

CITY OF JOHN DAY, OREGON

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2010



CITY OF JOHN DAY, OREGON
CITY COUNCIL AND OFFICIALS
June 30, 2010

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
Bob Quinton	John Day	Mayor
Steve Schuette	John Day	Council President
Don Caldwell	John Day	Councilor
Jack Grubbs	John Day	Councilor
Chris Labhart	John Day	Councilor
Donn Willey	John Day	Councilor
Eugene Officer	John Day	Councilor
Peggy Gray	Canyon City	City Manager
Dan Hobson	John Day	City Recorder-Treasurer
Bryant, Lovlien and Jarvis, P.C.	Bend	City Attorney

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CITY OF JOHN DAY, OREGON
**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**
June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of John Day
John Day, Oregon

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the city of John Day, Oregon (the city), as of and for the year ended June 30, 2010, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the city's 2009 financial statements and, in our report dated October 23, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the city as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2010, on our consideration of the city's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of city management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison information for the General Fund and major special revenue funds on pages 38 through 40 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information for these funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The accompanying combining and individual nonmajor fund, the budgetary comparison schedules and supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oster Professional Group, CPA's, PC

By Robert H. Armstrong

John Day, Oregon
November 24, 2010

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

This document presents the highlights of the financial activities and financial position for the city of John Day (the city). This analysis will focus on significant financial issues, major financial activities and the resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the city. Please review this document in conjunction with the Independent Auditors' Report and the city's financial statements.

FINANCIAL HIGHLIGHTS

The city's total net assets decreased by \$160,000, or approximately 2.7 percent. A portion of this decrease can be attributed to a decline in the investment in capital assets net of related debt. In other words, the depreciation on the city's equipment and infrastructure is more than the principal payments on the related debt. The rest of this decrease is due to declines in revenues from various sources and use of reserves to maintain current levels of service.

The city completed an asphalt overlay on portions of NW Bridge Street and 7th Street. This project was funded primarily through two grants from the Oregon Department of Transportation totaling \$117,000. Total cost of the project was \$131,077.

REPORT LAYOUT

The city's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the city. The components of the report include the following:

- ◆ **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the city.
- ◆ **Basic Financial Statements.** Includes Statement of Net Assets, Statement of Activities, fund financial statements and Notes to Basic Financial Statements. Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be business-like in that all activities are consolidated into a total for the city.
 - The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the city owns, the liabilities it owes, and the difference called net assets.
 - The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
 - Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The city's major governmental funds are presented in their own column and the remaining funds are combined into a single column. Budgetary comparison schedules are presented for the General Fund, the Street Fund and the 911 Fund.
- ◆ **Other Supplemental Information and Schedules.** Readers desiring additional information may find it in the combining and individual schedules of revenues, expenditures and changes in fund balance in this section of the audit report. The other schedules section informs the reader about property tax transactions.

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

- ◆ **Comments and Disclosures.** This includes supplemental communication on city compliance and internal controls as required by Oregon statute and Government Auditing Standards.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1
Condensed Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	June 30, 2010 Total	June 30, 2009 Total
Cash and investments	\$ 822,034	\$ 558,953	\$ 1,380,987	\$ 1,457,113
Other current assets	61,606	74,329	135,935	151,554
Capital assets	2,675,399	4,705,555	7,380,954	7,561,452
Total assets	3,559,039	5,338,837	8,897,876	9,170,119
Current liabilities	65,393	212,251	277,644	284,055
Long-term liabilities	123,344	2,686,662	2,810,006	2,914,313
Total liabilities	188,737	2,898,913	3,087,650	3,198,368
Net assets				
Invested in capital assets, net of related debt	2,544,099	1,842,093	4,386,192	4,564,609
Unrestricted	826,203	597,831	1,424,034	1,407,142
Total net assets	\$ 3,370,302	\$ 2,439,924	\$ 5,810,226	\$ 5,971,751

During the fiscal year, several events changed the balance of net assets. The decreases in net assets can be attributed to the following:

Governmental Activities:

- ◆ The city continues to spend reserves in governmental activities to maintain the present level of services. General cost cutting efforts are made when appropriate.
- ◆ Changes in the contract with the John Day Rural Fire District resulted in a credit for prior year overpayments and reduced payments in the current year.
- ◆ The city continues to make cuts where possible to offset declining revenues from the state, county and other sources.

Business-type Activities:

- ◆ The net assets of the business type activities declined in the current year primarily due to utility rates not meeting the costs associated with operating and maintaining the utility systems as well as payments of debt from projects completed in prior years.
- ◆ The method of calculating reimbursements from Canyon City for the share of costs associated with operating the treatment plant was changed in a previous year. The reduced payments have resulted in a shortfall to the city.

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Table 2
Condensed Statement of Changes in Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	June 30, 2010 Total	June 30, 2009 Total
Revenues				
Program revenues				
Charges for services	\$ 166,469	\$ 895,500	\$ 1,061,969	\$ 1,038,513
Grants and contributions	449,408	-	449,408	354,024
General revenues				
Taxes	242,118	4	242,122	238,962
Fees and licenses	164,894	-	164,894	155,926
Interest	5,561	3,774	9,335	30,662
Other revenues	142,660	4,139	146,799	86,067
Total revenues	<u>1,171,110</u>	<u>903,417</u>	<u>2,074,527</u>	<u>1,904,154</u>
Expenses				
General government	153,106	-	153,106	159,300
Streets	227,764	-	227,764	281,873
Public safety	845,313	-	845,313	852,264
Utilities	-	1,008,396	1,008,396	1,056,449
Total expenses	<u>1,226,183</u>	<u>1,008,396</u>	<u>2,234,579</u>	<u>2,349,886</u>
Changes in net assets	<u>\$ (55,073)</u>	<u>\$ (104,979)</u>	<u>\$ (160,052)</u>	<u>\$ (445,732)</u>

FUND ANALYSIS

General Fund

The General Fund expenditures exceeded revenues by almost \$22,000 for the year. This is primarily a result of a change to the contract with the Rural Fire District and a resulting credit that reduced the payment from the district to the city.

The city continues to look for ways to provide the present level of services without imposing new fees or increasing present fees. The primary expenditures from the General Fund are for police services and fire protection. As the commercial center of the county, the city has need of a well staffed police force and a well trained volunteer fire department.

Street Fund

The decrease in the Street Fund is primarily due to the continued reduction in income received from the state for gas taxes, county road funds and low interest rates. This reduced income has resulted in the city spending reserves for basic street maintenance. The city continues to look for supplemental funding.

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

911 Fund

The 911 Fund's fund balance decreased by almost \$50,000 in the current year. This is primarily due to the purchase of a new Dictaphone system and the add-on and remodel of the police/dispatch office.

Water Fund

The Water Fund's net assets declined by \$63,000 in the current year. Water rates presently are not sufficient to cover the cost of operating the water system as well as repay debt from prior projects. Water rates were not increased sufficiently when repayment began to cover the amount of the payments. The most recent increase for the 2010-11 fiscal year is intended to alleviate this.

Sewer Fund

The decrease in the Sewer Fund's net assets is primarily due to the increased transfers to the Joint Sewer Fund. This increase was due to a change in the contract with Canyon City for sewer treatment resulting in significantly lower payments.

Joint Sewer Fund

The decrease in the Joint Sewer Fund's net assets was due primarily to increased costs exceeding the increased transfers from the Sewer Fund.

Table 3
Change in Fund Balance/Net Assets - Major Funds
June 30, 2010

Governmental Funds	General Fund	Street Fund	911 Fund
Beginning fund balance	\$ 134,884	\$ 225,237	\$ 305,907
Add revenues	470,391	272,596	351,483
Less expenditures	(447,059)	(312,945)	(409,079)
Add (less) transfers	(45,414)	(612)	7,992
Change in fund balance	(22,082)	(40,961)	(49,604)
Ending fund balance	<u>\$ 112,802</u>	<u>\$ 184,276</u>	<u>\$ 256,303</u>
Proprietary Funds	Water Fund	Sewer Fund	Joint Sewer Fund
Beginning net assets	\$ 1,558,139	\$ 464,199	\$ 70,428
Add revenues	502,415	381,462	22,306
Less expenditures	(534,631)	(244,680)	(166,860)
Add (less) transfers	(30,609)	(149,722)	116,055
Change in net assets	(62,825)	(12,940)	(28,499)
Ending net assets	<u>\$ 1,495,314</u>	<u>\$ 451,259</u>	<u>\$ 41,929</u>

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GENERAL FUND BUDGET ANALYSIS

Table 4
General Fund Significant Budget Variations
June 30, 2010

<u>Revenues</u>	Final Budget	Actual	Difference
Beginning fund balance	\$ 94,586	\$ 134,884	\$ 40,298
Intergovernmental revenues	71,410	47,176	(24,234)
<u>Expenditures</u>			
Administration	\$ 69,970	\$ 58,516	\$ (11,454)
Fire	100,063	46,671	(53,392)

Beginning fund balance is estimated during the budget process as the difference between projected revenues and expenditures. Actual expenditures were lower than anticipated resulting in a larger net working capital.

Intergovernmental revenues include pass through income from the state such as liquor taxes, grants and contract payments from the John Day Rural Fire District. Due to a change in the contract with the Rural District, payments for the year were significantly less than budgeted.

The budgeted administration costs for the General Fund include some costs that do not occur every year, such as election expenses, and other costs that are included as a "just in case". These expenses did not occur during the year, resulting in a lower than budgeted total expenditures.

Fire expenses were significantly lower than budgeted due to attempts to keep costs down in both personnel and materials and services. Additionally, some costs were budgeted for planning on a new fire hall, which was not expended.

