



City of Baker City, Oregon
Annual Financial Report
For the Fiscal Year Ended
June 30, 2016

BAKER CITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

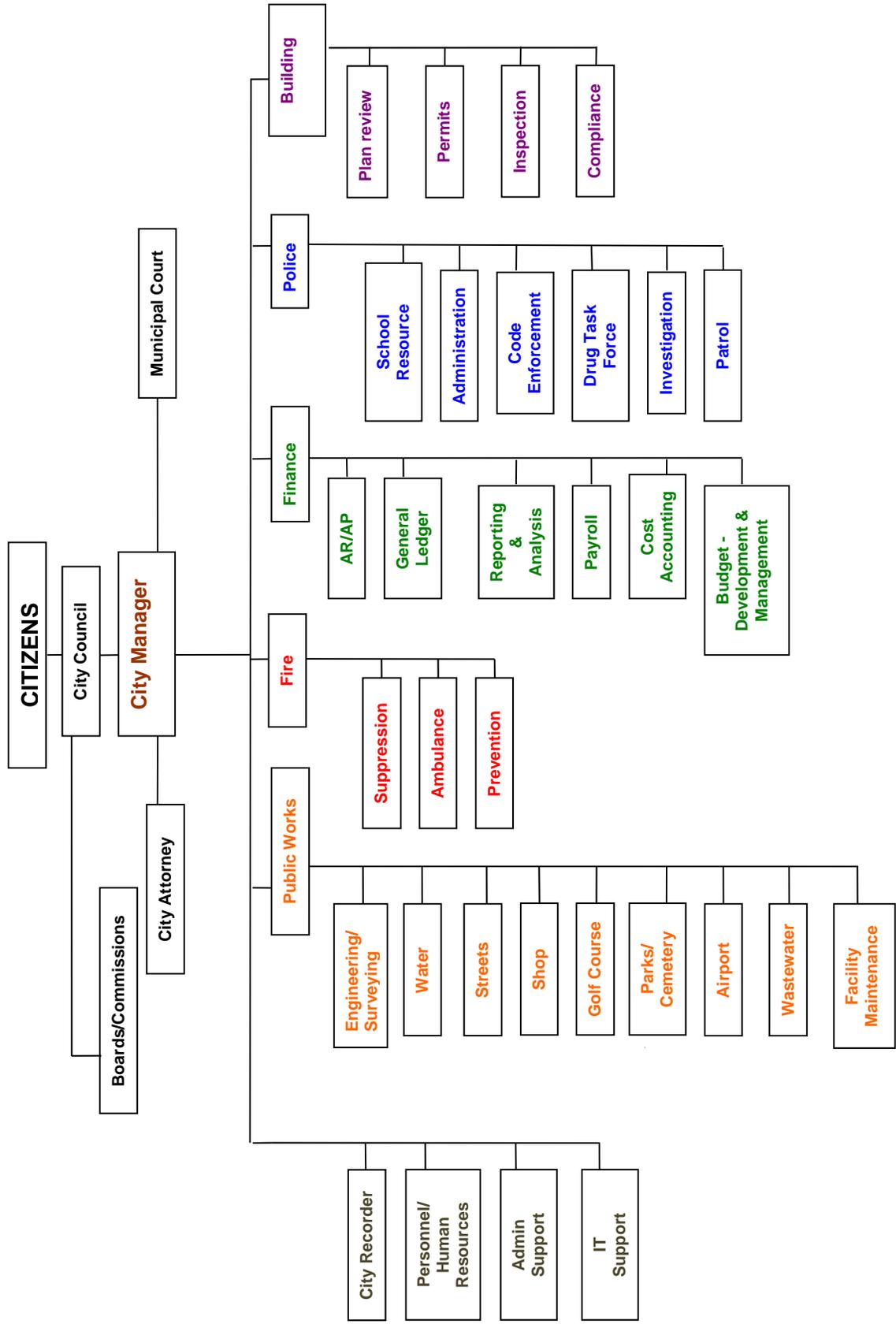
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Introductory Section

City of Baker City



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

ELECTED MAYOR AND CITY COUNCIL AT JUNE 30, 2016

	<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
Daniel Lowe 2230 Third Street	December 31, 2016
Margaret (Sandy) Lewis 2305 Sixteenth Street	December 31, 2016
James Thomas 1675 East Street	December 31, 2018

APPOINTED CITY OFFICERS AS OF JUNE 30, 2016

City Manager:

Fred Warner, Jr.

City Finance Director:

Jeanie Dexter

City Attorney:

Andrew Martin

Municipal Judge:

Don Williams

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Financial Section

INDEPENDENT AUDITORS' REPORT

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

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, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baker City, Oregon, as of June 30, 2016, 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.

As discussed in Note 6 to the financial statements, the June 30, 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-15 and the budgetary comparison and pension information on pages 54-61 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 the 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 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 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 Supplementary 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 62-78, and schedule of property tax transactions on page 79, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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 May 5, 2017, on our consideration of the City of 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

Guyer & Associates
Certified Public Accountants
A Professional Corporation
Baker City, Oregon
May 5, 2017

By *Kent Bailey*
Kent J. Bailey, CPA

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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, 2016**

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 63-64.

Proprietary funds - the City maintains six 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 25-53 of this report.

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

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$48,625,156 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (88 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, 2016**

	Governmental Activities		Business-type Activities		Total	
	2015-16	2014-15*	2015-16	2014-15*	2015-16	2014-15*
ASSETS						
Current and Other Assets	\$ 5,847,398	\$ 6,674,676	\$ 4,192,157	\$ 3,800,567	\$ 10,039,555	\$10,475,243
Capital Assets	19,203,775	19,473,846	25,196,943	25,431,823	44,400,718	44,905,669
Total Assets	\$ 25,051,173	\$ 26,148,522	\$ 29,389,100	\$ 29,232,390	\$ 54,440,273	\$ 55,380,912
DEFERRED OUTFLOWS						
	534,313	-	191,527	-	725,840	-
Total Assets & Deferred Outflows	25,585,486	26,148,522	29,580,627	29,232,390	55,166,113	55,380,912
LIABILITIES						
Long-Term Liabilities	-	-	1,687,472	1,768,581	1,687,472	1,768,581
Other Liabilities	2,891,658	603,109	1,133,750	341,844	4,025,408	944,953
Total Liabilities	2,891,658	603,109	2,821,222	2,110,425	5,712,880	2,713,534
DEFERRED INFLOWS						
	609,572	1,495,486	218,505	546,635	828,077	2,042,121
Total Liab & Deferred Inflows	3,501,230	2,098,595	3,039,727	2,657,060	6,540,957	4,755,655
NET POSITION						
Invested in Capital Assets, Net of Related Debt	\$ 19,203,775	\$ 19,473,846	\$ 23,399,435	\$23,534,044	\$ 42,603,210	\$ 43,007,890
Restricted	1,726,058	1,635,267	-	-	1,726,058	1,635,267
Unrestricted	1,154,423	2,940,814	3,141,465	3,041,286	4,295,888	5,982,100
Total Net Position	\$ 22,084,256	\$ 24,049,927	\$ 26,540,900	\$ 26,575,330	\$ 48,625,156	\$ 50,625,257

*The 2014-15 comparative information has been restated due to a change in accounting estimate – see note 6.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

An additional portion of the City's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,295,888) may be used to meet the City's ongoing obligations to citizens and creditors. Net position for the City as a whole decreased by \$2,000,101 during the fiscal year ended June 30, 2016. The following is an analysis of this decrease.

**City of Baker City
Summary of Changes in Net Position
June 30, 2016**

	Governmental Activities		Business-type Activities		Total	
	2015-16	2014-15*	2015-16	2014-15*	2015-16	2014-15*
REVENUES						
Program Revenues						
Charges for Services	\$ 999,932	\$ 975,892	\$ 3,741,164	\$ 3,734,336	\$ 4,741,096	\$ 4,710,228
Operating Grants/Contrib.	752,309	697,243	-	-	752,309	697,243
Capital Grants/Contrib.	601,966	190,818	34,575	300,925	636,541	491,743
General Revenues:						
Property Taxes	3,142,015	3,051,512	-	-	3,142,015	3,051,512
Franchise Taxes	826,833	811,931	-	-	826,833	811,931
Investment Earnings	36,669	32,388	22,170	13,793	58,839	46,181
SAIF Refunds	20,490	26,818	-	-	20,490	26,818
Unrestricted Grants/Contrib.	247,035	251,386	-	-	247,035	251,386
Rental Income	32,684	34,061	47,217	48,527	79,901	82,588
Miscellaneous	43,650	39,097	78,420	80,934	122,070	120,031
Total Revenues	\$ 6,703,583	\$ 6,111,146	\$ 3,923,546	\$ 4,178,515	\$ 10,627,129	\$ 10,289,661
EXPENSES						
General Government	\$ 743,968	\$ 386,564	\$ -	\$ -	\$ 743,968	\$ 386,564
Public Safety	5,468,852	2,907,137	-	-	5,468,852	2,907,137
Transportation and Streets	1,706,843	1,084,451	-	-	1,706,843	1,084,451
Culture & Recreation	321,200	296,386	-	-	321,200	296,386
Economic Development	45,647	33,334	-	-	45,647	33,334
Cemetery	144,689	146,782	-	-	144,689	146,782
Airport	165,920	167,277	-	-	165,920	167,277
Hydro-Electric Plant	8,177	3,031	-	-	8,177	3,031
Interest on Long-Term Debt	3,458	5,720	-	-	3,458	5,720
Water	-	-	2,304,231	1,572,281	2,304,231	1,572,281
Wastewater	-	-	1,367,199	920,577	1,367,199	920,577
Golf Course	-	-	62,720	80,127	62,720	80,127
Building Department	-	-	284,326	222,545	284,326	222,545
Total Expenses	8,608,754	5,030,682	4,018,476	2,795,530	12,627,230	7,826,212
Operating Transfers	(60,500)	(1,000)	60,500	1,000	-	-
Change in Net Position	(1,965,671)	1,079,464	(34,430)	1,383,985	(2,000,101)	2,463,449
Net Position—Beginning of Year	24,114,009	24,797,623	26,606,903	25,867,379	50,720,912	50,665,002
Restatement of Beg Net Position	(64,082)	(1,763,078)	(31,573)	(644,461)	(95,655)	(2,407,539)
Net Position—End of Year	\$ 22,084,256	\$ 24,049,927	\$ 26,540,900	\$ 26,575,330	\$ 48,625,156	\$ 50,720,912

*The 2014-15 comparative information has not been restated for the change in accounting policy due to the lack of June 30, 2014 accrued payroll and payroll tax liabilities valuations.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Analysis of Changes in Net Position

Governmental activities: During the fiscal year ended June 30, 2016, net position of the governmental activities decreased by \$1,965,671. Of that decrease \$1,787,125 was due to GASB 68 and 71 (in effect for the fiscal year ended June 30, 2015) which requires municipalities to account for their portion of the change in net pension liability or asset related to its pension plan with Oregon Public Employees System (OPERS). Also contributing to the decrease was depreciation expense which exceeded assets placed in service by \$490,006 during the fiscal year ended June 30, 2016.

Partially offsetting those decreases were contributions for and donations of fixed assets during the fiscal year ended June 30, 2016. On September 3, 2015, the Baker City Bandstand Committee donated to the City a newly constructed bandstand at Geiser Pollman Park valued at \$250,000. The City also received a drug forfeiture vehicle through Baker County Circuit Court valued at \$11,707 and a contribution of \$11,102 from the Drug Task Force to use towards the acquisition of another drug forfeiture vehicle. The City received a U.S. Department of Justice COPS grant reimbursement of \$26,696 and a Federal Aviation Administration grant of \$12,807 that were included in deferred inflows on the modified accrual basis of accounting because they were not received within two months after the close of the fiscal year.

Business-type activities: Net position of the business-type activities decreased by \$34,430. Of that decrease, \$650,810 was due to GASB 68 and 71 explained above in the governmental activities section. During the year ended June 30, 2016, the City received \$14,500 in grants and donations for the irrigation plan at the golf course. This decrease was partially offset by the City's attempt to collect 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 repair and replacement of transmission and distribution lines for the water system and the wastewater effluent disposal project for the wastewater system.

