<u>\$ 378,530</u>	<u>\$ 672,797</u>	<u>\$ 1,051,327</u>

Summary of Property Tax Transactions

BAKER CITY
SUMMARY OF PROPERTY TAX TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Tax Year	Taxes Receivable June 30, 2014	2014-2015 Tax Levy as Extended by the County	Less Discounts	Plus Interest	Adjustments	Less Collections	Taxes Receivable June 30, 2015
2014-15		\$ 3,106,000	\$ (77,399)	\$ 548	\$ (329)	\$ (2,883,276)	\$ 145,543
2013-14	\$ 113,371			3,083	(145)	(48,935)	67,374
2012-13	72,302			3,901	(158)	(30,666)	45,379
2011-12	50,607			7,478	(355)	(38,010)	19,720
2010-11	13,254			2,588	(161)	(11,969)	3,712
Prior	5,398			564	(307)	(2,111)	3,544
	\$ 254,932	\$ 3,106,000	\$ (77,399)	\$ 18,162	\$ (1,455)	\$ (3,014,967)	\$ 285,272

Taxes Receivable June 30, 2015 by Fund

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2014-15	\$ 114,819	\$ 26,882	\$ 3,842
2013-14	53,151	12,444	1,778
2012-13	35,799	8,382	1,198
2011-12	15,557	3,642	520
2010-11	2,928	686	98
Prior	2,796	655	94
	\$ 225,051	\$ 52,690	\$ 7,530

Collections by Fund

Current Year	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Levy	\$ 2,882,728	\$ 2,274,213	\$ 532,469	\$ 76,047
Interest	548	432	101	14
Total	\$ 2,883,276	\$ 2,274,645	\$ 532,570	\$ 76,061
Prior Years				
Taxes & Interest	\$ 131,691	\$ 103,892	\$ 24,324	\$ 3,474

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, 2015, and have issued our report thereon dated January 7, 2016. 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:

Compliance (continued)

The State and Federal Grants Fund had a deficit fund balance for Oregon budget purposes due to the proceeds from a reimbursement grant not being received within 60 days of fiscal year end.

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. Our report on internal control over financial reporting in accordance with *Government Auditing Standards* can be found on page 81 of this reporting package. 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



Scott A. Martin
Megan R. Adams

Robert P. Seymour
Jacob J. Collier

Michael J. Rudi

Randell C. Guyer, Jr.
Kent J. Bailey

David F. Lindley
Linda L. Cyr

Kara J. Bond

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 Kim Moser
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, 2015, 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, 2016.

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, 2016.

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.



Guyer & Associates
Certified Public Accountants
La Grande, Oregon
January 7, 2016



Scott A. Martin
Megan R. Adams

Robert P. Seymour
Jacob J. Collier

Michael J. Rudi

Randell C. Guyer, Jr.
Kent J. Bailey

David F. Lindley
Linda L. Cyr

Kara J. Bond

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 Kim Moser
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, 2015. 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, 2015.

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.

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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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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
La Grande, Oregon
January 7, 2016

City of Baker City
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015

FEDERAL GRANTOR - PASS THROUGH GRANTOR - PROGRAM TITLE	<u>Federal CFDA Number</u>	<u>Pass - Through Entity identifying Number</u>	<u>Federal Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY			
PASSED THROUGH FROM STATE OF OREGON INFRASTRUCTURE FINANCE AUTHORITY:			
Capitalization Grants for Drinking Water State Revolving Loan Funds:			
Baker City Ultraviolet Water Treatment Facility	66.468	S14004	\$ 2,000,000
Baker City Water Master Plan	66.468	S15001	20,000
Baker City Watershed Management Plan	66.468	U14004	30,000
SUBTOTAL THIS PROGRAM	66.468		2,050,000 *
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106		2,700
DEPARTMENT OF JUSTICE			
PASSED THROUGH FROM BAKER COUNTY:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>73</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,052,773</u></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, 2015

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, 2015.

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, 2015. 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 Environmental Protection Agency's Capitalization Grants for Drinking Water State Revolving Loan Funds Program (CFDA #66.468) were 99.86% of total federal expenditures.

5. Federal Program Fund Classification: Federal Programs listed above are recorded in the Water Utility Fund.

CITY OF BAKER CITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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. The auditor's report on internal control over compliance over major programs in accordance with OMB Circular A-133 does not disclose any significant deficiencies in internal control over compliance.
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:
Environmental Protection Agency:
 1. Capitalization Grants for Drinking Water State Revolving Loan Programs passed through the State of Oregon Infrastructure Finance Authority - CFDA #66.468
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, 2015

FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings to report.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings to report.