There was one significant change to the original adopted budget for the General Fund. This change was a result of receiving the grant for new radar equipment for 2 police vehicles. The city received \$3,990 for the new equipment and expended the special purpose funds as authorized by resolution.

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

CAPITAL ASSET ACTIVITY

Table 5
Capital Assets Net of Accumulated Depreciation
June 30, 2010

	Governmental Activities	Business-type Activities	June 30, 2010 Total	June 30, 2009 Total
Land	\$ 190,017	\$ 185,937	\$ 375,954	\$ 375,954
Construction in progress	2,932	-	2,932	-
Buildings	262,532	145,942	408,474	414,266
Street improvements / utility system	1,815,060	4,033,308	5,848,368	5,889,805
Equipment	404,858	340,368	745,226	881,427
Total capital assets	<u>\$ 2,675,399</u>	<u>\$ 4,705,555</u>	<u>\$ 7,380,954</u>	<u>\$ 7,561,452</u>

For the year ended June 30, 2010, the city had the following major capital acquisitions during the year:

New Asphalt overlay of portions of NW Bridge Street and 7th Street. This was paid for primarily through two grants from Oregon Department of Transportation. \$131,077

An add-on to the city hall and security improvements to the police station and dispatch center were completed. These improvements included expanding the space available to police personnel and addition of an interview room. \$ 32,480

A new Dictaphone system for 911 was purchased, upgrading from currently outdated equipment. This upgrade is required approximately every 5 years. \$ 10,790

LONG-TERM DEBT ACTIVITY

Table 6
Outstanding Debt
June 30, 2010

	Governmental Activities	Business-type Activities	June 30, 2010 Total	June 30, 2009 Total
Water system improvement loan	\$ -	\$ 943,199	\$ 943,199	\$ 979,442
Airport industrial park loan	-	1,840,100	1,840,100	1,897,362
Fire station property purchase agreement	131,300	-	131,300	137,942
Total outstanding debt	<u>\$ 131,300</u>	<u>\$ 2,783,299</u>	<u>\$ 2,914,599</u>	<u>\$ 3,014,746</u>

The Water System Improvement Loan is a loan that was obtained in 2002 for west-end water improvements. Principal payments for the year totaled \$36,243. See Notes 4 and 5 for more information on this loan.

The Airport Industrial Park Loan is a loan that was obtained in 2003. The city received a total of \$1,969,517 from the loan. Principal payments for the year totaled \$57,262. See Notes 4 and 6 for more information on this loan.

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

The city entered into a contract with Stella Lang for the purchase of real property located at 316 S. Canyon Blvd., this property will be the site for a new fire station. Principal payments for the year totaled \$6,642. See Notes 4 and 7 for more information on this loan.

ECONOMIC FACTORS:

The City of John Day's economy is still highly dependent on timber and agriculture and these two sectors are experiencing a decline in jobs. There is serious concern in Grant County about the continued level of employment in the timber industry given the uncertainty of the supply of harvestable resources, issues related to the management of public lands, and competing national and global activities in the industry. The US Forest Service, a major employer in the county, continues to reduce its workforce. These threats are influencing the course of investments in all aspects of the economy including service and retail.

A Connect Oregon I grant has assisted with the lengthening of the runways at the Grant County Airport and a Connect Oregon II project is near completion that replaces an aging airport terminal facility, a stick frame residence with floor space equivalent to a double wide mobile home, with one designed to meet the needs of pilots, visitors, and airport operations. The Grant County Airport Expansion includes a General Aviation and Helibase Operations Terminal funded through a \$3,982,884 grant from Oregon Department of Transportation; \$800,000 from US Forest Service, Malheur National Forest; an FAA grant of \$51,632 and \$297,700 in grant funds from the USDA Communities Facilities grant program.

To encourage and support the continued operation and vitality of the airport and to support compatible land uses adjacent to the airport, the City of John Day updated the A-A Overlay Zone in the development code creating a new zoning district entitled the Airport Safety and Compatibility Overlay Zone. The City of John Day is also in the process of annexing the industrial park that is adjacent to the airport into the city limits and has created a new zoning district called the Airport Industrial Park (AIP). The AIP District is intended to provide for compatible land use adjacent to the airport and provide for economic development consistent with Oregon's Certified Industrial Lands program.

This year the city received a grant from the Department of Land Conservation to review and revise the John Day Development Code for consistency with 2007-2009 changes in State law and administrative rules and to work cooperatively with Grant County to review and update the John Day-Grant County Urban Growth Management Agreement. The updated zoning is directly related to increasing economic development opportunities within Grant County to simplify and streamline the land use process for most small projects. Instead of all site plans going through a public hearing, the smallest projects will be exempt from land use review, and medium size projects may be reviewed through an administrative process.

November 2009 Governor Kulongoski made the announcement that Ochoco Lumber Company had received \$5 million ARRA grant to build a biomass plant at Malheur Lumber Company in John Day. A pellet mill is being constructed in John Day that will transform small diameter woody biomass from public and private lands and process it into wood pellets and bricks that can be burned in biomass boilers. Malheur Lumber partnered with Bear Mountain Forest Products to market the pellets and bricks to be sold in over 400 outlets. The pellets will be sold as fuel for pellet stoves and for biomass boilers like the one installed at the new Grant County Regional Airport, and the clean-burning wood bricks will

CITY OF JOHN DAY
Grant County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

be sold for use in common wood stoves. The new wood fuel plant means approximately 14 new living wage jobs and approximately 20 or 30 secondary jobs that are connected in some way with supplying products for the plant in John Day. It also helps to sustain the 80 full-time jobs currently at Malheur Lumber Company.

In October, 2009, the John Day City Council adopted an ordinance relating to system development charges for water and sewer facilities. The purpose of the system development charge is to impose an equitable portion of the cost of capital improvements for water and sewer facilities upon those developments that create the need for, or increase the demand on capital improvements, and to create a source of funds to assist in paying for such capital improvements. The John Day City Council also completed a water and sewer rate study to identify base and variable rates. New water and sewer rate structures were implemented July 1, 2010.

In January, 2009, a Fire Station Citizens Advisory Committee was formed by the John Day City Council. The purpose of this committee is to make a recommendation to the City Council in regards to the construction and funding of a new fire station. The committee is trying to meet on a regular basis and is currently working with the Rural Fire District to develop a memorandum of understanding to show support for the capital improvement project from both districts.

The Wastewater Facilities Plan was completed and adopted in April, 2010. The purpose of the plan is to determine the existing wastewater collection, treatment, and disposal system's ability to handle anticipated growth and provide the City of John Day with a comprehensive planning document that outlines recommended wastewater system improvements. The selected alternative for treatment of wastewater is the design and construction of a new activated sludge process. Due to budget constraints, funding issues and the current economy; the John Day City Council voted to remove the new treatment plant project from the FY11 proposed budget. It is noted that the city also provides wastewater treatment facilities for their neighbor, the Town of Canyon City, that is located south of John Day. The two cities are currently working together to update their intergovernmental agreements regarding water and wastewater.

The John Day City Council voted to place a Transportation Utility Fee (TUF) measure on the November 2010 ballot. With the loss of timber forest receipts passed through Grant County and a stagnant State Gas Tax, revenues are inadequate to keep up with street maintenance. Should the proposed \$5/month fee be approved by the voters; the fee would be used to maintain streets in their present condition in an effort to avoid costly street replacement. Like other cities, John Day finds itself trying to maintain the same level of services with fewer revenues. Being the largest city in the County, John Day also finds itself serving other communities in the region with no outside support; thus, placing an additional financial burden on the citizens of John Day.

FINANCIAL CONTACT

The city's financial statements are designed to present users with a general overview of the city's finances and to demonstrate the city's accountability. If you have questions about this report or need additional financial information please contact the city manager or city recorder at 450 East Main Street, John Day, Oregon 97845.

BASIC FINANCIAL STATEMENTS

CITY OF JOHN DAY
Grant County, Oregon
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities
ASSETS		
Cash and investments	\$ 822,034	\$ 558,953
Receivables		
Property taxes (net of allowance)	42,524	1,324
Other	15,567	71,917
Prepaid expenses	3,515	1,088
Capital assets (net of accumulated depreciation)		
Construction in progress	2,932	-
Land	190,017	185,937
Buildings and infrastructure	2,077,677	4,179,279
Equipment	404,773	340,339
Total capital assets	<u>2,675,399</u>	<u>4,705,555</u>
Total assets	<u>3,559,039</u>	<u>5,338,837</u>
LIABILITIES		
Accounts payable	14,423	10,370
Accrued liabilities	43,014	19,891
Deposits payable	-	5,190
Accrued interest payable	-	80,163
Loans payable		
Due within one year	7,956	96,637
Due in more than one year	123,344	2,686,662
Total liabilities	<u>188,737</u>	<u>2,898,913</u>
NET ASSETS		
Investment in capital assets, net of related debt	2,544,099	1,842,093
Unrestricted	826,203	597,831
Total net assets	<u>\$ 3,370,302</u>	<u>\$ 2,439,924</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2010	June 30, 2009
\$ 1,380,987	\$ 1,457,113
43,848	42,991
87,484	102,334
4,603	4,755
2,932	-
375,954	375,954
6,256,956	6,304,071
745,112	881,427
<u>7,380,954</u>	<u>7,561,452</u>
<u>8,897,876</u>	<u>9,168,645</u>
24,793	33,261
62,905	62,229
5,190	5,601
80,163	82,530
104,593	100,433
<u>2,810,006</u>	<u>2,914,313</u>
<u>3,087,650</u>	<u>3,198,367</u>
4,386,192	4,464,176
<u>1,424,034</u>	<u>1,506,102</u>
<u>\$ 5,810,226</u>	<u>\$ 5,970,278</u>