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 \$1,340,669 to \$927,548. The decrease was partially the result of transfers to other funds to support capital purchases and operations such as those at the Samo Swim Center which included resurfacing the pool, replacing the sand filter system and setting aside funds for the new energy efficient heating system. In addition, funds were transferred for the FAA taxiway rehabilitation, for golf course operations and for the replacement of fire and emergency medical supply (EMS) equipment.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Major Governmental Funds

General Fund (continued): Transfers were also used to support city parks and trees. Another reason for the decrease related to the City changing its accounting policy for accrued payroll and payroll taxes and benefits to include the time between the end of the June pay period and the end of the month of June. Previously this accrual was determined to be immaterial and, therefore, was not accrued. However, with the rising costs of personnel and the increase in the number of days outside the June pay period in the fiscal year ended June 30, 2016 this accrual of \$74,549 was deemed to be necessary.

Street Fund: The ending fund balance of the Street Fund increased from \$848,465 to \$1,043,463. This increase was mainly due to a planned savings in preventative maintenance in order to save up for a future overlay project.

LID Repayment Fund: The deficit ending fund balance of the LID Repayment Fund decreased from (\$181,658) to (\$152,523) due to repayments on LIDs which included the LID for undergrounding utilities on Resort Street.

State and Federal Grants Fund: The ending fund balance of the State and Federal Grants Fund increased from a deficit of (\$54,086) to a balance of \$66,598. This increase was mainly due to a State of Oregon Recreational Trails grant reimbursement of approximately \$108,000 that was received after the 2014-15 accrual period ended.

Enterprise Funds

Water Fund: The ending fund balance of the Water Fund decreased from \$18,811,437 to \$18,736,088. This decrease is mainly due to the change in accounting principles for GASB 68 and 71 which increased payroll benefit expenses (PERS) by \$379,254. An additional decrease of \$20,004 was due to the restatement of the beginning net position for the change in accounting estimate for accrued payroll and payroll taxes and benefits explained in the General Fund section above.

Wastewater Fund: The ending fund balance of the Wastewater Fund decreased from \$6,060,604 to \$5,963,206. This is mainly due to the change in accounting principles for GASB 68 and 71 which increased payroll expenses (PERS) by \$235,091. This was offset in part by the City's continued effort to set aside funds for future capital projects such as the wastewater effluent disposal project.

Golf Fund: The ending fund balance of the Golf Fund increased from \$1,066,117 to \$1,119,036. This increase was mainly due to an attempt to lower irrigation maintenance costs by decreasing water pressure which successfully reduced mainline repairs.

Building Inspections Fund: The ending fund balance of the Building Inspections Fund increased from \$94,415 to \$145,816. The City attempts to accumulate reserves while the building activity is up in order to build a reserve that can offset future declines in the economy when necessary.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

BUDGETARY HIGHLIGHTS

Significant differences between the 2015-16 original budget as adopted and the final budget are as follows:

- The General Fund's Hydro Electric Plant Department incurred an estimated \$12,000 in additional costs in order to meet Idaho Power's requirement for an engineering certification prior to the plant going online. This requirement was not foreseen prior to the negotiation of the contract in August of 2015.
- The Golf Course Operation Fund incurred unanticipated material and services costs of \$9,500 in order to replace a broken variable frequency drive that controls the irrigation pumps. This expenditure was funded by an increase in transfers from the General Fund to the Golf Course Operation Fund.
- The Samo Swim Center Fund received two unanticipated grants totaling \$87,000 for the replacement of the heating system at Samo Swim Center.
- The General Fund's Hydro Electric Plant Department incurred \$3,858 in unanticipated costs related to metering the hydroelectric plant in order to sell power to Idaho Power. These costs were unforeseen until Oregon Trail Electric Consumers Cooperative completed the final project costs for the metering project.
- The Golf Course Capital Projects Fund received unanticipated grants and donations totaling \$14,000 for the completion of an irrigation plan for replacing the irrigation system on the original nine holes of the golf course.
- The Samo Swim Center Maintenance Fund incurred approximately \$1,500 of additional personnel cost due to the cost of public works labor required for maintenance at the Samo Swim Center. This additional cost was offset by a savings in materials and services.
- The Anthony Silvers Street Tree Trust Fund incurred approximately \$1,200 in additional personnel costs due to the labor intensive Arbor Day project chosen by the Baker City Tree Board. This additional cost will also be offset by a savings in materials and services.

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Significant differences between the 2015-16 final amended budget and the 2015-16 actual expenditures in the General Fund are as follows:

The City's final amended General Fund budget for the fiscal year ended 2015-16 included a contingency of \$64,642 and an unappropriated ending fund balance of \$939,973, for a total of \$1,004,615. The actual balance carried forward to 2016-17 was \$927,548. The difference of (\$77,067) is explained below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanations</u>
REVENUE				
Property Tax Revenue	\$ 2,413,745	\$ 2,482,419	\$ 68,674	Received more prior year property taxes than anticipated.
Franchise Taxes	822,485	826,833	4,348	Received more OTEC franchise taxes but less Cascade Natural Gas franchise taxes than anticipated.
Charges for Services	876,500	864,534	(11,966)	Received more ambulance revenue due to higher call volume and more collections than anticipated which was offset in part by less cemetery revenue and lien search revenue than anticipated.
SAIF Refund	-	20,490	20,490	Received an unanticipated SAIF refund.
Other Revenue	1,060,887	757,240	<u>(303,647)</u>	Land sale of \$286,000 did not transpire as anticipated. Received \$36,174 less in intergovernmental revenue than anticipated due to FAA grant and COPS grant not being received within 60 days of year end. These reductions in revenue were partially offset by \$13,049 in additional overhead charges.
Total Revenue Decrease			<u>(\$222,101)</u>	
EXPENDITURES				
Personnel Services	3,857,974	3,794,545	63,429	Savings in the Admin Department of \$20,284, Police Dept of \$57,137 and a small savings in Public Works labor in the General Fund. Partially offset by an additional cost in the Fire Department \$15,098.
Materials and Services	1,331,158	1,260,225	70,933	Savings in contracted labor in Cemetery Department due to fewer interments than anticipated. Also, savings in Parks and Airport Department which were partially offset by additional cost of \$10,605 in the Admin Dept for additional legal costs and City Manager recruitment that was unanticipated.
Capital Outlay	48,000	45,486	<u>2,514</u>	Minor differences in capital outlay budget versus actual costs.
Total Expenditure Savings			<u>\$ 136,876</u>	
Operating Transfer In	5,200	4,938	(262)	Received less Cemetery interest than anticipated.
Operating Transfer Out	(212,500)	(212,500)	-	Interfund transfers were made as budgeted.
Beginning Fund Balance	1,275,430	1,340,669	65,239	Additional carryover from budgeted amount.
Restatement-Beg Fund Balance	-	(56,819)	<u>(56,819)</u>	Change in accounting estimate to accrue payroll and payroll taxes & benefits from the end of the June pay period to the end of the month of June.
Difference Budget & Actual			<u>(\$ 77,067)</u>	

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ACTIVITY

Capital asset activity for the fiscal year ended June 30, 2016 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, 2016:

City Hall Window Replacement (Additional Costs)	\$ 3,000
LAMP Pathway Ext - Main St. to Myrtle St. (Additional Costs)	8,545
Samo Swim Roof	7,800
Samo Swim Pool Resurfacing	72,500
Samo Swim Sand Filters	18,633
Mausoleum Roof	8,550
Mausoleum Window Repair and Replacement	18,374
Storm Water Pipe Curing	17,661
Taxiway Apron Rehabilitation Project (In Process)	151,751
Hydro Transmission Metering Equipment & Engineering Certification	14,036
Bandstand at Geiser Pollman Park (Donated by Bandstand, Inc.)	250,000
Police Vehicle (Additional Costs)	2,304
Police Vehicle	30,272
Police Vehicle – School Resource Officer (Drug Forfeiture)	22,938
Police Vehicle – Administrative Vehicle (Donated by Drug Task Force)	11,102
Police Drug Dog - Capa	8,840
City Website	5,391
Excavator and Breaker Attachment	76,141
Cross Conveyor System	8,290
Concrete Saw	5,459
Geographic Information System (GIS)	26,883
Mountain Line National Environmental Protection Act (NEPA) Study (Additional Costs)	29,454
Little Mill Diversion Improvements (Additional Costs)	22,608
Water Facilities Master Plan (Additional Costs)	81,837
Water Treatment Facility Generator Building (In Process)	18,332
Auburn Waterline Replacement	133,182
Elk Creek Distribution Line Tie-In	23,606
Salmon Creek Property Land Improvements	43,727
Fire Skid Unit	10,475
Water System Enhancements	32,913
Public Works Shop Ceiling Insulation and Drywall	18,875
Public Works Vehicle	22,700
Wastewater Pipe Curing	155,054
Wastewater System Enhancements	55,188
Wastewater Facility Plan (In Process)	19,500
Golf Course Irrigation Pump	9,590
Golf Course Irrigation Plan (In Process)	20,417
Golf Course Point of Sale System	5,335
Total	<u>\$ 1,471,263</u>

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The City entered into a financing contract with Oregon Infrastructure Finance Authority (IFA) to finance \$20,000 of the Water Facilities Master Plan which was completed as of March 31, 2016. This contract was forgivable if certain loan requirements were met. These loan requirements were met and the debt was forgiven as of May 4, 2016. There was no new long-term debt issued during the fiscal year ended June 30, 2016.

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 \$119,111 in 2015-16 to \$138,997 in 2016-17. The annual increase in property taxes is not enough to keep up with annual salary, health insurance and PERS benefits cost increases discussed below.
- Baker City Employees Association, police and fire contracts were negotiated for periods of three-plus years. Increases for non-represented staff have not been set for future years. The known impacts of these actions are listed in the table below.

	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Non-Represented</u>
July 1, 2016 Salary Increase	N/A	N/A	1.25%	TBD
January 1, 2017 Salary Increase	1%	1%	N/A	TBD
July 1, 2017 Salary Increase	1.5%	1.5%	1.25%	TBD
July 1, 2018 Salary Increase	1.5%	1.5%	1.25%	TBD
July 1, 2019 Salary Increase	1.5%	1.5%	TBD	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, 2015 to June 30, 2017	18.00%	10.69%	14.80%
Rates for July 1, 2017 to June 30, 2019	22.77%	13.63%	18.40%

**BAKER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

- 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.
- On March 8, 2016, Council adopted the Water Facilities Master Plan prepared by Murray, Smith & Associates (MSA). This plan included a comprehensive review and evaluation of the City's water systems and consideration of needed capital improvement for the transmission, treatment and distribution systems. MSA identified the need for \$6.2 million in capital improvement projects over the 5-year horizon and a potential of \$33.4 million over the 6-to-20 year horizon due to an aging infrastructure. Although the City Council increased water rates by 11.2% as of July 1, 2016 these infrastructure needs will not be met without significant annual water rate increases or other funding mechanisms in the future.
- Due to state and federal regulatory requirements the City's wastewater system will require significant modifications and improvements in the future. Although the City does not currently have a DEQ approved plan (in process), City staff is estimating that the cost for an alternative effluent disposal method (currently discharged into the Powder River) such as land application will be significant and the current wastewater reserves and user rates will not be sufficient to fund these enhancements when required. City staff estimates that up to \$5,000,000 in project costs may need to be financed resulting in an estimated annual debt payment of approximately \$370,000. Current wastewater rates are not sufficient to cover the debt repayment and would, therefore, need to be increased in order to repay the debt financing.