CITY OF JOHN DAY
Grant County, Oregon
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2010

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Administration	\$ (151,359)	\$ 10,427	\$ -
Police	(418,170)	4,201	3,990
Fire	(71,182)	12,900	-
Emergency services	(355,961)	75,664	271,424
Streets	(227,764)	63,277	173,994
Museums	(1,747)	-	-
Total governmental activities	<u>\$ (1,226,183)</u>	<u>\$ 166,469</u>	<u>\$ 449,408</u>
Business-type activities			
Administration	\$ (153,033)	\$ -	\$ -
Water	(479,949)	493,341	-
Sewer	(375,414)	402,159	-
Total business-type activities	<u>\$ (1,008,396)</u>	<u>\$ 895,500</u>	<u>\$ 0</u>

General revenues

Property taxes, levied for general purposes
Fees and licenses
Intergovernmental payments
Grants and awards
Interest income
Miscellaneous
Loss on sale of capital assets
Transfers

Total general revenues

Changes in net assets

Net assets - beginning

Net assets - ending

The Notes to Basic Financial Statements are an integral part of these statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	
		June 30, 2010	June 30, 2009
\$ (140,932)	\$ -	\$ (140,932)	\$ (148,634)
(409,979)	-	(409,979)	(340,710)
(58,282)	-	(58,282)	(107,684)
(8,873)	-	(8,873)	(5,787)
9,507	-	9,507	(166,561)
(1,747)	-	(1,747)	(1,747)
(610,306)	0	(610,306)	(771,123)
-	(153,033)	(153,033)	(179,432)
-	13,392	13,392	(81,311)
-	26,745	26,745	74,501
0	(112,896)	(112,896)	(186,242)
242,118	4	242,122	237,505
164,894	-	164,894	155,926
36,436	-	36,436	38,792
95,000	-	95,000	5,000
5,561	3,774	9,335	30,662
9,925	5,505	15,430	42,275
(67)	-	(67)	-
1,366	(1,366)	-	-
555,233	7,917	563,150	510,160
(55,073)	(104,979)	(160,052)	(447,205)
3,425,375	2,544,903	5,970,278	6,417,483
\$ 3,370,302	\$ 2,439,924	\$ 5,810,226	\$ 5,970,278

CITY OF JOHN DAY
Grant County, Oregon
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	01 General Fund	06 Street Fund	32 911 Fund
ASSETS			
Cash and investments	\$ 114,754	\$ 184,220	\$ 256,812
Receivables			
Taxes	42,524	-	-
Other	-	14,112	757
Prepaid expenses	3,515	-	-
Total assets	<u>\$ 160,793</u>	<u>\$ 198,332</u>	<u>\$ 257,569</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,467	\$ 6,421	\$ 1,266
Customer deposits	-	-	-
Deferred revenue	42,524	7,635	-
Total liabilities	<u>47,991</u>	<u>14,056</u>	<u>1,266</u>
Fund balances			
Unreserved reported in			
General fund	112,802	-	-
Special revenue funds	-	184,276	256,303
Total fund balances	<u>112,802</u>	<u>184,276</u>	<u>256,303</u>
Total liabilities and fund balances	<u>\$ 160,793</u>	<u>\$ 198,332</u>	<u>\$ 257,569</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Nonmajor Governmental Funds	Total	
	June 30, 2010	June 30, 2009
\$ 14,793	\$ 570,579	\$ 672,123
-	42,524	41,667
-	14,869	24,225
-	3,515	3,749
<u>\$ 14,793</u>	<u>\$ 631,487</u>	<u>\$ 741,764</u>

\$ -	\$ 13,154	\$ 11,346
-	-	110
-	50,159	50,782
<u>0</u>	<u>63,313</u>	<u>62,238</u>

-	112,802	134,884
<u>14,793</u>	<u>455,372</u>	<u>544,642</u>
<u>14,793</u>	<u>568,174</u>	<u>679,526</u>
<u>\$ 14,793</u>	<u>\$ 631,487</u>	<u>\$ 741,764</u>

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CITY OF JOHN DAY
Grant County, Oregon
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS**
June 30, 2010

Total Fund Balances		\$ 568,174
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 4,146,330	
Accumulated depreciation	<u>(1,470,930)</u>	2,675,400
A portion of the city's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		
		42,524
The city's local improvement district assessments are not all collected in the year assessed and therefore are not reported as revenue in the governmental funds.		
		7,635
Balances of accrued compensated absences are not current operating expenses and therefore are not included in the governmental funds.		
		(43,014)
Long-term debt not payable in the current year are not reported as governmental fund liabilities.		
		(131,300)
The internal service funds are used by management to charge the costs of motor pool repairs and other costs and excess vacation and sick leave to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Assets.		
		250,883
Total Net Assets		<u><u>\$ 3,370,302</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

CITY OF JOHN DAY
Grant County, Oregon
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended
June 30, 2010

	01 General Fund	06 Street Fund	32 911 Fund
Revenues			
Taxes	\$ 241,261	\$ -	\$ -
Intergovernmental revenues	47,176	267,994	347,088
User fees	7,150	803	-
Licenses and fees	164,894	-	-
Fines and forfeitures	3,071	-	-
Interest earned	862	1,254	1,845
Miscellaneous income	5,977	2,545	2,550
Total revenues	<u>470,391</u>	<u>272,596</u>	<u>351,483</u>
Expenditures			
General government	54,526	-	-
Public safety	385,611	-	366,877
Highways and streets	-	177,510	-
Capital outlay	6,922	135,435	42,202
Total expenditures	<u>447,059</u>	<u>312,945</u>	<u>409,079</u>
Excess of revenues over (under) expenditures	<u>23,332</u>	<u>(40,349)</u>	<u>(57,596)</u>
Other financing sources (uses)			
Operating transfers	(45,414)	(612)	7,992
Total other financing sources (uses)	<u>(45,414)</u>	<u>(612)</u>	<u>7,992</u>
Net changes in fund balances	(22,082)	(40,961)	(49,604)
Fund balance at beginning of year	<u>134,884</u>	<u>225,237</u>	<u>305,907</u>
Fund balance at end of year	<u><u>\$ 112,802</u></u>	<u><u>\$ 184,276</u></u>	<u><u>\$ 256,303</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

Nonmajor Governmental Funds	Totals	
	June 30, 2010	June 30, 2009
\$ -	\$ 241,261	\$ 236,640
-	662,258	495,916
-	7,953	8,360
-	164,894	155,838
-	3,071	7,841
95	4,056	14,690
-	11,072	32,260
95	1,094,565	951,545
-	54,526	81,355
-	752,488	757,963
-	177,510	250,128
-	184,559	9,848
-	1,169,083	1,099,294
95	(74,518)	(147,749)
1,200	(36,834)	1,313
1,200	(36,834)	1,313
1,295	(111,352)	(146,436)
13,498	679,526	825,962
\$ 14,793	\$ 568,174	\$ 679,526

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CITY OF JOHN DAY
Grant County, Oregon
**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, 2010

Net Change in Fund Balance \$ (111,352)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed current year depreciation.

Expenditures for capital assets	\$ 182,429	
Less current year depreciation	(146,878)	
Less loss on sale of capital assets	<u>(514)</u>	35,037

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces liabilities on the Statement of Net Assets.

Loan principal payments		6,642
-------------------------	--	-------

Governmental funds report the effect of accrued compensated absences when paid. In the Statement of Activities, however, compensated absences are recognized when accrued. The change in compensated absences is recognized as an expense on the Statement of Activities.

(3,939)

The internal service funds are used by management to charge the costs of motor pool repairs and other costs and excess vacation and sick leave to individual funds. The change in net assets of the internal service funds is reported with governmental activities.

19,162

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.

857

Sidewalk LID note receivable payments are recognized as revenue in the year received in the governmental funds. In the Statement of Activities revenues are recognized as revenue when earned.

(1,480)

Change in Net Assets		<u><u>\$ (55,073)</u></u>
-----------------------------	--	---------------------------

The Notes to Basic Financial Statements are an integral part of these statements.

CITY OF JOHN DAY
Grant County, Oregon
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	02 Water Fund	03 Sewer Fund	04 Joint Sewer Fund
ASSETS			
Current assets			
Unrestricted			
Cash with depositories	\$ 18,828	\$ 35,815	\$ 53,263
Water and sewer accounts receivable	40,792	33,197	1,770
Less allowance for doubtful accounts	(2,430)	(1,887)	-
Accounts receivable	80	20	-
Prepaid expenses	544	544	-
Total current assets	<u>57,814</u>	<u>67,689</u>	<u>55,033</u>
Restricted assets			
Taxes receivable	1,471	-	-
Allowance for uncollectibles	(147)	-	-
Total restricted assets	<u>1,324</u>	<u>0</u>	<u>0</u>
Property, plant, and equipment	5,287,973	2,833,081	-
Construction in progress	-	-	-
Less accumulated depreciation	(1,817,806)	(1,597,693)	-
Property, plant, and equipment - net	<u>3,470,167</u>	<u>1,235,388</u>	<u>0</u>
Total assets	<u>3,529,305</u>	<u>1,303,077</u>	<u>55,033</u>
LIABILITIES			
Current liabilities			
Accounts payable	964	587	8,819
Accrued liabilities	10,566	5,040	4,285
Current portion of long-term debt	69,789	26,848	-
Accrued interest	55,483	24,680	-
Payable from restricted assets			
Customer deposits	5,190	-	-
Total current liabilities	<u>141,992</u>	<u>57,155</u>	<u>13,104</u>
Long-term liabilities			
Loan payable - special public works fund	1,891,999	794,663	-
Total long-term liabilities	<u>1,891,999</u>	<u>794,663</u>	<u>0</u>
Total liabilities	<u>2,033,991</u>	<u>851,818</u>	<u>13,104</u>
NET ASSETS			
Restricted for Canyon City contract	-	-	10,992
Unrestricted	1,495,314	451,259	30,937
Total net assets	<u>\$ 1,495,314</u>	<u>\$ 451,259</u>	<u>\$ 41,929</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Nonmajor Enterprise Funds	Totals		Governmental Activities Internal Service Funds
	June 30, 2010	June 30, 2009	
\$ 451,047	\$ 558,953	\$ 596,316	\$ 251,455
375	76,134	81,308	-
-	(4,317)	(4,001)	-
-	100	102	698
-	1,088	1,006	-
451,422	631,958	674,731	252,153
-	1,471	1,471	-
-	(147)	(147)	-
0	1,324	1,324	0
-	8,121,054	8,101,798	675,983
-	-	-	-
-	(3,415,499)	(3,224,514)	(508,375)
0	4,705,555	4,877,284	167,608
451,422	5,338,837	5,553,339	419,761
-	10,370	20,461	1,268
-	19,891	23,152	-
-	96,637	93,505	-
-	80,163	82,530	-
-	5,190	5,490	-
0	212,251	225,138	1,268
-	2,686,662	2,783,299	-
0	2,686,662	2,783,299	0
0	2,898,913	3,008,437	1,268
-	10,992	10,992	-
451,422	2,428,932	2,533,910	418,493
<u>\$ 451,422</u>	<u>\$ 2,439,924</u>	<u>\$ 2,544,902</u>	<u>\$ 418,493</u>

CITY OF JOHN DAY
Grant County, Oregon
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended
June 30, 2010

	02 Water Fund	03 Sewer Fund	04 Joint Sewer Fund
Operating revenues			
User fees	\$ 501,683	\$ 378,205	\$ -
Interfund charges	-	-	-
Miscellaneous income	509	3,092	1,680
Total operating revenues	<u>502,192</u>	<u>381,297</u>	<u>1,680</u>
Operating expenses			
Administration	78,437	66,094	8,938
Motor pool	-	-	-
Utility operation	456,194	178,586	157,922
Public safety	-	-	-
Total operating expenses	<u>534,631</u>	<u>244,680</u>	<u>166,860</u>
Operating income (loss)	<u>(32,439)</u>	<u>136,617</u>	<u>(165,180)</u>
Nonoperating revenues (expenses)			
Taxes	4	-	-
Intergovernmental revenues	-	-	20,232
Interest earned	219	165	394
Loss on sale of fixed assets	-	-	-
Total nonoperating revenues (expenses)	<u>223</u>	<u>165</u>	<u>20,626</u>
Income (loss) before transfers	(32,216)	136,782	(144,554)
Motor pool interfund charges	(30,000)	(15,000)	(15,000)
Transfers	(609)	(144,562)	131,055
Net income (loss)	(62,825)	(22,780)	(28,499)
Transfer of capital assets	-	9,840	-
Increase (decrease) in net assets	(62,825)	(12,940)	(28,499)
Net assets at beginning of year	1,558,139	464,199	70,428
Net assets at end of year	<u><u>\$ 1,495,314</u></u>	<u><u>\$ 451,259</u></u>	<u><u>\$ 41,929</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

Nonmajor Enterprise Funds	Totals		Governmental Activities Internal Service Funds
	June 30, 2010	June 30, 2009	
\$ -	\$ 879,888	\$ 807,805	\$ -
-	-	-	136,384
5,322	10,603	2,764	2,592
5,322	890,491	810,569	138,976
-	153,469	179,431	15,207
-	-	-	45,640
14,193	806,895	834,533	-
-	-	-	61,750
14,193	960,364	1,013,964	122,597
(8,871)	(69,873)	(203,395)	16,379
-	4	-	-
2,250	22,482	62,418	1,520
2,997	3,775	12,612	1,507
-	-	-	(244)
5,247	26,261	75,030	2,783
(3,624)	(43,612)	(128,365)	19,162
-	(60,000)	(42,500)	-
12,750	(1,366)	(1,313)	-
9,126	(104,978)	(172,178)	19,162
(9,840)	-	-	-
(714)	(104,978)	(172,178)	19,162
452,136	2,544,902	2,717,080	399,331
\$ 451,422	\$ 2,439,924	\$ 2,544,902	\$ 418,493

CITY OF JOHN DAY
Grant County, Oregon
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended
June 30, 2010

	02 Water Fund	03 Sewer Fund	04 Joint Sewer Fund
Cash flows from operating activities			
Cash received from customers	\$ 502,131	\$ 378,387	\$ 9,892
Cash paid to employees	(198,165)	(99,274)	(102,506)
Cash paid to suppliers	(208,654)	(86,566)	(60,822)
Net cash from operating activities	<u>95,312</u>	<u>192,547</u>	<u>(153,436)</u>
Cash flows from capital activities			
Acquisition of capital assets	(9,415)	-	-
Capital grants received	-	-	20,232
Principal debt payments	(67,164)	(26,341)	-
Net cash from capital and related financing activities	<u>(76,579)</u>	<u>(26,341)</u>	<u>20,232</u>
Cash flows from non-capital financing activities			
Taxes received	4	-	-
Interfund transfers	(30,609)	(159,562)	116,055
Net cash from non-capital financing activities	<u>(30,605)</u>	<u>(159,562)</u>	<u>116,055</u>
Cash flows from investing activities			
Interest on investments	219	165	394
Net cash from investing activities	<u>219</u>	<u>165</u>	<u>394</u>
Net increase (decrease) in cash	(11,653)	6,809	(16,755)
Cash and restricted cash at beginning of year	30,481	29,006	70,018
Cash and restricted cash at end of year	<u>\$ 18,828</u>	<u>\$ 35,815</u>	<u>\$ 53,263</u>
Reconciliation of operating income (loss)			
to net cash provided (used) by operating activities			
Net operating income (loss)	<u>\$ (32,439)</u>	<u>\$ 136,617</u>	<u>\$ (165,180)</u>
Adjustments to reconcile operating income (loss)			
expenses to net cash provided by operating activities			
Depreciation expense	130,360	60,625	-
(Increase) or decrease in			
Accounts receivable	239	(2,910)	8,212
Prepaid expenses	(41)	(41)	-
Increase or (decrease) in			
Accounts payable	513	465	3,931
Accrued liabilities	(1,531)	(1,331)	(399)
Accrued interest payable	(1,489)	(878)	-
Customer deposits	(300)	-	-
Total adjustments	<u>127,751</u>	<u>55,930</u>	<u>11,744</u>
Net cash provided (used) by operating activities	<u>\$ 95,312</u>	<u>\$ 192,547</u>	<u>\$ (153,436)</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Nonmajor Enterprise Funds	Totals		Governmental Activities Internal Service Funds
	June 30, 2010	June 30, 2009	
\$ 5,272	\$ 895,682	\$ 806,556	\$ 138,977
-	(399,945)	(440,994)	(17,441)
(29,193)	(385,235)	(387,223)	(61,781)
(23,921)	110,502	(21,661)	59,755
(9,840)	(19,255)	(21,150)	-
2,250	22,482	62,418	1,520
-	(93,505)	(90,528)	-
(7,590)	(90,278)	(49,260)	1,520
-	4	-	-
12,750	(61,366)	(43,813)	-
12,750	(61,362)	(43,813)	0
2,997	3,775	12,612	1,507
2,997	3,775	12,612	1,507
(15,764)	(37,363)	(102,122)	62,782
466,811	596,316	698,438	188,673
\$ 451,047	\$ 558,953	\$ 596,316	\$ 251,455
\$ (8,871)	\$ (69,873)	\$ (203,395)	\$ 16,379
-	190,985	188,860	43,562
(50)	5,491	(3,522)	-
-	(82)	(282)	-
(15,000)	(10,091)	(984)	(186)
-	(3,261)	(514)	-
-	(2,367)	(1,333)	-
-	(300)	(491)	-
(15,050)	180,375	181,734	43,376
\$ (23,921)	\$ 110,502	\$ (21,661)	\$ 59,755

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 1. Significant Accounting Policies

The city of John Day, Oregon operates under a council-manager form of government. The council is composed of six persons elected bi-annually to serve terms of four years. The mayor is elected to serve a term of four years. All other officers and employees of the city are appointed by the council. The city provides the following services in accordance with its charter, public safety (police and fire), highway and streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services.

On November 9, 1993 the citizens of John Day approved a new city charter titled "1993 Charter."

The accounting policies of the city of John Day, Oregon conform to accounting principles generally accepted in the United States of America. The city's financial report includes the accounts of all city operations.

A. The Reporting Entity

The city council exercises governance responsibilities over all entities related to city activity. The city receives funding from local, state, and federal sources. However, the city of John Day is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Council members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the city for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the city is financially accountable. No other entities met requirements for inclusion in the city of John Day.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the city. These statements include the governmental financial activities of the overall city. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to customers for utility service, museum fees and sales, rental of city equipment, dispatch services, police and fire services and fines; (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

presented as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the city's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The city reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the city. It accounts for all financial resources of the general government, including police, fire, and administration.

Street Fund – The Street Fund accounts for the cost of maintaining the roads within the city.