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 Statements

BAKER CITY
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 4,440,056	\$ 3,721,377	\$ 8,161,433
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	273,271	137,270	410,541
Interest Receivable	1,147	-	1,147
Taxes Receivable (Net of Allowance for Uncollectible Accounts)	279,063	-	279,063
Intergovernmental Receivable	150,527	75	150,602
Contracts and Special Assessments Receivable	462,250	39,986	502,236
Internal Balances	(293,449)	293,449	-
Inventories	274,433	-	274,433
Capital Assets (Net of Accumulated Depreciation):			
Land	2,150,002	1,342,160	3,492,162
Construction in Process	154,751	420,699	575,450
Buildings	2,186,663	206,729	2,393,392
Improvements Other than Buildings	16,080	106,834	122,914
Machinery and Equipment	1,112,893	333,304	1,446,197
Infrastructure	13,583,386	22,787,217	36,370,603
Other Assets	260,100	-	260,100
Total Assets	<u>\$ 25,051,173</u>	<u>\$ 29,389,100</u>	<u>\$ 54,440,273</u>
DEFERRED OUTFLOWS:			
Deferred Outflows Related to Pension Obligations	534,313	191,527	725,840
Total Assets and Deferred Outflows	<u>25,585,486</u>	<u>29,580,627</u>	<u>55,166,113</u>
LIABILITIES:			
Accounts Payable	\$ 216,365	\$ 79,326	\$ 295,691
Accrued Payroll Taxes and Benefits Payable	133,577	60,829	194,406
Accrued Interest Payable	-	34,945	34,945
Customer Deposits and Other Payables	5	36,345	36,350
Notes Payable	-	1,687,472	1,687,472
Compensated Absences Payable	236,363	95,937	332,300
Net Pension Liability	2,305,348	826,368	3,131,716
Total Liabilities	<u>2,891,658</u>	<u>2,821,222</u>	<u>5,712,880</u>
DEFERRED INFLOWS:			
Deferred Inflows Related to Pension Obligations	609,572	218,505	828,077
Total Liabilities and Deferred Inflows	<u>3,501,230</u>	<u>3,039,727</u>	<u>6,540,957</u>
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	19,203,775	23,399,435	42,603,210
Restricted for:			
Cemetery Care	779,212	-	779,212
2089 Celebration	2,951	-	2,951
Street Trees	21,828	-	21,828
Samo Swim Improvements	137,000	-	137,000
Car Seats	2,112	-	2,112
Nonexpendable	782,955	-	782,955
Unrestricted	1,154,423	3,141,465	4,295,888
Total Net Position	<u>\$ 22,084,256</u>	<u>\$ 26,540,900</u>	<u>\$ 48,625,156</u>

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

BAKER CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 743,968	\$ 58,570	\$ 3,433	\$ 12,000	\$ (669,965)	\$ -	\$ (669,965)
Public Safety	5,468,852	753,614	54,798	46,487	(4,613,953)	-	(4,613,953)
Highways and Streets	1,706,843	70,645	692,644	-	(943,554)	-	(943,554)
Culture and Recreation	321,200	124	1,434	298,311	(21,331)	-	(21,331)
Airport	165,920	8,726	-	235,428	78,234	-	78,234
Cemetery	144,689	75,209	-	9,740	(59,740)	-	(59,740)
Hydro-electric Plant	8,177	33,044	-	-	24,867	-	24,867
Economic and Community Development	45,647	-	-	-	(45,647)	-	(45,647)
Interest on Long Term Debt	3,458	-	-	-	(3,458)	-	(3,458)
Total Governmental Activities	8,608,754	999,932	752,309	601,966	(6,254,547)	-	(6,254,547)
Business-type Activities:							
Water Utility	2,304,231	2,211,439	-	20,075	-	(72,717)	(72,717)
Wastewater Utility	1,367,199	1,195,154	-	-	-	(172,045)	(172,045)
Golf Operation	62,720	-	-	14,500	-	(48,220)	(48,220)
Building Inspection	284,326	334,571	-	-	-	50,245	50,245
Total Business-type Activities	4,018,476	3,741,164	-	34,575	-	(242,737)	(242,737)
Total Government	\$ 12,627,230	\$ 4,741,096	\$ 752,309	\$ 636,541	(6,254,547)	(242,737)	(6,497,284)
General Revenues:							
Property Taxes					3,142,015	-	3,142,015
Franchise Taxes					826,833	-	826,833
Grants and Contributions Not Restricted to a Particular Program					247,035	-	247,035
Rental Income					32,684	47,217	79,901
Interest on Investments					36,669	22,170	58,839
SAIF Refund					20,490	-	20,490
Miscellaneous					43,650	78,420	122,070
Transfers:							
Operating					(60,500)	60,500	-
Total General Revenue and Transfers					4,288,876	208,307	4,497,183
Change in Net Position					(1,965,671)	(34,430)	(2,000,101)
Net Position July 1, 2015					24,114,009	26,606,903	50,720,912
Restatement of Beginning Net Position					(64,082)	(31,573)	(95,655)
Net Position June 30, 2016					\$ 22,084,256	\$ 26,540,900	\$ 48,625,156

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

**BAKER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<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	\$ 1,076,342	\$ 1,021,089	\$ 10,517	\$ 82,144	\$ 1,708,965	\$ 3,899,057
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	266,574	461	-	3,125	2,525	272,685
Interest Receivable	-	-	1,147	-	-	1,147
Taxes Receivable	220,154	51,543	-	-	7,366	279,063
Contracts and Special Assessments Receivable	-	-	240,511	221,739	-	462,250
Due From Other Funds	-	-	-	-	44,565	44,565
Advances to Other Funds	-	-	-	-	228,511	228,511
Intergovernmental Receivable	86,436	51,851	-	12,240	-	150,527
Other Assets	259,212	-	-	-	888	260,100
Total Assets	<u>\$ 1,908,718</u>	<u>\$ 1,124,944</u>	<u>\$ 252,175</u>	<u>\$ 319,248</u>	<u>\$ 1,992,820</u>	<u>\$ 5,597,905</u>
Liabilities:						
Accounts Payable	\$ 146,657	\$ 19,694	\$ -	\$ 15,607	\$ 5,092	\$ 187,050
Wages, Payroll Taxes and Benefits Payable	115,999	11,615	-	92	215	127,921
Other Payables	5	-	-	-	-	5
Due to Other Funds	-	-	25,734	-	-	25,734
Advances from Other Funds	-	-	137,306	-	-	137,306
Total Liabilities	<u>262,661</u>	<u>31,309</u>	<u>163,040</u>	<u>15,699</u>	<u>5,307</u>	<u>478,016</u>
Deferred Inflows:						
Deferred Revenue	<u>718,509</u>	<u>50,172</u>	<u>241,658</u>	<u>236,951</u>	<u>9,629</u>	<u>1,256,919</u>
Fund Balance (Deficit):						
Nonspendable	259,212	-	-	-	783,842	1,043,054
Restricted for 2089 Celebration	-	-	-	-	2,951	2,951
Restricted for Cemetery Care	-	-	-	-	274,061	274,061
Restricted for Street Trees	-	-	-	-	17,077	17,077
Restricted for Samo Swim Improvements	-	-	-	-	137,000	137,000
Restricted for Car Seat Program	-	-	-	2,112	-	2,112
Committed for Cemetery Care	-	-	-	-	505,151	505,151
Committed for Sidewalks	-	-	-	-	141,675	141,675
Committed for Street Trees	-	-	-	-	4,752	4,752
Assigned for Big Deal Grants	-	-	-	5,000	-	5,000
Assigned for Wellness	-	-	-	1,416	-	1,416
Assigned for Public Safety	-	-	-	6,598	-	6,598
Assigned for Airport	-	-	-	-	-	-
Assigned for Skate Park	-	-	-	4,206	-	4,206
Assigned for Fire Equipment	-	-	-	-	64,250	64,250
Assigned for Samo Swim Maintenance	-	-	-	-	47,125	47,125
Assigned for Parks	-	-	-	27,958	-	27,958
Assigned for Trees	-	-	-	790	-	790
Assigned for Streets	-	1,043,463	-	-	-	1,043,463
Unassigned	668,336	-	(152,523)	18,518	-	534,331
Total Fund Balance (Deficit)	<u>927,548</u>	<u>1,043,463</u>	<u>(152,523)</u>	<u>66,598</u>	<u>1,977,884</u>	<u>3,862,970</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 1,908,718</u>	<u>\$ 1,124,944</u>	<u>\$ 252,175</u>	<u>\$ 319,248</u>	<u>\$ 1,992,820</u>	<u>\$ 5,597,905</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, 2016

Fund Balances of Governmental Funds		\$ 3,862,970
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The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.		1,256,919
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Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.		18,786,246
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All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.		
- Compensated absences payable		(233,352)

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

- Current assets and interfund receivable	\$ 989,287	
- Capital assets - net	417,529	
- Current liabilities and interfund payable	(34,971)	
- Compensated absences payable	(3,011)	
- Noncurrent liabilities - net pension liability	(57,919)	
- Deferred outflows related to pension obligations	13,424	
- Deferred inflows related to pension obligations	<u>(15,315)</u>	
Subtotal		1,309,024

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.		(576,754)
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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:

- Net pension liability	(2,247,429)	
- Deferred outflows related to pensions	520,889	
- Deferred inflows related to pensions	<u>(594,257)</u>	
Subtotal		<u>(2,320,797)</u>

Net Position of Governmental Activities		<u>\$ 22,084,256</u>
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The notes to the financial statements are an integral part of this statement.

BAKER CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<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	\$ 2,482,419	\$ 581,228	\$ -	\$ -	\$ 83,001	\$ 3,146,648
Franchise	826,833	-	-	-	-	826,833
Licenses and Permits	9,434	-	-	-	-	9,434
Intergovernmental	315,562	692,069	-	253,150	1,800	1,262,581
Charges for Services	864,534	14,789	-	1,034	55,855	936,212
Fines and Forfeitures	40,164	-	-	-	-	40,164
Rental Income	32,684	-	-	-	-	32,684
Interest and Dividends	7,857	5,965	3,852	259	14,477	32,410
SAIF Refund	20,490	-	-	-	-	20,490
Miscellaneous	38,490	576	28,744	45,527	87,883	201,220
Total Revenue	<u>4,638,467</u>	<u>1,294,627</u>	<u>32,596</u>	<u>299,970</u>	<u>243,016</u>	<u>6,508,676</u>
Expenditures:						
Current:						
General Government	517,610	-	3	63	-	517,676
Public Safety	3,857,122	-	-	41,697	-	3,898,819
Highways and Streets	-	1,033,444	-	-	-	1,033,444
Sidewalks	-	-	-	-	23,014	23,014
Parks and Recreation	93,779	-	-	7,707	73,946	175,432
Airport	47,323	-	-	-	-	47,323
Cemetery	132,652	-	-	-	-	132,652
Hydro-electric Plant	7,662	-	-	-	-	7,662
Economic and Community Development	26,158	-	-	1,068	9,432	36,658
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	3,458	-	-	3,458
Capital Outlay:						
General Government	8,391	-	-	-	-	8,391
Public Safety	52,647	-	-	-	-	52,647
Highways and Streets	-	62,111	-	-	-	62,111
Sidewalks	-	-	-	-	-	-
Parks and Recreation	2,903	-	-	-	104,575	107,478
Airport	-	-	-	151,751	-	151,751
Cemetery	26,924	-	-	-	-	26,924
Hydro-electric Plant	14,036	-	-	-	-	14,036
Total Expenditures:	<u>4,787,207</u>	<u>1,095,555</u>	<u>3,461</u>	<u>202,286</u>	<u>210,967</u>	<u>6,299,476</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(148,740)</u>	<u>199,072</u>	<u>29,135</u>	<u>97,684</u>	<u>32,049</u>	<u>209,200</u>
Other Financing Sources (Uses):						
Transfers In	4,938	-	-	23,000	129,000	156,938
Transfers Out	(212,500)	-	-	-	(4,938)	(217,438)
Total Other Financing Sources (Uses)	<u>(207,562)</u>	<u>-</u>	<u>-</u>	<u>23,000</u>	<u>124,062</u>	<u>(60,500)</u>
Net Change in Fund Balance	(356,302)	199,072	29,135	120,684	156,111	148,700
Fund Balance (Deficit), July 1, 2015	1,340,669	848,465	(181,658)	(54,086)	1,821,773	3,775,163
Restatement of Beginning Fund Balance	(56,819)	(4,074)	-	-	-	(60,893)
Fund Balance (Deficit), June 30, 2016	<u>\$ 927,548</u>	<u>\$ 1,043,463</u>	<u>\$ (152,523)</u>	<u>\$ 66,598</u>	<u>\$ 1,977,884</u>	<u>\$ 3,862,970</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	148,700
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.		(83,552)
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.		(490,006)
Donations of capital assets are not reported in the fund financial statements as they do not affect current resources. However, the resulting increase in net position is reported in the Statement of Activities.		272,809
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	\$	(1,854)
- Repayment of long term debt		<u>-</u>
Subtotal		(1,854)
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.		(22,219)
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.		(2,424)
Pension costs are determined based on actuarially determined amounts. The amounts paid into the pension plan exceeded the actuarially determined liability amount.		<u>(1,787,125)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(1,965,671)</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, 2016