911 Fund – The 911 Fund accounts for the cost of operating the county emergency services dispatch center.

The city reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the city's water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the city's sewer collection and disposal system.

Joint Sewer Fund – The Joint Sewer Fund accounts for the operation and maintenance of the sewer treatment plant operated jointly with the town of Canyon City.

C. Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting,

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

revenues are recognized when susceptible to accrual (when they are measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Internal service funds of the city (which provide services primarily to other funds of the city) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the city’s governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (administration, police, fire, emergency services, streets and museums) in the statement of activities.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The city has elected to not follow subsequent private sector guidance.

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 city’s Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city’s utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at 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 not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the city as assets with initial, individual costs in excess of \$500 and estimated useful lives in excess of one year.

CITY OF JOHN DAY
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Depreciation is provided in each fund in amounts sufficient to recover the cost of the depreciable assets over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings and infrastructure	40-60 years
Machinery and equipment	3-20 years

E. Budgets and Budgetary Accounting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Levels of control for the General Fund include administration, police, fire, transfers and contingency. Total personnel services, materials and services, capital outlay, contingencies, and debt service are the levels of control for all other funds. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30.

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

F. Property Taxes Receivable

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

Property tax revenues of the enterprise funds are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Property tax revenues of the General Fund are reserved for all amounts expected to be collected after 60 days from the end of the year. This treatment is consistent with prior years.

G. Accumulated Compensated Absences

A total of 12 to 21 days vacation and 12 days sick leave per year may be accumulated by each employee. A total of 40-60 hours of compensatory time and 40 hours of personal time may also be accumulated by employees. Employees are not paid for the accumulated sick leave upon retirement or other termination. The city accrues a liability for compensated absences which meet the following criteria.

- (1) Obligation is attributable to services already rendered.
- (2) Obligation relates to rights that vest or accumulate.
- (3) Payment of compensation is probable.
- (4) The amount can be reasonably estimated.

H. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

CITY OF JOHN DAY
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In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Cash and Cash Items

The city's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a savings account at the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the amount of excess cash each fund has deposited.

Oregon statute and local ordinances authorize the city to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds.

J. Prior Period Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the city's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Note 2. Pension Plan

Plan Description

The city contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post-employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS.

During the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan consists of a defined benefit program (Pension Program) and a defined contribution portions (Individual Account Program or IAP). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on the type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both PERS and OPSRP system as long as they remain in covered employment.

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Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700, by calling 1-503-598-7377, or by accessing the PERS web site at www.pers.or.us.

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The city pays the participants' contribution. The city is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2009 is 7.42% of payroll covered under the plan for Tier 1/Tier 2 employees. The Tier 1/Tier 2 (T1/T2) rate is divided into two components: a normal cost rate and a UAL (or surplus) amortization rate. The normal cost rate continues to be applied only to T1/T2 payroll. However, the UAL amortization rate of negative 2.09% is applied to the employer's entire payroll, T1/T2 and OPSRP combined. The dollars collected are applied only to the employer's T1/T2 UAL or surplus and the employer contribution for the OPSRP plan remains at 5.81%.

The following rates are in effect until June 30, 2011:

- T1/T2 payroll – 5.33% (PERS normal cost: 7.42% plus PERS UAL: -2.09%)
- OPSRP payroll – 3.72% (OPSRP rate: 5.81% plus PERS UAL: -2.09%)
- OPSRP police and fire – 6.43% (OPSRP rate: 8.52% plus PERS UAL: -2.09%)

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Three-year trend information for PERS costs as required by GASB 27 is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 117,724	100%	\$ -
June 30, 2009	109,347	100%	-
June 30, 2010	81,723	100%	-

Note 3. Deposits and Investments

At June 30, 2010 the carrying amount of the city's deposits was \$4,717 and the bank balance was \$41,483. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's web site. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization.

The balances in excess of the FDIC insurance plus 25% of the COPs are considered exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the bank failure, the city's deposits may not be returned to it. The city does not have a deposit policy for custodial credit risk. As of June 30, 2010 none of the city's bank balance was exposed to custodial credit risk.

As of June 30, 2010 the city had \$1,376,270 invested in the Oregon Local Government Investment Pool. The city's position in the pool is stated at cost which approximates fair value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The city

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June 30, 2010

has no policy for managing interest rate or credit risk. Investments by the city held in the Local Government Investment Pool are not rated.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council.

Note 4. Changes in Long-Term Debt

The following is a summary of debt of the city for the year ended June 30, 2010:

	Payable at June 30, 2009	Addition	Reduction	Payable at June 30, 2010	Due in One Year
Special Public Works Fund Loan					
Payable - Water System Improvements	\$ 979,442	\$ -	\$ 36,243	\$ 943,199	\$ 36,500
Special Public Works Fund Loan					
Payable - Airport Industrial Park	1,897,362	-	57,262	1,840,100	60,137
Stella Lang Purchase Agreement	137,942	-	6,642	131,300	7,956
Accrued Compensated Absences	62,229	676	-	62,905	-
Totals	<u>\$ 3,076,975</u>	<u>\$ 676</u>	<u>\$ 100,147</u>	<u>\$ 2,977,504</u>	<u>\$ 104,593</u>

Interest expense of \$149,047 on long-term debt has been included in the direct expense of individual functions on the government-wide Statement of Activities. Authorization for general long-term debt is specific to a particular purpose; thus an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the programs for which borrowing is related.

Note 5. Economic Development Loan Payable

The city applied for and received a loan from the Oregon Economic and Community Development Department's Special Public Works Fund for water system improvements. The loan of \$1,202,500 will be paid over 25 years, including interest of 3.0-5.0% through December 2026. As of June 30, 2010, future payments are as follows:

Fiscal Year Ending June 30,	Total	Interest	Principal
2011	\$ 82,144	\$ 45,644	\$ 36,500
2012	80,869	44,093	36,776
2013	84,564	42,493	42,071
2014	83,006	40,621	42,385
2015	81,414	38,693	42,721
2016-2020	419,061	159,603	259,458
2021-2025	416,220	89,696	326,524
2026-2027	168,537	11,773	156,764
Total	<u>\$ 1,415,815</u>	<u>\$ 472,616</u>	<u>\$ 943,199</u>

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 6. Economic Development Loan Payable

The city entered into an agreement on August 29, 2003 to borrow up to \$2,004,000 from the Oregon Economic Development Department Special Public Works Fund for the initial cost of infrastructure to the Grant County Airport Industrial Park. Actual loan advances received were \$1,969,517. Terms of the loan are 24 annual payments of \$152,510 on December 1 of each year including interest of 5.02 percent through December 1, 2028. The first payment was made on December 1, 2006 and was interest only as a result of accrued interest in excess of the payment amount. Accrued interest at June 30, 2010 was \$53,653. As of June 30, 2010, future payments are as follows:

Fiscal Year Ending June 30,	Total	Interest	Principal
2011	\$ 152,510	\$ 92,373	\$ 60,137
2012	152,510	89,354	63,156
2013	152,510	86,184	66,326
2014	152,510	82,854	69,656
2015	152,510	79,357	73,153
2016-2020	762,550	337,875	424,675
2021-2025	762,550	220,028	542,522
2026-2029	609,958	69,483	540,475
Total	<u>\$ 2,897,608</u>	<u>\$ 1,057,508</u>	<u>\$ 1,840,100</u>

Note 7. Stella Lang Purchase Agreement

The city entered into an agreement on June 30, 2008 to purchase the land and structure located at 316 South Canyon Blvd in John Day, Oregon. The site is intended for a new fire hall to be built at an undetermined date in the future. Terms of the loan are 180 monthly payments of \$1,109.24 on the 1st of each month including interest of 4.50 percent through June 1, 2023. There was no accrued interest at June 30, 2010. As of June 30, 2010, future payments are as follows:

Fiscal Year Ending June 30,	Total	Interest	Principal
2011	\$ 13,311	\$ 5,355	\$ 7,956
2012	13,311	5,388	7,923
2013	13,311	5,025	8,286
2014	13,311	4,644	8,667
2015	13,311	4,246	9,065
2016-2020	66,554	14,584	51,970
2021-2023	39,932	2,499	37,433
Total	<u>\$ 173,041</u>	<u>\$ 41,741</u>	<u>\$ 131,300</u>

Note 8. Enterprise Fund Segment Information

The city of John Day maintains two enterprise funds that provide public utility services. Selected financial information for business segments of enterprise funds for the year ended June 30, 2010 is presented as follows:

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Selected Information	Utilities		Total
	Water	Sewer	
Operating revenues	\$ 501,683	\$ 369,789	\$ 871,472
Depreciation	130,360	60,625	190,985
Operating income	(32,439)	109,457	77,018
Net income (loss)	(62,825)	(48,429)	(111,254)
Property and equipment			
Additions	9,415	9,840	19,255
Deletions	-	-	-
Net working capital	51,660	67,102	118,762
Total assets	3,529,305	1,303,077	4,832,382
Total equity	1,495,314	451,259	1,946,573
Special public works loans payable	1,961,788	821,511	2,783,299

Note 9. General Fund Lease Obligations

The city leases certain property and equipment from others. Leased property not having elements of ownership is classified as an operating lease. Operating lease payments are recorded as expenditures when payable. Operating leases include: a Pitney Bowes postage machine requiring 60 monthly payments of \$45 through June 2012; an Ikon copy machine at 60 monthly payments of \$133 through February 2014. Total expenditures on such leases for the fiscal year ended June 30, 2010, were \$2,136. As of June 30, 2010, the city had future minimum payments under operating leases as follows:

Fiscal Year Ending June 30,	Total Future Minimum Lease Payments
2011	\$ 2,136
2012	2,676
2013	1,596
2014	1,197
Total	<u>\$ 7,605</u>

Note 10. Risk Management

The city is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the city carries commercial insurance. The city does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not exceeded commercial coverage in any of the past three years.

Note 11. Receivables

Receivables are presented net of allowances for uncollectible accounts. Receivables are comprised of the following as of June 30, 2010:

	Governmental	Business
Property taxes	\$ 42,524	\$ 1,324
User fees	-	71,917
Other	15,567	-
Total	<u>\$ 58,091</u>	<u>\$ 73,241</u>

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 12. Capital Assets

The following is a summary of changes in governmental capital assets:

Governmental Activities	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets				
<i>Assets not being depreciated</i>				
Land	\$ 190,017	\$ -	\$ -	\$ 190,017
Construction in progress	-	2,932	-	2,932
<i>Assets being depreciated</i>				
Buildings	517,289	32,480	-	549,769
Street improvements	1,877,397	131,077	-	2,008,474
Equipment	1,421,915	15,939	42,717	1,395,137
Total assets being depreciated	3,816,601	179,496	42,717	3,953,380
Total capital assets	4,006,618	182,428	42,717	4,146,329
Accumulated Depreciation				
Buildings	262,829	24,408	-	287,237
Street improvements	140,098	53,316	-	193,414
Equipment	919,523	112,716	41,960	990,279
Total depreciation	1,322,450	190,440	41,960	1,470,930
Governmental funds capital assets - net	\$ 2,684,168	\$ (8,012)	\$ 757	\$ 2,675,399

The following is a summary of changes in enterprise capital assets:

Business Activities	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets				
<i>Assets not being depreciated:</i>				
Land	\$ 185,937	\$ -	\$ -	\$ 185,937
<i>Assets being depreciated:</i>				
Buildings	562,899	-	-	562,899
Utility systems	6,404,349	9,840	-	6,414,189
Equipment	948,614	9,415	-	958,029
Total assets being depreciated	7,915,862	19,255	0	7,935,117
Total capital assets	8,101,799	19,255	0	8,121,054
Accumulated Depreciation				
Buildings	403,094	13,863	-	416,957
Utility systems	2,251,843	129,038	-	2,380,881
Equipment	569,578	48,083	-	617,661
Total depreciation	3,224,515	190,984	0	3,415,499
Business activities capital assets - net	\$ 4,877,284	\$ (171,729)	\$ 0	\$ 4,705,555

Capital asset beginning balances have been reclassified between categories to better match the city's capital asset system detail. This reclassification did not affect the capital asset or accumulated depreciation totals, but only specific categories.

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Depreciation was charged to the following functions:

Function	Governmental Activities	Business Activities
General operations	\$ 26,728	
Fire	62,606	
Police	12,513	
Streets	54,764	
Parks	278	
Museums	1,747	
Emergency services	31,804	
Water		\$ 130,359
Sewer		60,625
Total depreciation	<u>\$ 190,440</u>	<u>\$ 190,984</u>

Note 13. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government and the state of Oregon. Any disallowed claims, including amounts already collected, may constitute a liability to the city. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time. City management expects such amounts, if any, to be immaterial.

Note 14. Interfund Transfers

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The detail of interfund transfers for the fiscal year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
Joint Sewer Fund	Sewer Fund	\$ 131,055
911 Fund	Various funds	7,992
Nonmajor Fund	General Fund	1,200
Nonmajor Fund	Sewer Fund	12,750
Total		<u>\$ 152,997</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 01
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Taxes	\$ 241,261	\$ 227,538	\$ 227,538	\$ (13,723)
Intergovernmental revenues	47,176	67,420	71,410	24,234
User fees	7,150	8,075	8,075	925
Licenses and fees	164,894	158,479	158,479	(6,415)
Fines and forfeitures	3,071	7,300	7,300	4,229
Interest earned	862	2,000	2,000	1,138
Miscellaneous income	5,977	3,800	3,800	(2,177)
Total revenue	470,391	474,612	478,602	8,211
Expenditures				
Administration	58,516	65,980	69,970	11,454
Police	328,561	338,301	338,301	9,740
Fire	46,671	100,063	100,063	53,392
Debt service	13,311	14,000	14,000	689
Contingency	-	5,440	5,440	5,440
Total expenditures	447,059	523,784	527,774	80,715
Excess of revenues over (under) expenditures	23,332	(49,172)	(49,172)	(72,504)
Other financing sources (uses)				
Motor pool	(38,200)	(38,200)	(38,200)	-
Transfers out	(7,214)	(7,214)	(7,214)	-
Total other sources (uses)	(45,414)	(45,414)	(45,414)	0
Excess of revenues and other sources over (under) expenditures and other uses	(22,082)	(94,586)	(94,586)	(72,504)
Fund balance at beginning of year	134,884	94,586	94,586	(40,298)
Fund balance at end of year	\$ 112,802	\$ 0	\$ 0	\$ (112,802)

The Notes to Basic Financial Statements are an integral part of these statements.

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND - 06
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Intergovernmental revenues	\$ 267,994	\$ 100,000	\$ 194,000	\$ (73,994)
Interest earned	1,254	6,230	6,230	4,976
Miscellaneous income	2,546	4,605	4,605	2,059
Total revenue	272,597	126,945	220,945	(51,652)
Expenditures				
Personnel services	118,168	168,864	168,864	50,696
Materials and services	49,342	76,095	76,095	26,753
Capital outlay	135,435	59,600	153,600	18,165
Motor pool	10,000	10,000	10,000	-
Total expenditures	312,945	314,559	408,559	95,614
Excess of revenues over (under) expenditures	(40,348)	(187,614)	(187,614)	(147,266)
Other financing sources (uses)				
Transfers out	(612)	(612)	(612)	-
Total other sources (uses)	(612)	(612)	(612)	0
Excess of revenues and other sources over (under) expenditures and other uses	(40,960)	(188,226)	(188,226)	(147,266)
Fund balance at beginning of year	225,237	188,226	188,226	(37,011)
Fund balance at end of year	\$ 184,277	\$ 0	\$ 0	\$ (184,277)

The Notes to Basic Financial Statements are an integral part of these statements.

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Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
911 FUND - 32
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Intergovernmental revenues	\$ 347,088	\$ 354,871	\$ 354,871	\$ 7,783
Interest earned	1,845	5,651	5,651	3,806
Miscellaneous income	2,550	2,514	2,514	(36)
Total revenue	351,483	363,036	363,036	11,553
Expenditures				
Personnel services	336,592	409,070	409,070	72,478
Materials and services	30,285	39,605	39,605	9,320
Capital outlay	42,202	190,182	190,182	147,980
Contingency	-	6,000	6,000	6,000
Total expenditures	409,079	644,857	644,857	235,778
Excess of revenues over (under) expenditures	(57,596)	(281,821)	(281,821)	(224,225)
Other financing sources (uses)				
Transfers in	7,992	7,992	7,992	-
Total other sources (uses)	7,992	7,992	7,992	0
Excess of revenues and other sources over (under) expenditures and other uses	(49,604)	(273,829)	(273,829)	(224,225)
Fund balance at beginning of year	305,907	273,829	273,829	(32,078)
Fund balance at end of year	\$ 256,303	\$ 0	\$ 0	\$ (256,303)

The Notes to Basic Financial Statements are an integral part of these statements.

CITY OF JOHN DAY
Grant County, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2010

In accordance with Oregon Revised Statutes, the city council annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year through statutorily prescribed procedures. The city's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions within the General Fund include administration, police, fire, transfers and contingency. Functions within all other funds include: personnel services, materials and services, capital outlay, debt service, contingencies and transfers.

During the year ended June 30, 2010, disbursements in the major funds were within certified budget amounts in all functions.

The Notes to Basic Financial Statements are an integral part of these statements.

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SUPPLEMENTARY SCHEDULES

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 01
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Taxes	\$ 241,261	\$ 227,538	\$ 227,538	\$ (13,723)
Intergovernmental revenues	47,176	67,420	71,410	24,234
User fees	7,150	8,075	8,075	925
Licenses and fees	164,894	158,479	158,479	(6,415)
Fines and forfeitures	3,071	7,300	7,300	4,229
Interest earned	862	2,000	2,000	1,138
Miscellaneous income	5,977	3,800	3,800	(2,177)
Total revenue	470,391	474,612	478,602	8,211
Expenditures				
Administration				
Personnel services	7,423	8,781	8,781	1,358
Employee benefits	3,009	4,281	4,281	1,272
Materials and services	44,094	52,418	52,418	8,324
Capital outlay	3,990	500	4,490	500
Total administration	58,516	65,980	69,970	11,454
Police				
Personnel services	193,597	194,930	194,930	1,333
Employee benefits	106,958	115,896	115,896	8,938
Materials and services	28,006	27,475	27,475	(531)
Total police	328,561	338,301	338,301	9,740
Fire				
Personnel services	14,707	15,596	15,596	889
Employee benefits	4,813	12,110	12,110	7,297
Materials and services	24,219	46,157	46,157	21,938
Capital outlay	2,932	26,200	26,200	23,268
Total fire	46,671	100,063	100,063	53,392
Debt service	13,311	14,000	14,000	689
Contingency	-	5,440	5,440	5,440
Total expenditures	447,059	523,784	527,774	80,715
Excess of revenues over (under) expenditures	23,332	(49,172)	(49,172)	(72,504)