	<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	\$ 1,955,852	\$ 1,515,595	\$ 29,308	\$ 220,622	\$ 3,721,377	\$ 540,999
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	82,872	54,226	-	172	137,270	586
Special Assessments Receivable	-	3,477	-	-	3,477	-
Intergovernmental Receivable	-	-	-	75	75	-
Due From Other Funds	-	-	-	-	-	38,466
Inventories	-	-	-	-	-	274,433
Total Current Assets	2,038,724	1,573,298	29,308	220,869	3,862,199	854,484
Noncurrent Assets:						
Advances to Other Funds	-	-	-	-	-	134,803
Special Assessments Receivable	-	36,509	-	-	36,509	-
Capital Assets:						
Land	180,258	103,798	1,058,104	-	1,342,160	-
Construction in Process	380,782	19,500	20,417	-	420,699	-
Buildings	269,522	35,037	106,146	-	410,705	58,399
Improvements other than Buildings	32,795	-	356,585	-	389,380	-
Infrastructure	25,540,719	9,191,355	-	-	34,732,074	-
Machinery, Equipment, and Vehicles	259,374	513,343	241,690	19,913	1,034,320	2,530,212
Less: Accumulated Depreciation	(7,598,567)	(5,122,131)	(396,116)	(15,581)	(13,132,395)	(2,171,082)
Net Capital Assets	19,064,883	4,740,902	1,386,826	4,332	25,196,943	417,529
Total Assets	21,103,607	6,350,709	1,416,134	225,201	29,095,651	1,406,816
Deferred Outflows:						
Deferred Outflows Related to Pensions	109,745	69,479	52	12,251	191,527	13,424
Total Assets and Deferred Outflows	\$ 21,213,352	\$ 6,420,188	\$ 1,416,186	\$ 237,452	\$ 29,287,178	\$ 1,420,240
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 29,235	\$ 20,609	\$ 13,560	\$ 15,922	\$ 79,326	\$ 29,315
Customer Deposits	36,345	-	-	-	36,345	-
Due to Other Funds	-	-	57,297	-	57,297	-
Accrued Payroll Taxes and Benefits Payable	33,663	22,654	-	4,512	60,829	5,656
Compensated Absences Payable	56,892	34,677	-	4,368	95,937	3,011
Accrued Interest Payable	34,945	-	-	-	34,945	-
Current Portion of Long Term Debt	63,784	-	-	-	63,784	-
Total Current Liabilities	254,864	77,940	70,857	24,802	428,463	37,982
Long-Term Liabilities:						
Notes Payable	1,623,688	-	-	-	1,623,688	-
Advances From Other Funds	-	-	226,008	-	226,008	-
Total Long-Term Liabilities	1,623,688	-	226,008	-	1,849,696	-
Other Liabilities:						
Net Pension Liability	473,509	299,776	225	52,858	826,368	57,919
Total Liabilities	2,352,061	377,716	297,090	77,660	3,104,527	95,901
Deferred Inflows:						
Deferred Inflows Related to Pensions	125,203	79,266	60	13,976	218,505	15,315
Total Liabilities and Deferred Inflows	2,477,264	456,982	297,150	91,636	3,323,032	111,216
Net Position:						
Invested in Capital Assets, Net of Related Debt	17,377,411	4,740,902	1,103,521	4,332	23,226,166	417,529
Unrestricted	1,358,677	1,222,304	15,515	141,484	2,737,980	891,495
Total Net Position	\$ 18,736,088	\$ 5,963,206	\$ 1,119,036	\$ 145,816	25,964,146	\$ 1,309,024
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds Related to Net Position of Business-type Activities					576,754	
Net Position of Business-Type Activities					\$ 26,540,900	

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

BAKER CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Golf Course Operation</u>	<u>Building Inspections</u>	<u>Totals</u>	
Operating Revenue:						
Charges for Sales and Services	\$ 2,211,439	\$ 1,195,154	\$ -	\$ 334,571	\$ 3,741,164	\$ 493,386
Miscellaneous	4,970	70,810	-	2,640	78,420	1,747
Total Operating Revenue	<u>2,216,409</u>	<u>1,265,964</u>	<u>-</u>	<u>337,211</u>	<u>3,819,584</u>	<u>495,133</u>
Operating Expenses:						
Cost of Sales and Services	1,736,089	1,134,969	-	282,334	3,153,392	428,554
Depreciation	487,304	233,381	-	1,992	722,677	94,449
Total Operating Expenses	<u>2,223,393</u>	<u>1,368,350</u>	<u>-</u>	<u>284,326</u>	<u>3,876,069</u>	<u>523,003</u>
Operating Income (Loss)	<u>(6,984)</u>	<u>(102,386)</u>	<u>-</u>	<u>52,885</u>	<u>(56,485)</u>	<u>(27,870)</u>
Nonoperating Revenue (Expense):						
Gain (Loss) on Equipment Sale	(20,585)	-	-	-	(20,585)	1,392
Investment Earnings	10,670	10,258	209	1,033	22,170	4,259
Rental Income	3,000	3,782	40,435	-	47,217	-
Capital Grants and Donations	20,075	-	14,500	-	34,575	-
Depreciation and Expenses - Rental Property	-	-	(60,508)	-	(60,508)	-
Interest Expense	(61,521)	-	(2,217)	-	(63,738)	-
Total Nonoperating Revenue (Expense)	<u>(48,361)</u>	<u>14,040</u>	<u>(7,581)</u>	<u>1,033</u>	<u>(40,869)</u>	<u>5,651</u>
Income (Loss) Before Transfers	<u>(55,345)</u>	<u>(88,346)</u>	<u>(7,581)</u>	<u>53,918</u>	<u>(97,354)</u>	<u>(22,219)</u>
Other Financing Sources (Uses):						
Transfers In	-	-	60,500	-	60,500	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>60,500</u>	<u>-</u>	<u>60,500</u>	<u>-</u>
Change in Net Position	(55,345)	(88,346)	52,919	53,918	(36,854)	(22,219)
Net Position, July 1, 2015	18,811,437	6,060,604	1,066,117	94,415		1,334,432
Restatement of Beginning Net Position	(20,004)	(9,052)	-	(2,517)		(3,189)
Net Position, June 30, 2016	<u>\$ 18,736,088</u>	<u>\$ 5,963,206</u>	<u>\$ 1,119,036</u>	<u>\$ 145,816</u>		<u>\$ 1,309,024</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					2,424	
Change in Net Position of Business-Type Activities					<u>\$ (34,430)</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, 2016

	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	\$ 2,248,588	\$ 1,231,407	\$ -	\$ 335,350	\$ 3,815,345	\$ 1,690
Receipts from Interfund Services Provided	-	-	-	-	-	491,788
Other Receipts	4,970	70,810	-	2,640	78,420	2,289
Payments to Suppliers	(198,588)	(148,714)	-	(90,413)	(437,715)	(201,959)
Payments to Employees	(870,945)	(532,630)	-	(138,481)	(1,542,056)	(164,394)
Payments for Interfund Services Used	(304,687)	(217,152)	-	(18,951)	(540,790)	(49)
Net Cash Provided (Used) by Operating Activities	879,338	403,721	-	90,145	1,373,204	129,365
Cash Flows From Non Capital Financing Activities:						
Advances from (to) Other Funds	-	-	60,500	-	60,500	(6,245)
Repayments from LID for Line Extension	-	3,477	-	-	3,477	-
Repayments from (to) Other Funds	-	-	-	-	-	55,794
Net Cash Provided (Used) by Noncapital Financing Activities	-	3,477	60,500	-	63,977	49,549
Cash Flows From Capital and Related Financing Activities:						
Receipts from the Sale of Capital Assets	176,233	-	-	-	176,233	1,392
Acquisition/Construction of Capital Assets	(450,719)	(271,797)	(23,906)	-	(746,422)	(41,575)
Proceeds from Capital Debt	-	-	-	-	-	-
Other Receipts	21,419	-	14,500	-	35,919	-
Advances from (to) Other Funds	-	-	6,245	-	6,245	-
Principal Paid on Long Term or Interfund Debt	(62,528)	-	(58,091)	-	(120,619)	-
Interest Paid on Long Term or Interfund Debt	(68,412)	-	(2,217)	-	(70,629)	-
Net Cash Provided (Used) by Capital Financing Activities	(384,007)	(271,797)	(63,469)	-	(719,273)	(40,183)
Cash Flows From Investing Activities:						
Rental Income	3,000	3,782	40,435	-	47,217	-
Expenses Rental Property	-	-	(9,466)	-	(9,466)	-
Interest on Investments	10,670	10,258	209	1,033	22,170	4,259
Net Cash Provided (Used) by Investing Activities	13,670	14,040	31,178	1,033	59,921	4,259
Net Increase (Decrease) in Cash and Cash Equivalents	509,001	149,441	28,209	91,178	777,829	142,990
Cash and Cash Equivalents, July 1, 2015	1,446,851	1,366,154	1,099	129,444	2,943,548	398,009
Cash and Cash Equivalents, June 30, 2016	\$ 1,955,852	\$ 1,515,595	\$ 29,308	\$ 220,622	\$ 3,721,377	\$ 540,999
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (6,984)	\$ (102,386)	\$ -	\$ 52,885	\$ (56,485)	\$ (27,870)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	487,304	233,381	-	1,992	722,677	94,449
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	35,974	36,254	-	779	73,007	634
(Increase) Decrease in Inventories	-	-	-	-	-	8,240
Increase (Decrease) in Customer Deposits	1,175	-	-	-	1,175	-
Increase (Decrease) in Accounts Payable Related to Operating Activities*	8,477	9,967	-	3,879	22,323	19,221
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	(24,231)	(9,111)	-	(4,742)	(38,084)	(3,086)
Increase (Decrease) in Compensated Absences Asset/Liability	(1,631)	525	-	(982)	(2,088)	(1,611)
Net Change in Pension Asset/Liabilities	379,254	235,091	-	36,334	650,679	39,388
Total Adjustments	886,322	506,107	-	37,260	1,429,689	157,235
Net Cash Provided (Used) by Operating Activities	\$ 879,338	\$ 403,721	\$ -	\$ 90,145	\$ 1,373,204	\$ 129,365

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 \$7,278, Wastewater Fund \$2,839 and Golf Fund \$11,436. A non-cash transaction occurred when a \$20,000 Note Payable - IFA was forgiven.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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, 2016

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, expenditures related to compensated absences, claims and judgments and pension liabilities 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, 2016

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 and emergency medical supply (EMS) 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, 2016

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 franchise 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Deficit Fund Equity

The LID Repayment Fund had a deficit fund balance of \$152,523 as of June 30, 2016. The City funded this deficit through interfund loans. This Fund does not have a deficit fund balance for purposes of compliance with Oregon Local Budget Law.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At June 30, 2016, the City's carrying amount of deposits was \$319,875 and the bank balance was \$465,118. In addition, the City had \$15,558 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, 2016 the City's bank deposit balance was categorized by custodial credit risk as follows:

Insured by FDIC	\$ 309,667
Uninsured and uncollateralized	155,451
Total	\$ 465,118

At June 30, 2016 the City had an investment of \$7,826,000 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, 2016

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	\$ -	\$ -	\$ 1,147	\$ -	\$ -	\$ 1,147
Property Taxes	220,154	51,543	-	-	7,366	279,063
Franchise Taxes	31,471	-	-	-	-	31,471
Trade Accounts	445,838	3,414	-	3,125	2,827	455,204
Special Assessments	-	-	-	221,738	-	221,738
LID Receivables	-	-	240,511	-	-	240,511
Intergovernmental	86,436	51,851	-	12,240	-	150,527
Gross Receivables	783,899	106,808	241,658	237,103	10,193	1,379,661
Less: Allowance for Uncollectibles	(210,735)	(2,953)	-	-	(302)	(213,990)
Total Receivables	\$ 573,164	\$ 103,855	\$ 241,658	\$ 237,103	\$ 9,891	\$ 1,165,671

Internal Service Funds have trade account receivables at year-end of \$586 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	\$ 92,532	\$ 60,287	\$ 172	\$ -	\$ 152,991
Special Assessments	-	39,986	-	-	39,986
Intergovernmental	-	-	75	-	75
Gross Receivables	92,532	100,273	247	-	193,052
Less: Allowance for Uncollectibles	(9,660)	(6,061)	-	-	(15,721)
Total Receivables	\$ 82,872	\$ 94,212	\$ 247	\$ -	\$ 177,331

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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	\$ 226,388
Intergovernmental Receivable	38,783
Delinquent Property Taxes Receivable	269,139
Special Assessments Not Due	221,739
Local Improvement District Receivables Not Due	240,511
Interest Receivable	1,147
Oregon Trail Electric Cooperative Capital Credits	259,212
Total Deferred/Unearned Revenue – Governmental Funds	\$ 1,256,919

Of these deferred revenues, the Oregon Trail Electric Cooperative capital credits (recorded as an Other Asset) of \$259,212, special assessments receivable in the amount of \$221,739, contracts receivable included in trade receivables of \$1,925, and the local improvement district receivables of \$240,511 are not expected to be collected within one year.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increase/ Transfer	Decrease/ Transfer	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 125,020	\$ 163,296	\$ (133,565)	\$ 154,751
Land	2,150,002	-	-	2,150,002
Total capital assets, not being depreciated	<u>2,275,022</u>	<u>163,296</u>	<u>(133,565)</u>	<u>2,304,753</u>
Capital assets, being depreciated:				
Buildings	4,946,054	393,599	-	5,339,653
Improvements other than buildings	119,151	-	-	119,151
Machinery and equipment	5,102,773	180,666	(13,957)	5,269,482
Infrastructure	36,287,082	133,726	-	36,420,808
Total capital assets being depreciated	<u>46,455,060</u>	<u>707,991</u>	<u>(13,957)</u>	<u>47,149,094</u>
Less accumulated depreciation for:				
Buildings	(3,037,475)	(115,514)	-	(3,152,989)
Improvements other than buildings	(101,595)	(1,476)	-	(103,071)
Machinery and equipment	(3,915,974)	(254,573)	13,957	(4,156,590)
Infrastructure	(22,201,192)	(636,230)	-	(22,837,422)
Total accumulated depreciation	<u>(29,256,236)</u>	<u>(1,007,793)</u>	<u>13,957</u>	<u>(30,250,072)</u>
Total capital assets, being depreciated, net	<u>17,198,824</u>	<u>(299,802)</u>	<u>-</u>	<u>16,899,022</u>
Governmental activities capital assets, net	<u>\$ 19,473,846</u>	<u>\$ (136,506)</u>	<u>\$ (133,565)</u>	<u>\$ 19,203,775</u>

Construction in process for governmental activities of \$154,751 is comprised entirely of the Taxiway Rehabilitation project in process at June 30, 2016.

During the year ended June 30, 2016, the City received donations of a bandstand constructed at Geiser Pollman Park at a cost of \$250,000 donated by the Baker City Bandstand Committee and a 2012 Dodge Avenger valued at \$11,102 that was donated by the Drug Task Force. In addition, the City received a 2015 Dodge Challenger through a drug forfeiture which resulted in a contribution of \$11,707 of the 22,938 value.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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	\$ 391,954	\$ 192,148	\$ (163,403)	\$ 420,699
Land	<u>1,342,160</u>	-	-	<u>1,342,160</u>
Total capital assets, not being depreciated	1,734,114	192,148	(163,403)	1,762,859
Capital assets, being depreciated:				
Buildings	410,705	-	-	410,705
Machinery and equipment	936,597	97,723	-	1,034,320
Improvements other than buildings	356,585	43,727	(10,932)	389,380
Infrastructure	<u>34,383,035</u>	<u>563,346</u>	<u>(214,307)</u>	<u>34,732,074</u>
Total capital assets, being depreciated	36,086,922	704,796	(225,239)	36,566,479
Less accumulated depreciation for:				
Buildings	(194,688)	(9,288)	-	(203,976)
Machinery and equipment	(653,897)	(47,119)	-	(701,016)
Improvements other than buildings	(267,260)	(15,286)	-	(282,546)
Infrastructure	<u>(11,273,368)</u>	<u>(699,910)</u>	<u>28,421</u>	<u>(11,944,857)</u>
Total accumulated depreciation	<u>(12,389,213)</u>	<u>(771,603)</u>	<u>28,421</u>	<u>(13,132,395)</u>
Total capital assets, being depreciated, net	<u>23,697,709</u>	<u>(66,807)</u>	<u>(196,818)</u>	<u>23,434,084</u>
Business-type activities capital assets, net	<u>\$ 25,431,823</u>	<u>\$ 125,341</u>	<u>\$ (360,221)</u>	<u>\$ 25,196,943</u>

Construction in process for business-type activities of \$420,699 is comprised of \$362,450 for pipe and the N.E.P.A. study for the Forest Service portion of the mountain line water improvement project; \$18,332 for the generator building that is being constructed at the water treatment facility; \$19,500 for the wastewater facility plan in process; and \$20,417 for the golf course irrigation plan in process.

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

Governmental activities:

General government	\$ 43,265
Public safety	179,726
Highway and streets, including depreciation of general infrastructure assets	432,309
Culture and recreation	133,300
Economic and Community Development	4,859
Airport	117,485
Cemetery	2,400
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	94,449

Total depreciation expense - governmental activities

\$ 1,007,793

Business-type activities:

Water utility	\$ 487,304
Wastewater utility	233,381
Building inspections	1,992
Golf operation	48,926

Total depreciation expense-business-type activities

\$ 771,603

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment and Vehicle	Golf Course Operations	\$ 38,466
Anthony Silvers Street Tree Trust	LID Repayment	25,734
Mt Hope Trust	Golf Course Operations	18,831
Total		<u>\$ 83,031</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	\$ 134,803
Anthony Silvers Street Tree Trust	LID Repayment	137,306
Mt. Hope Trust	Golf Course Operations	91,205
Total		<u>\$ 363,314</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, 2016 are as follows:

	<u>General Fund</u>	<u>S&F Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Transfer from:					
General Fund	\$ -	\$ 23,000	\$ 129,000	\$ 60,500	\$ 212,500
Non Major Governmental Funds	4,938	-	-	-	4,938
Total Transfers	<u>\$ 4,938</u>	<u>\$ 23,000</u>	<u>\$ 129,000</u>	<u>\$ 60,500</u>	<u>\$ 217,438</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, 2016

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, 2016:

	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 was due December 1, 2015 with annual installments of \$123,690 due December 1, thereafter, including interest at 3.55%. The note payable is secured by the pledge of the City's full faith and credit and taxing power within the limitations of Article XI, section 11 and 11b, of the Oregon Constitution and by the "Net Revenues" of the City's water system after payment of operation and maintenance costs of the system.	\$ 1,687,472
Total Business-Type Long-Term Liabilities	\$ 1,687,472

The City was notified by the Infrastructure Finance Authority on May 4, 2016 that the Forgivable Promissory Note to the Oregon Infrastructure Finance Authority (IFA) for \$20,000 (\$18,581 as of June 30, 2015) dated September 8, 2014 for the update of the Water Master Plan had been forgiven since the project was complete and all the terms and conditions related to the project completion had been met.

The following is a summary of maturities of the governmental activity long-term liability as of June 30, 2016:

Fiscal Year	Principal	Interest	Totals
2016-2017	63,784	59,905	123,689
2017-2018	66,049	57,641	123,690
2018-2019	68,393	55,296	123,689
2019-2020	70,821	52,868	123,689
2020-2021	73,336	50,354	123,690
2021-2026	407,628	210,820	618,448
2026-2031	485,304	133,144	618,448
2031-2034	452,157	40,732	492,889
Total	\$ 1,687,472	\$ 660,760	\$ 2,348,232

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 236,120	\$ 300,188	\$ (299,945)	\$ 236,363	\$ 236,363

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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	\$ 98,025	\$ 111,326	\$ (113,414)	\$ 95,937	\$ 95,937
Note payable – OR IFA	1,750,000	-	(62,528)	1,687,472	63,784
Forgivable note OR IFA	18,581	1,419	(20,000)	-	-
Business-type activity					
Long-term liabilities	<u>\$ 1,866,606</u>	<u>\$ 112,745</u>	<u>\$ (195,942)</u>	<u>\$ 1,783,409</u>	<u>\$ 159,723</u>

The compensated absences liability for the Internal Service Funds is \$3,011 and is included in the above totals for governmental activities.

4. OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters for which the City carries commercial insurance. There have been no significant decreases in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City obtains most of its insurance coverage through CityCounty Insurance Services (CIS) under an insurance pooling arrangement in which many cities and counties in Oregon participate. The City maintains a retrospective liability plan with CIS for its general liability insurance. This type of plan provides for a reduced upfront premium cost with the City repaying CIS for any liability claims up to a set amount each plan year. As of June 30, 2016, the City has a related contingent liability of \$32,935 for the plan year ended June 30, 2016. The City also has a contingent liability for future claims (including certain claims with no statute of limitations) that may be filed related to plan years ending June 30, 2015 and prior, where a contingent liability still remains. The City believes that any such future payments will not be significant due to the passage of time.

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, 2016

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 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, 2016

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, 2016

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, 2016

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, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$556,962, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 18.00 percent for Tier One/Tier Two Members, 10.69 percent for OPSRP Pension Program General Service Members, 14.80 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, 2016

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, 2016, the City reported a liability of \$3,131,716 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability 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, 2015, the City's proportion was 0.054546 percent, which was decreased from its proportion of 0.056712 measured as of June 30, 2014.

For the year ended June 30, 2016, the City's recognized pension expense (income) of \$2,477,324. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,878	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	656,479
Changes in proportionate share		37,188
Differences between employer contributions and proportionate share of system contributions	-	134,410
Total (prior to post-MD contributions)	<u>168,878</u>	<u>828,077</u>
Contributions subsequent to the MD	556,962	-
Total	<u>\$ 725,840</u>	<u>\$ 828,077</u>

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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)

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

Deferred Outflows			Deferred Inflows		
Amortization Period			Amortization Period		
FY2017	\$	595,343	FY2017	\$	353,430
FY2018		38,381	FY2018		353,430
FY2019		38,381	FY2019		353,430
FY2020		38,381	FY2020		(245,649)
FY2021		15,354	FY2021		13,436
Total	\$	725,840	Total	\$	828,077

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, 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, 2013 actuarial valuation was determined using the following actuarial assumptions:

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Actuarial Assumptions (Continued)

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	<p>Healthy retirees and beneficiaries: RP-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 (65% for males, 90% for females) 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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
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	<u>100.00%</u>	
Assumed Inflation - Mean		2.75%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

Depletion Date Projection (Continued)

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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:

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Pension Plan (Continued)

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

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 7,558,281	\$ 3,131,716	\$ (598,715)

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.

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.

These change in benefits terms were reflected in the current valuation.

Commitments, Contingencies and Subsequent Events

Accrued liabilities do not include sick leave of approximately \$700,992 which was earned as of June 30, 2016, 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.

BAKER CITY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Commitments, Contingencies and Subsequent Events (Continued)

The City has evaluated subsequent events through May 5, 2017, the date the financials were available to be issued. The City had no subsequent events to report as of that date.

5. CHANGE IN ACCOUNTING POLICY

The City began accruing wages, taxes and PERS expenditures related to the days outside of the June pay period but prior to June 30th fiscal year end. Management had previously determined this amount to be immaterial to the financial statements and had not accrued the related liability. However, with the rising costs of personnel and the increase in the number of days outside the June pay period in the fiscal year ended June 30, 2016 this accrual was deemed to be necessary. Beginning net position and fund balances have been restated for the related accrued payroll taxes and benefits payable as of June 30, 2015:

	Governmental Activities	Business-type Activities	Total
Net position - beginning (as originally reported)	\$ 24,114,009	\$ 26,606,903	\$ 50,720,912
Cumulative effect of change in accounting policy	(64,082)	(31,573)	(95,655)
Net position - beginning (as restated)	\$ 24,049,927	\$ 26,575,330	\$ 50,625,257

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**Required
Supplementary
Information**