(Continued on next page)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 01
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Other financing sources (uses)				
Motor pool - administration	\$ (1,200)	\$ (1,200)	\$ (1,200)	\$ -
Motor pool - police	(20,000)	(20,000)	(20,000)	-
Motor pool - fire	(17,000)	(17,000)	(17,000)	-
Transfers out	(7,214)	(7,214)	(7,214)	-
Total other sources (uses)	(45,414)	(45,414)	(45,414)	0
Excess of revenues and other sources over (under) expenditures and other uses	(22,082)	(94,586)	(94,586)	(72,504)
Fund balance at beginning of year	134,884	94,586	94,586	(40,298)
Fund balance at end of year	<u>\$ 112,802</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (112,802)</u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND - 06
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Intergovernmental revenues	\$ 267,994	\$ 100,000	\$ 194,000	\$ (73,994)
User fees	803	110	110	(693)
Licenses and fees	-	16,000	16,000	16,000
Interest earned	1,254	6,230	6,230	4,976
Miscellaneous income	2,545	4,605	4,605	2,060
Total revenue	272,596	126,945	220,945	(51,651)
Expenditures				
Administration				
Personnel services	13,458	13,964	13,964	506
Employee benefits	4,723	5,702	5,702	979
Materials and services	4,269	4,430	4,430	161
Total administration	22,450	24,096	24,096	1,646
Operating				
Personnel services	66,495	89,930	89,930	23,435
Employee benefits	33,492	59,268	59,268	25,776
Materials and services	45,073	71,665	71,665	26,592
Capital outlay	135,435	59,600	153,600	18,165
Motor pool	10,000	10,000	10,000	-
Total operating	290,495	290,463	384,463	93,968
Total expenditures	312,945	314,559	408,559	95,614
Excess of revenues over (under) expenditures	(40,349)	(187,614)	(187,614)	(147,265)
Other financing sources (uses)				
Transfers out	(612)	(612)	(612)	-
Total other sources (uses)	(612)	(612)	(612)	0
Excess of revenues and other sources over (under) expenditures and other uses	(40,961)	(188,226)	(188,226)	(147,265)
Fund balance at beginning of year	225,237	188,226	188,226	(37,011)
Fund balance at end of year	\$ 184,276	\$ 0	\$ 0	\$ (184,276)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
911 FUND - 32
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Intergovernmental revenues	\$ 347,088	\$ 354,871	\$ 354,871	\$ 7,783
Interest earned	1,845	5,651	5,651	3,806
Miscellaneous income	2,550	2,514	2,514	(36)
Total revenue	351,483	363,036	363,036	11,553
Expenditures				
Operating				
Personnel services	237,500	255,411	255,411	17,911
Employee benefits	99,092	153,659	153,659	54,567
Materials and services	30,285	39,605	39,605	9,320
Capital outlay	42,202	190,182	190,182	147,980
Contingency	-	6,000	6,000	6,000
Total expenditures	409,079	644,857	644,857	235,778
Excess of revenues over (under) expenditures	(57,596)	(281,821)	(281,821)	(224,225)
Other financing sources (uses)				
Transfers in	7,992	7,992	7,992	-
Total other sources (uses)	7,992	7,992	7,992	0
Excess of revenues and other sources over (under) expenditures and other uses	(49,604)	(273,829)	(273,829)	(224,225)
Fund balance at beginning of year	305,907	273,829	273,829	(32,078)
Fund balance at end of year	\$ 256,303	\$ 0	\$ 0	\$ (256,303)

CITY OF JOHN DAY
Grant County, Oregon
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	08 Kam Wah Chung Museum	30 L.C.D.C. Maintenance Grant	36 Drug Enforcement
ASSETS			
Cash and investments	\$ 1,450	\$ 1,034	\$ 2,017
Total assets	<u>\$ 1,450</u>	<u>\$ 1,034</u>	<u>\$ 2,017</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Designated for special revenue funds	<u>1,450</u>	<u>1,034</u>	<u>2,017</u>
Total fund balances	<u>1,450</u>	<u>1,034</u>	<u>2,017</u>
Total liabilities and fund balance	<u>\$ 1,450</u>	<u>\$ 1,034</u>	<u>\$ 2,017</u>

	Totals
40	June 30,
Haz Mat	2010

\$ 10,292	\$ 14,793
\$ 10,292	\$ 14,793

\$ -	\$ -
0	0

10,292	14,793
10,292	14,793
\$ 10,292	\$ 14,793

CITY OF JOHN DAY
Grant County, Oregon
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended
June 30, 2010

	08 Kam Wah Chung Museum	30 L.C.D.C Maintenance Grant	36 Drug Enforcement
Revenues			
Intergovernmental revenues	\$ -	\$ -	\$ -
Interest earned	10	7	14
Total revenues	<u>10</u>	<u>7</u>	<u>14</u>
Expenditures			
Public safety	-	-	-
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over (under) expenditures	<u>10</u>	<u>7</u>	<u>14</u>
Other financing sources (uses)			
Transfers in (out)	-	-	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other sources over (under) expenditures and other uses	10	7	14
Fund balance beginning of year	<u>1,440</u>	<u>1,027</u>	<u>2,003</u>
Fund balance at end of year	<u><u>\$ 1,450</u></u>	<u><u>\$ 1,034</u></u>	<u><u>\$ 2,017</u></u>

40 Haz Mat	Totals June 30, 2010
\$ -	\$ -
64	95
64	95
-	-
0	0
64	95
1,200	1,200
1,200	1,200
1,264	1,295
9,028	13,498
\$ 10,292	\$ 14,793

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CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
KAM WAH CHUNG MUSEUM - 08
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Interest earned	\$ 10	\$ -	\$ -	\$ (10)
Total revenue	10	0	0	(10)
Expenditures				
Operating				
Materials and services	-	1,432	1,432	1,432
Total expenditures	0	1,432	1,432	1,432
Excess of revenues and other sources over (under) expenditures and other uses	10	(1,432)	(1,432)	(1,442)
Fund balance at beginning of year	1,440	1,432	1,432	(8)
Fund balance at end of year	\$ 1,450	\$ 0	\$ 0	\$ (1,450)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
L.C.D.C. MAINTENANCE GRANT FUND - 30
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Interest earned	\$ 7	\$ -	\$ -	\$ (7)
Total revenue	7	0	0	(7)
Expenditures				
Operating				
Materials and services	-	1,022	1,022	1,022
Total expenditures	0	1,022	1,022	1,022
Excess of revenues and other sources over (under) expenditures and other uses	7	(1,022)	(1,022)	(1,029)
Fund balance at beginning of year	1,027	1,022	1,022	(5)
Fund balance at end of year	<u>\$ 1,034</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,034)</u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND - 36
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Interest earned	\$ 14	\$ -	\$ -	\$ (14)
Total revenue	14	0	0	(14)
Expenditures				
Operating				
Materials and services	-	451	451	451
Capital outlay	-	1,000	1,000	1,000
Total expenditures	0	1,451	1,451	1,451
Excess of revenues and other sources over (under) expenditures and other uses	14	(1,451)	(1,451)	(1,465)
Fund balance at beginning of year	2,003	1,451	1,451	(552)
Fund balance at end of year	\$ 2,017	\$ 0	\$ 0	\$ (2,017)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HAZ MAT FUND - 40
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Revenues				
Interest earned	\$ 64	\$ -	\$ -	\$ (64)
Total revenue	64	0	0	(64)
Expenditures				
Operating				
Materials and services	-	9,133	9,133	9,133
Total expenditures	0	9,133	9,133	9,133
Excess of revenues over (under) expenditures	64	(9,133)	(9,133)	(9,197)
Other financing sources (uses)				
Transfers in	1,200	1,200	1,200	-
Total other sources (uses)	1,200	1,200	1,200	0
Excess of revenues and other sources over (under) expenditures and other uses	1,264	(7,933)	(7,933)	(9,197)
Fund balance at beginning of year	9,028	7,933	7,933	(1,095)
Fund balance at end of year	\$ 10,292	\$ 0	\$ 0	\$ (10,292)

CITY OF JOHN DAY
Grant County, Oregon
COMBINING SCHEDULE OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2010

	27 Water Replacement Reserve Fund	05 Treatment Plant Equipment Fund	28 Sewer Collection Replacement Fund	Totals June 30, 2010
ASSETS				
Current assets				
Unrestricted				
Cash with depositories	\$ 151,736	\$ 224,950	\$ 74,361	\$ 451,047
Water and sewer accounts receivable	-	375	-	375
Total current assets	151,736	225,325	74,361	451,422
Total assets	151,736	225,325	74,361	451,422
LIABILITIES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	0	0	0	0
NET ASSETS				
Restricted for Canyon City contract	-	-	-	-
Unrestricted	151,736	225,325	74,361	451,422
Total net assets	\$ 151,736	\$ 225,325	\$ 74,361	\$ 451,422

CITY OF JOHN DAY
Grant County, Oregon
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS