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GENERAL FUND					
Revenue:					
Property Taxes	\$ 2,413,745	\$ 2,413,745	\$ 2,482,419	\$ -	\$ 2,482,419
Franchise Taxes	822,485	822,485	826,833	-	826,833
Licenses and Permits	7,525	7,525	9,434	-	9,434
Intergovernmental	351,736	351,736	315,562	-	315,562
Charges for Services	876,500	876,500	864,534	-	864,534
Fines and Forfeitures	36,750	36,750	40,164	-	40,164
Rental Income	30,776	30,776	32,684	-	32,684
Interest and Dividends	6,000	6,000	7,857	-	7,857
SAIF Refund	-	-	20,490	-	20,490
Property Sale	286,000	286,000	-	-	-
Miscellaneous	42,100	42,100	38,490	-	38,490
Overhead Charges to Other Funds	300,000	300,000	313,049	(313,049)	-
Total Revenues	5,173,617	5,173,617	4,951,516	(313,049)	4,638,467
Expenditures:					
General Government:					
Administration	1,117,636	1,117,636	1,107,958	(643,049)	464,909
Planning	61,500	61,500	61,092	-	61,092
Total General Government	1,179,136	1,179,136	1,169,050	(643,049)	526,001
Public Safety:					
Police	1,958,423	1,958,423	1,910,602	330,000	2,240,602
Fire	1,672,515	1,672,515	1,669,167	-	1,669,167
Total Public Safety	3,630,938	3,630,938	3,579,769	330,000	3,909,769
Parks and Recreation:					
Parks	111,424	111,424	96,682	-	96,682
Airport	59,214	59,214	47,323	-	47,323
Cemetery	198,391	198,391	159,576	-	159,576
Hydro Electric Plant	8,171	24,029	21,698	-	21,698
Community Development	34,000	34,000	26,158	-	26,158
Operating Contingency	90,000	64,642	-	-	-
Total Expenditures	5,311,274	5,301,774	5,100,256	(313,049)	4,787,207
Excess (Deficit) of Revenues Over Expenditures	(137,657)	(128,157)	(148,740)	-	(148,740)
Other Financing Sources (Uses):					
Transfers In	5,200	5,200	4,938	-	4,938
Transfers Out	(203,000)	(212,500)	(212,500)	-	(212,500)
Total Other Financing Sources (Uses)	(197,800)	(207,300)	(207,562)	-	(207,562)
Net Change in Fund Balance	(335,457)	(335,457)	(356,302)	-	(356,302)
Fund Balance, July 1, 2015	1,275,430	1,275,430	1,340,669	-	1,340,669
Restatement of Beginning Fund Balance	-	-	(56,819)	-	(56,819)
Fund Balance, June 30, 2016	\$ 939,973	\$ 939,973	\$ 927,548	\$ -	\$ 927,548

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE TAX STREET FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE TAX STREET FUND					
Revenue:					
Taxes	\$ 565,114	\$ 565,114	\$ 581,228	\$ -	\$ 581,228
Intergovernmental	692,013	692,013	692,069	-	692,069
Charges for Services	13,000	13,000	14,789	-	14,789
Interest	2,500	2,500	5,965	-	5,965
Miscellaneous	891	891	576	-	576
Total Revenues	1,273,518	1,273,518	1,294,627	-	1,294,627
Expenditures:					
Maintenance	794,250	794,250	717,248	-	717,248
Storm Water Maintenance	143,446	143,446	52,307	-	52,307
Preventative Maintenance	506,025	506,025	195,014	-	195,014
Street Lighting	86,214	86,214	82,218	-	82,218
Snow and Ice Control	88,303	88,303	47,563	-	47,563
Street Construction	7,828	7,828	1,205	-	1,205
Operating Contingency	100,000	100,000	-	-	-
Total Expenditures	1,726,066	1,726,066	1,095,555	-	1,095,555
Excess (Deficit) of Revenues Over Expenditures	(452,548)	(452,548)	199,072	-	199,072
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-
Net Change in Fund Balance	(452,548)	(452,548)	199,072	-	199,072
Fund Balance, July 1, 2015	776,903	776,903	848,465	-	848,465
Restatement of Beginning Fund Balance	-	-	(4,074)	-	(4,074)
Fund Balance, June 30, 2016	\$ 324,355	\$ 324,355	\$ 1,043,463	\$ -	\$ 1,043,463

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LID REPAYMENT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
LID REPAYMENT FUND					
Revenue:					
Interest	\$ 3,000	\$ 3,000	\$ 195	\$ 3,657	\$ 3,852
Special Assessments/LID Repayments	18,000	18,000	32,401	(3,657)	28,744
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>32,596</u>	<u>-</u>	<u>32,596</u>
Expenditures:					
Administration	500	500	3	-	3
Debt Service	-	-	-	3,458	3,458
Total Expenditures	<u>500</u>	<u>500</u>	<u>3</u>	<u>3,458</u>	<u>3,461</u>
Excess (Deficit) of Revenues Over Expenditures	20,500	20,500	32,593	(3,458)	29,135
Other Financing Sources and (Uses):					
Interfund Loan Transfers Out	(91,688)	(91,688)	(91,509)	91,509	-
Total Other Financing Uses	<u>(91,688)</u>	<u>(91,688)</u>	<u>(91,509)</u>	<u>91,509</u>	<u>-</u>
Net Change in Fund Balance	(71,188)	(71,188)	(58,916)	88,051	29,135
Fund Balance, July 1, 2015	<u>71,188</u>	<u>71,188</u>	<u>69,434</u>	<u>(251,092)</u>	<u>(181,658)</u>
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,518</u>	<u>\$ (163,041)</u>	<u>\$ (152,523)</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, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
STATE & FEDERAL GRANTS FUND					
Revenue:					
Intergovernmental	\$ 220,505	\$ 220,505	\$ 253,150	\$ -	\$ 253,150
Charges for Services	600	600	1,034	-	1,034
Interest	65	65	259	-	259
Miscellaneous	13,315	13,315	45,527	-	45,527
Total Revenues	<u>234,485</u>	<u>234,485</u>	<u>299,970</u>	<u>-</u>	<u>299,970</u>
Expenditures:					
Administration	1,610	1,610	63	-	63
Public Safety	39,179	39,179	41,697	-	41,697
Transportation and Streets	170,353	170,353	151,751	-	151,751
Parks and Recreation	77,947	77,947	7,707	-	7,707
Economic/Community Development	5,000	5,000	1,068	-	1,068
Total Expenditures	<u>294,089</u>	<u>294,089</u>	<u>202,286</u>	<u>-</u>	<u>202,286</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(59,604)</u>	<u>(59,604)</u>	<u>97,684</u>	<u>-</u>	<u>97,684</u>
Other Financing Sources:					
Transfers In	23,000	23,000	23,000	-	23,000
Total Other Financing Sources	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Net Change in Fund Balance	(36,604)	(36,604)	120,684	-	120,684
Fund Balance, July 1, 2015	<u>44,791</u>	<u>44,791</u>	<u>(54,086)</u>	<u>-</u>	<u>(54,086)</u>
Fund Balance, June 30, 2016	<u>\$ 8,187</u>	<u>\$ 8,187</u>	<u>\$ 66,598</u>	<u>\$ -</u>	<u>\$ 66,598</u>

BAKER CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Three 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
2016	0.05454563%	\$ 3,131,716	\$ 3,370,480	92.92%	80.50%
2015	0.05671163%	(1,285,491)	3,466,206	-37.09%	91.90%
2014	0.05671163%	2,894,078	3,431,864	84.33%	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 Three 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
2016	\$ 556,962	\$ 556,962	\$ -	\$ 3,557,881	15.65%
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 Fiscal Year Ended June 30, 2016

CHANGES IN BENEFIT TERMS

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.

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 change in benefit terms was reflected in the current valuation.

CHANGES OF ASSUMPTIONS

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/mercereports.aspx.

BAKER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ (356,302)	\$ 199,072	\$ (58,916)	\$ 120,684
<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.	(313,049)	-	-	-
<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.	313,049	-	-	-
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.	-	-	88,051	-
<i>Budget expenditures reclassified under GAAP:</i>				
911 dispatch expenditures of \$330,000 were budgeted as General Fund administration expenditures and were reclassified to Public Safety for GAAP basis.	-	-	-	-
Net Change in Fund Balance - GAAP Basis	<u>\$ (356,302)</u>	<u>\$ 199,072</u>	<u>\$ 29,135</u>	<u>\$ 120,684</u>

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**Other
Supplementary
Information**

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

Mt Hope Trust Fund: The principal is restricted by City ordinance 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, 2016**

	Special Revenue			Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Trust		
Cash and Cash Equivalents	\$ 187,089	\$ 274,061	\$ 4,783	\$ 143,679	\$ 64,250	\$ 395,115	\$ 2,951	\$ 637,037	\$ 1,708,965	
Accounts Receivable (Net of Allowance)	-	-	-	2,525	-	-	-	-	2,525	
Taxes Receivable	7,366	-	-	-	-	-	-	-	7,366	
Due from Other Funds	-	-	-	-	-	18,831	-	25,734	44,565	
Advances to Other Funds	-	-	-	-	-	91,205	-	137,306	228,511	
Other Investments	-	-	-	-	-	888	-	-	888	
Total Assets	\$ 194,455	\$ 274,061	\$ 4,783	\$ 146,204	\$ 64,250	\$ 506,039	\$ 2,951	\$ 800,077	\$ 1,992,820	
Liabilities:										
Accounts Payable	\$ 3,188	\$ -	\$ -	\$ 1,904	\$ -	\$ -	\$ -	\$ -	\$ 5,092	
Accrued Payroll Taxes	38	-	31	100	-	-	-	46	215	
Total Liabilities	3,226	-	31	2,004	-	-	-	46	5,307	
Deferred Inflows:										
Deferred Revenue	7,104	-	-	2,525	-	-	-	-	9,629	
Fund Balance:										
Restricted for 2089 Celebration	-	-	-	-	-	-	2,951	-	2,951	
Restricted for Cemetery Care	-	274,061	-	-	-	-	-	-	274,061	
Restricted for Street Trees	-	-	-	-	-	-	-	17,077	17,077	
Restricted for Samo Swim Maintenance	137,000	-	-	-	-	-	-	-	137,000	
Committed for Cemetery Care	-	-	-	-	-	505,151	-	-	505,151	
Committed for Sidewalks	-	-	-	141,675	-	-	-	-	141,675	
Committed for Street Trees	-	-	4,752	-	-	-	-	-	4,752	
Assigned for Fire Equipment	-	-	-	-	64,250	-	-	-	64,250	
Assigned for Samo Swim Maintenance	47,125	-	-	-	-	-	-	-	47,125	
Nonspendable	-	-	-	-	-	888	-	782,954	783,842	
Total Fund Balance	184,125	274,061	4,752	141,675	64,250	506,039	2,951	800,031	1,977,884	
Total Liabilities, Deferred Inflows and Fund Balance	\$ 194,455	\$ 274,061	\$ 4,783	\$ 146,204	\$ 64,250	\$ 506,039	\$ 2,951	\$ 800,077	\$ 1,992,820	

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue			Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds
	Samo Swim Maintenance	John Schmitz Trust	Tree City Fund	Sidewalk Utility Fund	Fire Equipment Reserve	Mount Hope Trust	One Hundred Year Trust	Anthony Silvers Street Tree Fund		
Revenue:										
Taxes	\$ 83,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,001
Intergovernmental	-	-	1,800	-	-	-	-	-	-	1,800
Charges for Services	-	-	-	55,855	-	-	-	-	-	55,855
Interest	1,159	1,726	33	818	403	3,212	19	7,107	-	14,477
Miscellaneous	87,000	-	883	-	-	-	-	-	-	87,883
Bequest	-	-	-	-	-	-	-	-	-	-
Total Revenue	171,160	1,726	2,716	56,673	403	3,212	19	7,107	-	243,016
Expenditures:										
Public Safety	-	-	-	-	-	-	-	-	-	-
Community Development	-	-	5,283	-	-	-	-	4,149	-	9,432
Sidewalks	-	-	-	23,014	-	-	-	-	-	23,014
Parks and Recreation	178,521	-	-	-	-	-	-	-	-	178,521
Total Expenditures	178,521	-	5,283	23,014	-	-	-	4,149	-	210,967
Excess (Deficit) of Revenues Over Expenditures	(7,361)	1,726	(2,567)	33,659	403	3,212	19	2,958	-	32,049
Other Financing Sources (Uses):										
Transfers In	105,000	-	4,000	-	20,000	-	-	-	-	129,000
Transfers Out	-	(1,726)	-	-	-	(3,212)	-	-	-	(4,938)
Total Other Financing Sources (Uses)	105,000	(1,726)	4,000	-	20,000	(3,212)	-	-	-	124,062
Net Change in Fund Balance	97,639	-	1,433	33,659	20,403	-	19	2,958	-	156,111
Fund Balance, July 1, 2015	86,486	274,061	3,319	108,016	43,847	506,039	2,932	797,073	-	1,821,773
Fund Balance, June 30, 2016	\$ 184,125	\$ 274,061	\$ 4,752	\$ 141,675	\$ 64,250	\$ 506,039	\$ 2,951	\$ 800,031	\$ -	\$ 1,977,884

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SAMO SWIM MAINTENANCE FUND					
Revenue:					
Taxes	\$ 80,774	\$ 80,774	\$ 83,001	\$ -	\$ 83,001
Interest	300	300	1,159	-	1,159
Miscellaneous	-	87,000	87,000	-	87,000
Total Revenues	<u>81,074</u>	<u>168,074</u>	<u>171,160</u>	<u>-</u>	<u>171,160</u>
Expenditures:					
Samo Swim Center	<u>266,074</u>	<u>353,074</u>	<u>178,521</u>	<u>-</u>	<u>178,521</u>
Total Expenditures	<u>266,074</u>	<u>353,074</u>	<u>178,521</u>	<u>-</u>	<u>178,521</u>
Excess (Deficit) of Revenues Over Expenditures	(185,000)	(185,000)	(7,361)	-	(7,361)
Other Financing Sources:					
Transfers In	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Net Change in Fund Balance	(80,000)	(80,000)	97,639	-	97,639
Fund Balance, July 1, 2015	<u>80,000</u>	<u>80,000</u>	<u>86,486</u>	<u>-</u>	<u>86,486</u>
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,125</u>	<u>\$ -</u>	<u>\$ 184,125</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
JOHN SCHMITZ TRUST FUND					
Revenue:					
Interest	\$ 2,000	\$ 2,000	\$ 1,726	\$ -	\$ 1,726
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,726)</u>	<u>-</u>	<u>(1,726)</u>
Total Other Financing Sources	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,726)</u>	<u>-</u>	<u>(1,726)</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1, 2015	<u>274,061</u>	<u>274,061</u>	<u>274,061</u>	<u>-</u>	<u>274,061</u>
Fund Balance, June 30, 2016	<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, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
TREE CITY FUND					
Revenue:					
Interest	\$ 15	\$ 15	\$ 33	\$ -	\$ 33
Intergovernmental	1,300	1,300	1,800	-	1,800
Miscellaneous	-	-	883	-	883
Total Revenues	1,315	1,315	2,716	-	2,716
Expenditures:					
Community Development	7,915	7,915	5,283	-	5,283
Other Financing Sources:					
Transfers In	4,000	4,000	4,000	-	4,000
Net Change in Fund Balance	(2,600)	(2,600)	1,433	-	1,433
Fund Balance, July 1, 2015	2,600	2,600	3,319	-	3,319
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,752</u>	<u>\$ -</u>	<u>\$ 4,752</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
SIDEWALK UTILITY FUND					
Revenue:					
Charges for Services	\$ 55,000	\$ 55,000	\$ 55,855	\$ -	\$ 55,855
Interest	400	400	818	-	818
Total Revenues	55,400	55,400	56,673	-	56,673
Expenditures:					
Sidewalk Grants	41,390	41,390	23,014	-	23,014
Sidewalk Projects	60,797	60,797	-	-	-
Operating Contingency	20,000	20,000	-	-	-
Total Expenditures	122,187	122,187	23,014	-	23,014
Net Change in Fund Balance	(66,787)	(66,787)	33,659	-	33,659
Fund Balance, July 1, 2015	101,554	101,554	108,016	-	108,016
Fund Balance, June 30, 2016	<u>\$ 34,767</u>	<u>\$ 34,767</u>	<u>\$ 141,675</u>	<u>\$ -</u>	<u>\$ 141,675</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
FIRE EQUIPMENT RESERVE FUND					
Revenue:					
Interest	\$ 200	\$ 200	\$ 403	\$ -	\$ 403
Intergovernmental	555,560	555,560	-	-	-
Miscellaneous	1,000	1,000	-	-	-
Total Revenues	<u>556,760</u>	<u>556,760</u>	<u>403</u>	<u>-</u>	<u>403</u>
Expenditures:					
Fire and EMS Equipment	585,800	585,800	-	-	-
Operating Contingency	34,740	34,740	-	-	-
Total Expenditures	620,540	620,540	-	-	-
Excess (Deficit) of Revenues Over Expenditures	(63,780)	(63,780)	403	-	403
Other Financing Sources (Uses):					
Transfers In	20,000	20,000	20,000	-	20,000
Net Change in Fund Balance	(43,780)	(43,780)	20,403	-	20,403
Fund Balance, July 1, 2015	43,780	43,780	43,847	-	43,847
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,250</u>	<u>\$ -</u>	<u>\$ 64,250</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
MT HOPE TRUST FUND					
Revenue:					
Interest	\$ 2,550	\$ 2,550	\$ 2,374	\$ 838	\$ 3,212
Total Revenues	2,550	2,550	2,374	838	3,212
Other Financing Sources (Uses):					
Transfers Out	(3,200)	(3,200)	(3,212)	-	(3,212)
Interfund Loan Transfers In	20,000	20,000	20,000	(20,000)	-
Total Other Financing Sources (Uses)	16,800	16,800	16,788	(20,000)	(3,212)
Net Change in Fund Balance	19,350	19,350	19,162	(19,162)	-
Fund Balance, July 1, 2015	376,845	376,845	376,842	129,197	506,039
Fund Balance, June 30, 2016	<u>\$ 396,195</u>	<u>\$ 396,195</u>	<u>\$ 396,004</u>	<u>\$ 110,035</u>	<u>\$ 506,039</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
ONE HUNDRED YEAR TRUST					
Revenue:					
Interest	\$ 12	\$ 12	\$ 19	\$ -	\$ 19
Total Revenues	12	12	19	-	19
Net Change in Fund Balance	12	12	19	-	19
Fund Balance, July 1, 2015	2,929	2,929	2,932	-	2,932
Fund Balance, June 30, 2016	<u>\$ 2,941</u>	<u>\$ 2,941</u>	<u>\$ 2,951</u>	<u>\$ -</u>	<u>\$ 2,951</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
A. SILVERS STREET TREE TRUST					
Revenue:					
Interest	\$ 2,500	\$ 2,500	\$ 3,805	\$ 3,302	\$ 7,107
Bequest	-	-	-	-	-
Total Revenues	2,500	2,500	3,805	3,302	7,107
Expenditures:					
Community Development	10,500	10,500	4,149	-	4,149
Other Financing Sources:					
Interfund Loan Transfers In	74,488	74,488	74,488	(74,488)	-
Total Other Financing Sources	74,488	74,488	74,488	(74,488)	-
Net Change in Fund Balance	66,488	66,488	74,144	(71,186)	2,958
Fund Balance, July 1, 2015	560,000	560,000	562,846	234,227	797,073
Fund Balance, June 30, 2016	<u>\$ 626,488</u>	<u>\$ 626,488</u>	<u>\$ 636,990</u>	<u>\$ 163,041</u>	<u>\$ 800,031</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 and other golf course capital projects. 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, 2016

	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	\$ 2,211,439	\$ -	\$ 2,211,439
Interest	3,000	3,000	10,670	-	10,670
Miscellaneous	28,000	28,000	204,278	(176,233)	28,045
Sales to Other Funds	13,000	13,000	13,000	(13,000)	-
Total Revenues	<u>2,254,129</u>	<u>2,254,129</u>	<u>2,439,387</u>	<u>(189,233)</u>	<u>2,250,154</u>
Expenses:					
Maintenance	1,518,090	1,518,090	1,478,532	257,557	1,736,089
Construction	729,185	729,185	454,539	(454,539)	-
Depreciation	-	-	-	487,304	487,304
Loss on Property and Equipment Sale	-	-	-	20,585	20,585
Interest Expense	-	-	-	61,521	61,521
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	<u>2,447,275</u>	<u>2,447,275</u>	<u>1,933,071</u>	<u>372,428</u>	<u>2,305,499</u>
Excess (Deficit) of Revenues Over Expenses	<u>(193,146)</u>	<u>(193,146)</u>	<u>506,316</u>	<u>(561,661)</u>	<u>(55,345)</u>
Net Change in Fund Balance	(193,146)	(193,146)	506,316	(561,661)	(55,345)
Fund Balance, July 1, 2015	<u>1,384,358</u>	<u>1,384,358</u>	<u>1,380,595</u>	<u>17,430,842</u>	<u>18,811,437</u>
Restatement of Beginning Net Position	-	-	(20,004)	-	(20,004)
Fund Balance, June 30, 2016	<u>\$ 1,191,212</u>	<u>\$ 1,191,212</u>	<u>\$ 1,866,907</u>	<u>\$ 16,869,181</u>	<u>\$ 18,736,088</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ENTERPRISE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 1,086,911	\$ 108,243	\$ 1,195,154
Rental Income	3,782	3,782	3,782	-	3,782
Interest	4,000	4,000	6,944	3,314	10,258
Special Assessments/LID Repayments	660	660	664	(664)	-
Miscellaneous	30,000	30,000	70,810	-	70,810
Total Revenues	1,134,199	1,134,199	1,169,111	110,893	1,280,004
Expenses:					
Maintenance	1,028,820	1,028,820	930,627	204,342	1,134,969
Construction	333,189	333,189	210,242	(210,242)	-
Depreciation	-	-	-	233,381	233,381
Operating Contingency	100,000	100,000	-	-	-
Total Expenses	1,462,009	1,462,009	1,140,869	227,481	1,368,350
Net Change in Fund Balance	(327,810)	(327,810)	28,242	(116,588)	(88,346)
Fund Balance, July 1, 2015	947,386	947,386	1,027,112	5,033,492	6,060,604
Restatement of Beginning Net Position	-	-	(9,052)	-	(9,052)
Fund Balance, June 30, 2016	\$ 619,576	\$ 619,576	\$ 1,046,302	\$ 4,916,904	\$ 5,963,206
	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
RECLAIMED WATER USE FUND - CAPITAL PROJECTS*					
Revenue:					
Interest	\$ 2,000	\$ 2,000	\$ 2,650	\$ (2,650)	\$ -
Miscellaneous	-	-	-	-	-
Charges for Services	109,825	109,825	108,243	(108,243)	-
Total Revenues	111,825	111,825	110,893	(110,893)	-
Expenditures:					
Maintenance	5,491	5,491	5,412	(5,412)	-
Construction	20,000	20,000	19,500	(19,500)	-
Operating Contingency	90,000	90,000	-	-	-
Total Expenses	115,491	115,491	24,912	(24,912)	-
Net Change in Fund Balance	(3,666)	(3,666)	85,981	(85,981)	-
Fund Balance, July 1, 2015	361,034	361,034	373,072	(373,072)	-
Fund Balance, June 30, 2016	\$ 357,368	\$ 357,368	\$ 459,053	\$ (459,053)	\$ -

*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, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
GOLF COURSE OPERATION FUND					
Revenue:					
Interest	\$ -	\$ -	\$ -	\$ 209	\$ 209
Rental Income	-	-	-	40,435	40,435
Capital Grants & Donations	-	-	500	14,000	14,500
Total Revenues	-	-	500	54,644	55,144
Expenses:					
Maintenance	21,000	30,500	20,131	(8,549)	11,582
Capital Outlay	5,000	5,000	417	(417)	-
Debt Service	-	-	-	2,217	2,217
Depreciation	-	-	-	48,926	48,926
Total Expenses	26,000	35,500	20,548	42,177	62,725
Excess (Deficit) of Revenues Over Expenses	(26,000)	(35,500)	(20,048)	12,467	(7,581)
Other Financing Sources (Uses):					
Transfers In	46,000	55,500	55,500	5,000	60,500
Transfers Out	(20,000)	(20,000)	(20,000)	20,000	-
Total Other Financing Sources (Uses)	26,000	35,500	35,500	25,000	60,500
Net Change in Fund Balance	-	-	15,452	37,467	52,919
Fund Balance, July 1, 2015	-	-	(177)	1,066,294	1,066,117
Fund Balance, June 30, 2016	\$ -	\$ -	\$ 15,275	\$ 1,103,761	\$ 1,119,036
GOLF COURSE PROJECTS FUND					
CAPITAL PROJECTS*					
	Budget		Actual		
	Adopted	Budget	Budget Basis	Adjustment	GAAP Basis
Revenue:					
Interest	\$ -	\$ -	\$ 209	\$ (209)	\$ -
Rental Income	40,308	40,308	40,435	(40,435)	-
Miscellaneous	-	14,000	14,000	(14,000)	-
Total Revenues	40,308	54,308	54,644	(54,644)	-
Expenditures:					
Golf Course Equipment/Irrigation Plan	12,245	26,245	26,245	(26,245)	-
Total Expenses	12,245	26,245	26,245	(26,245)	-
Excess (Deficit) of Revenues Over Expenditures	28,063	28,063	28,399	(28,399)	-
Other Financing Sources (Uses):					
Interfund Loan Transfer In	6,245	6,245	6,245	(6,245)	-
Transfers In	5,000	5,000	5,000	(5,000)	-
Transfers Out	(40,308)	(40,308)	(40,308)	40,308	-
Total Other Financing Sources (Uses)	(29,063)	(29,063)	(29,063)	29,063	-
Net Change in Fund Balance	(1,000)	(1,000)	(664)	664	-
Fund Balance, July 1, 2015	1,000	1,000	1,136	(1,136)	-
Fund Balance, June 30, 2016	\$ -	\$ -	\$ 472	\$ (472)	\$ -

*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, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
BUILDING INSPECTIONS FUND					
Revenue:					
Charges for Services	\$ 267,352	\$ 267,352	\$ 334,571	\$ -	\$ 334,571
Interest	750	750	1,033	-	1,033
Miscellaneous	500	500	2,640	-	2,640
Total Revenues	<u>268,602</u>	<u>268,602</u>	<u>338,244</u>	<u>-</u>	<u>338,244</u>
Expenditures:					
Personnel Services	171,491	171,491	132,757	36,334	169,091
Materials and Services	124,776	124,776	113,243	-	113,243
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	1,992	1,992
Operating Contingency	20,000	20,000	-	-	-
Total Expenses	<u>316,267</u>	<u>316,267</u>	<u>246,000</u>	<u>38,326</u>	<u>284,326</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>(47,665)</u>	<u>(47,665)</u>	<u>92,244</u>	<u>(38,326)</u>	<u>53,918</u>
Fund Balance, July 1, 2015	<u>110,821</u>	<u>110,821</u>	<u>106,340</u>	<u>(11,925)</u>	<u>94,415</u>
Restatement of Beginning Net Position	<u>-</u>	<u>-</u>	<u>(2,517)</u>	<u>-</u>	<u>(2,517)</u>
Fund Balance, June 30, 2016	<u>\$ 63,156</u>	<u>\$ 63,156</u>	<u>\$ 198,584</u>	<u>\$ (50,251)</u>	<u>\$ 145,816</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, 2016

	<u>Central Stores</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 13,751	\$ 527,248	\$ 540,999
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	86	500	586
Due From Other Funds	-	38,466	38,466
Inventories	274,433	-	274,433
Total Current Assets	<u>288,270</u>	<u>566,214</u>	<u>854,484</u>
Noncurrent Assets:			
Advances to Other Funds	-	134,803	134,803
Capital Assets:			
Buildings	-	58,399	58,399
Equipment and Vehicles	-	2,530,212	2,530,212
Less: Accumulated Depreciation	-	(2,171,082)	(2,171,082)
Total Capital Assets	<u>-</u>	<u>417,529</u>	<u>417,529</u>
Total Noncurrent Assets	<u>-</u>	<u>552,332</u>	<u>552,332</u>
Total Assets	<u>288,270</u>	<u>1,118,546</u>	<u>1,406,816</u>
Deferred Outflows:			
Deferred Outflows Related to Pension	<u>-</u>	<u>13,424</u>	<u>13,424</u>
Total Assets and Deferred Outflows	<u>\$ 288,270</u>	<u>\$ 1,131,970</u>	<u>\$ 1,420,240</u>
Current Liabilities:			
Accounts Payable	\$ 4,511	\$ 24,804	\$ 29,315
Due to Other Funds	-	-	-
Accrued Payroll Taxes and Benefits Payable	-	5,656	5,656
Compensated Absences Payable	-	3,011	3,011
Total Current Liabilities	<u>4,511</u>	<u>33,471</u>	<u>37,982</u>
Other Liabilities:			
Net Pension Liability	<u>-</u>	<u>57,919</u>	<u>57,919</u>
Total Liabilities	<u>4,511</u>	<u>91,390</u>	<u>95,901</u>
Deferred Inflows:			
Deferred Inflows Related to Pension	<u>-</u>	<u>15,315</u>	<u>15,315</u>
Total Liabilities and Deferred Inflows	<u>4,511</u>	<u>106,705</u>	<u>111,216</u>
Net Position:			
Invested in Capital Assets	-	417,529	417,529
Unrestricted	283,759	607,736	891,495
Total Net Position	<u>\$ 283,759</u>	<u>\$ 1,025,265</u>	<u>\$ 1,309,024</u>

BAKER CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Central Stores	Equipment and Vehicle	Total Internal Service Funds
Operating Revenue:			
Charges for Sales and Services	\$ 88,129	\$ 405,257	\$ 493,386
Miscellaneous Income	-	1,747	1,747
Total Revenue	<u>88,129</u>	<u>407,004</u>	<u>495,133</u>
Operating Expenses:			
Cost of Sales and Services	87,475	341,079	428,554
Depreciation	-	94,449	94,449
Total Expenses	<u>87,475</u>	<u>435,528</u>	<u>523,003</u>
Operating Income (Loss)	654	(28,524)	(27,870)
Nonoperating Revenue (Expense):			
Interest Income	-	4,259	4,259
Gain on Equipment Sale	-	1,392	1,392
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>5,651</u>	<u>5,651</u>
Change in Net Position	654	(22,873)	(22,219)
Net Position July 1, 2015	283,105	1,051,327	1,334,432
Restatement of Beginning Net Position	<u>-</u>	<u>(3,189)</u>	<u>(3,189)</u>
Net Position June 30, 2016	<u>\$ 283,759</u>	<u>\$ 1,025,265</u>	<u>\$ 1,309,024</u>

BAKER CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Central Stores</u>	<u>Equipment and Vehicle</u>	<u>Total Internal Service Funds</u>
Cash from Operating Activities:			
Receipts from Customers and Users	\$ 1,690	\$ -	\$ 1,690
Receipts from Interfund Services Provided	86,531	405,257	491,788
Other Receipts	-	2,289	2,289
Payments to Suppliers	(74,840)	(166,506)	(241,346)
Payments to/for Employees	-	(125,007)	(125,007)
Payments for Interfund Services Used	-	(49)	(49)
Net Cash Provided (Used) by Operating Activities	<u>13,381</u>	<u>115,984</u>	<u>129,365</u>
Cash Flows from Non Capital Financing Activities:			
Advances from (to) Other Funds	-	(6,245)	(6,245)
Repayments from (to) Other Funds	-	55,794	55,794
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>49,549</u>	<u>49,549</u>
Receipts on Sale of Capital Assets			
Purchases of Capital Assets	-	1,392	1,392
Cash Flows from Capital and Related Financing Activities:	<u>-</u>	<u>(41,575)</u>	<u>(41,575)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(40,183)</u>	<u>(40,183)</u>
Cash Flows from Investing Activities:			
Interest on Investments	-	4,259	4,259
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>4,259</u>	<u>4,259</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,381	129,609	142,990
Cash and Cash Equivalents, July 1, 2015	<u>370</u>	<u>397,639</u>	<u>398,009</u>
Cash and Cash Equivalents, June 30, 2016	<u>\$ 13,751</u>	<u>\$ 527,248</u>	<u>\$ 540,999</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	<u>\$ 654</u>	<u>\$ (28,524)</u>	<u>\$ (27,870)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	94,449	94,449
(Increase) Decrease in Accounts Receivable, (Net of Allowance for Uncollectible Accounts)	92	542	634
(Increase) Decrease in Inventories	8,240	-	8,240
Increase (Decrease) in Accounts Payable	4,395	14,826	19,221
Increase (Decrease) in Payroll Taxes, Benefits and Withholdings Payable	-	(3,086)	(3,086)
Increase (Decrease) in Compensated Absences Payable	-	(1,611)	(1,611)
Net Change in Pension Assets/Liabilities	-	39,388	39,388
Total Adjustments	<u>12,727</u>	<u>144,508</u>	<u>157,235</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 13,381</u>	<u>\$ 115,984</u>	<u>\$ 129,365</u>

BAKER CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
CENTRAL STORES FUND					
Revenue:					
Charges for Services	\$ 149,100	\$ 149,100	\$ 88,129	\$ -	\$ 88,129
Total Revenues	149,100	149,100	88,129	-	88,129
Expenses:					
Cost of Inventory Sold	140,000	140,000	87,475	-	87,475
Operating Contingency	50,000	50,000	-	-	-
Total Expenses	190,000	190,000	87,475	-	87,475
Other Financing Sources:					
Interfund Transfer In	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Net Change in Fund Balance	(40,900)	(40,900)	654	-	654
Fund Balance, July 1, 2015	255,000	255,000	283,105	-	283,105
Fund Balance, June 30, 2016	<u>\$ 214,100</u>	<u>\$ 214,100</u>	<u>\$ 283,759</u>	<u>\$ -</u>	<u>\$ 283,759</u>

	Budget		Actual		
	Budget as Adopted	Revised Budget	Budget Basis	Adjustment	GAAP Basis
EQUIPMENT & VEHICLE FUND					
Revenue:					
Charges for Services	\$ 545,890	\$ 545,890	\$ 405,257	\$ -	\$ 405,257
Interest	2,750	2,750	2,724	1,535	4,259
Miscellaneous	5,000	5,000	3,139	(1,392)	1,747
Gain on Equipment Sale	-	-	-	1,392	1,392
Total Revenues	553,640	553,640	411,120	1,535	412,655
Expenses:					
Equipment Operations	375,681	375,681	320,566	20,513	341,079
Equipment Purchases	23,500	23,500	22,700	(22,700)	-
Depreciation	-	-	-	94,449	94,449
Operating Contingency	200,000	200,000	-	-	-
Total Expenses	599,181	599,181	343,266	92,262	435,528
Excess (Deficit) of Revenues Over Expenses	(45,541)	(45,541)	67,854	(90,727)	(22,873)
Other Financing Sources:					
Interfund Loan Transfer Out	(6,245)	(6,245)	(6,245)	6,245	-
Interfund Loan Transfers In	57,508	57,508	57,329	(57,329)	-
Total Other Financing Sources	51,263	51,263	51,084	(51,084)	-
Net Change in Fund Balance	5,722	5,722	118,938	(141,811)	(22,873)
Fund Balance, July 1, 2015	365,000	365,000	378,530	672,797	1,051,327
Restatement of Beginning Net Position	-	-	(3,189)	-	(3,189)
Fund Balance, June 30, 2016	<u>\$ 370,722</u>	<u>\$ 370,722</u>	<u>\$ 494,279</u>	<u>\$ 530,986</u>	<u>\$ 1,025,265</u>

Summary of Property Tax Transactions

BAKER CITY
SUMMARY OF PROPERTY TAX TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Tax Year	Taxes Receivable June 30, 2015	2015-2016 Tax Levy as Extended by the County			Adjustments	Less Collections	Taxes Receivable June 30, 2016
		Less Discounts	Plus Interest				
2015-16		\$ 3,206,459	\$ 666	\$ (1,332)	\$ (3,014,435)	\$ 110,634	
2014-15	\$ 145,543	\$ (80,723)	2,660	(6,161)	(69,768)	72,273	
2013-14	67,374		2,661	(208)	(20,886)	48,941	
2012-13	45,379		3,657	(202)	(19,799)	29,035	
2011-12	19,720		2,151	(199)	(9,937)	11,735	
Prior	7,256		259	(267)	(803)	6,445	
	\$ 285,272	\$ 3,206,459	\$ 12,054	\$ (8,369)	\$ (3,135,628)	\$ 279,063	

Taxes Receivable June 30, 2016 by Fund

Tax Year	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
2015-16	\$ 87,279	\$ 20,434	\$ 2,921
2014-15	57,016	13,349	1,908
2013-14	38,610	9,039	1,292
2012-13	22,906	5,363	766
2011-12	9,258	2,167	310
Prior	5,084	1,190	169
	\$ 220,153	\$ 51,543	\$ 7,366

Collections by Fund

Current Year	Collections by Fund			
	Total	General Fund	State Tax Street Fund	Sam-O Swim Maintenance Fund
Levy	\$ 3,013,769	\$ 2,377,593	\$ 556,673	\$ 79,504
Interest	666	525	123	18
Total	\$ 3,014,435	\$ 2,378,118	\$ 556,796	\$ 79,521
Prior Years				
Taxes & Interest	\$ 121,193	\$ 95,610	\$ 22,385	\$ 3,197

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, 2016, and have issued our report thereon dated May 5, 2017. 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, Oregon'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:

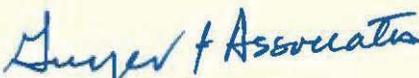
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for 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, Oregon 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 for over-expenditures in the Mt. Hope Trust Fund Transfers Out of (\$12).

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City of Baker City, Oregon'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, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Baker City, Oregon's internal control over financial reporting.

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


Guyer & Associates
Certified Public Accountants
A Professional Corporation
Baker City, Oregon

May 5, 2017