For the year ended
June 30, 2010

	27 Water Replacement Reserve Fund	05 Treatment Plant Equipment Fund	28 Sewer Collection Replacement Fund	Totals June 30, 2010
Operating revenues				
Miscellaneous income	\$ 2,991	\$ 224	\$ 2,107	\$ 5,322
Total operating revenues	<u>2,991</u>	<u>224</u>	<u>2,107</u>	<u>5,322</u>
Operating expenses				
Utility operation	4,731	4,731	4,731	14,193
Total operating expenses	<u>4,731</u>	<u>4,731</u>	<u>4,731</u>	<u>14,193</u>
Operating income (loss)	<u>(1,740)</u>	<u>(4,507)</u>	<u>(2,624)</u>	<u>(8,871)</u>
Nonoperating revenues (expenses)				
Intergovernmental revenues	-	2,250	-	2,250
Interest earned	1,008	1,445	544	2,997
Total nonoperating revenues (expenses)	<u>1,008</u>	<u>3,695</u>	<u>544</u>	<u>5,247</u>
Income (loss) before transfers	(732)	(812)	(2,080)	(3,624)
Other financing sources (uses)	-	12,750	-	12,750
Net income (loss)	(732)	11,938	(2,080)	9,126
Transfer of capital assets	-	-	(9,840)	(9,840)
Increase (decrease) in net assets	(732)	11,938	(11,920)	(714)
Net assets at beginning of year	<u>152,468</u>	<u>213,387</u>	<u>86,281</u>	<u>452,136</u>
Net assets at end of year	<u><u>\$ 151,736</u></u>	<u><u>\$ 225,325</u></u>	<u><u>\$ 74,361</u></u>	<u><u>\$ 451,422</u></u>

CITY OF JOHN DAY
Grant County, Oregon
COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the year ended
June 30, 2010

	27 Water Replacement Reserve Fund	05 Treatment Plant Equipment Fund	28 Sewer Collection Replacement Fund	Totals June 30, 2010
Cash flows from operating activities				
Cash received from customers	\$ 2,991	\$ 174	\$ 2,107	\$ 5,272
Cash paid to suppliers	(12,231)	(4,731)	(12,231)	(29,193)
Net cash from operating activities	(9,240)	(4,557)	(10,124)	(23,921)
Cash flows from capital activities				
Acquisition of capital assets	-	-	(9,840)	(9,840)
Capital grants received	-	2,250	-	2,250
Net cash from capital activities	0	2,250	(9,840)	(7,590)
Cash flows from non-capital financing activities				
Interfund transfers	-	12,750	-	12,750
Net cash from non-capital financing activities	0	12,750	0	12,750
Cash flows from investing activities				
Interest on investments	1,008	1,445	544	2,997
Net cash from investing activities	1,008	1,445	544	2,997
Net increase (decrease) in cash	(8,232)	11,888	(19,420)	(15,764)
Cash and restricted cash at beginning of year	159,968	213,062	93,781	466,811
Cash and restricted cash at end of year	<u>\$ 151,736</u>	<u>\$ 224,950</u>	<u>\$ 74,361</u>	<u>\$ 451,047</u>
Reconciliation of excess (deficiency) of revenue over expenses to net cash provided by operating activities				
Net operating income (loss)	\$ (1,740)	\$ (4,507)	\$ (2,624)	\$ (8,871)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities				
(Increase) or decrease in				
Accounts receivable	-	(50)	-	(50)
Increase or (decrease) in				
Accounts payable	(7,500)	-	(7,500)	(15,000)
Total adjustments	(7,500)	(50)	(7,500)	(15,050)
Net cash provided by operating activities	<u>\$ (9,240)</u>	<u>\$ (4,557)</u>	<u>\$ (10,124)</u>	<u>\$ (23,921)</u>

CITY OF JOHN DAY
Grant County, Oregon
**RECONCILIATION OF BUDGET BASIS INDIVIDUAL FUND SCHEDULES
TO ACCRUAL BASIS COMBINING SCHEDULES
ENTERPRISE FUNDS**
For the year ended
June 30, 2010

	02 Water Fund	27 Water Replacement Reserve Fund	03 Sewer Fund
Reconciliation of beginning retained earnings to beginning net assets			
Beginning retained earnings - budget basis	\$ 63,724	\$ 152,468	\$ 57,807
Add net property taxes receivable	1,324	-	-
Add fixed assets	5,278,558	-	2,823,241
Less accumulated depreciation on fixed assets	(1,687,446)	-	(1,537,068)
Less accrued compensated absences	(12,097)	-	(6,371)
Less loan payable	(2,028,952)	-	(847,852)
Less accrued interest payable	(56,972)	-	(25,558)
Beginning net assets	<u>\$ 1,558,139</u>	<u>\$ 152,468</u>	<u>\$ 464,199</u>
Reconciliation of change in retained earnings to increase in net assets			
Change in retained earnings - budget basis	\$ (12,064)	\$ (732)	\$ 9,295
Add assets purchased and capitalized	9,415	-	-
Less depreciation expense on fixed assets	(130,360)	-	(60,625)
Loan principal payments	67,164	-	26,341
Change in accrued interest expense	1,489	-	878
Change in accrued compensated absences	1,531	-	1,331
Value of assets donated	-	-	9,840
Increase (decrease) in net assets	<u>\$ (62,825)</u>	<u>\$ (732)</u>	<u>\$ (12,940)</u>
Reconciliation of ending retained earnings to ending net assets			
Ending retained earnings - budget basis	\$ 51,660	\$ 151,736	\$ 67,102
Add net property taxes receivable	1,324	-	-
Add fixed assets	5,287,973	-	2,833,081
Less accumulated depreciation on fixed assets	(1,817,806)	-	(1,597,693)
Less accrued compensated absences	(10,566)	-	(5,040)
Less loan payable	(1,961,788)	-	(821,511)
Less accrued interest payable	(55,483)	-	(24,680)
Ending net assets	<u>\$ 1,495,314</u>	<u>\$ 151,736</u>	<u>\$ 451,259</u>

04 Joint Sewer Fund	05 Treatment Plant Equipment Fund	28 Sewer Collection Replacement Fund	Totals June 30, 2010
\$ 75,112	\$ 213,387	\$ 86,281	\$ 648,779
-	-	-	1,324
-	-	-	8,101,799
-	-	-	(3,224,514)
(4,684)	-	-	(23,152)
-	-	-	(2,876,804)
-	-	-	(82,530)
<u>\$ 70,428</u>	<u>\$ 213,387</u>	<u>\$ 86,281</u>	<u>\$ 2,544,902</u>
 \$ (28,898)	 \$ 11,938	 \$ (11,920)	 \$ (32,381)
-	-	9,840	19,255
-	-	-	(190,985)
-	-	-	93,505
-	-	-	2,367
399	-	-	3,261
-	-	(9,840)	-
<u>\$ (28,499)</u>	<u>\$ 11,938</u>	<u>\$ (11,920)</u>	<u>\$ (104,978)</u>
 \$ 46,214	 \$ 225,325	 \$ 74,361	 \$ 616,398
-	-	-	1,324
-	-	-	8,121,054
-	-	-	(3,415,499)
(4,285)	-	-	(19,891)
-	-	-	(2,783,299)
-	-	-	(80,163)
<u>\$ 41,929</u>	<u>\$ 225,325</u>	<u>\$ 74,361</u>	<u>\$ 2,439,924</u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
WATER FUND - 02
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
User fees	\$ 501,683	\$ 504,014	\$ 504,014	\$ 2,331
Miscellaneous income	509	-	-	(509)
Total operating revenue	502,192	504,014	504,014	1,822
Operating expenses				
Administration				
Personnel services	47,153	57,970	57,970	10,817
Employee benefits	18,193	29,253	29,253	11,060
Materials and services	13,954	17,008	17,008	3,054
Total administration	79,300	104,231	104,231	24,931
Operating				
Personnel services	86,083	85,901	85,901	(182)
Employee benefits	46,736	54,511	54,511	7,775
Materials and services	96,608	120,504	120,504	23,896
Capital outlay	9,415	13,597	13,597	4,182
Debt service	165,728	165,729	165,729	1
Total operating	404,570	440,242	440,242	35,672
Total operating expenses	483,870	544,473	544,473	60,603
Operating income (loss)	18,322	(40,459)	(40,459)	(58,781)
Nonoperating revenues				
Taxes	4	-	-	(4)
Interest earned	219	2,207	2,207	1,988
Total nonoperating revenues	223	2,207	2,207	1,984
Increase (decrease) in retained earnings before transfers	18,545	(38,252)	(38,252)	(56,797)
Transfers				
Motor pool	(30,000)	(30,000)	(30,000)	-
Transfers out	(609)	(609)	(609)	-
Increase (decrease) in retained earnings	(12,064)	(68,861)	(68,861)	(56,797)
Retained earnings at beginning of year	63,724	68,861	68,861	5,137
Retained earnings at end of year	\$ 51,660	\$ 0	\$ 0	\$ (51,660)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
WATER REPLACEMENT RESERVE FUND - 27
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
Miscellaneous income	\$ 2,991	\$ -	\$ -	\$ (2,991)
Total operating revenue	<u>2,991</u>	<u>0</u>	<u>0</u>	<u>(2,991)</u>
Operating expenses				
Operating				
Capital outlay	<u>4,731</u>	<u>154,404</u>	<u>154,404</u>	<u>149,673</u>
Total operating	<u>4,731</u>	<u>154,404</u>	<u>154,404</u>	<u>149,673</u>
Total operating expenses	<u>4,731</u>	<u>154,404</u>	<u>154,404</u>	<u>149,673</u>
Operating income (loss)	<u>(1,740)</u>	<u>(154,404)</u>	<u>(154,404)</u>	<u>(152,664)</u>
Nonoperating revenues				
Interest earned	<u>1,008</u>	<u>1,878</u>	<u>1,878</u>	<u>870</u>
Total nonoperating revenues	<u>1,008</u>	<u>1,878</u>	<u>1,878</u>	<u>870</u>
Increase (decrease) in retained earnings	(732)	(152,526)	(152,526)	(151,794)
Retained earnings at beginning of year	<u>152,468</u>	<u>152,526</u>	<u>152,526</u>	<u>58</u>
Retained earnings at end of year	<u>\$ 151,736</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (151,736)</u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
SEWER FUND - 03
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
User fees	\$ 378,205	\$ 384,666	\$ 384,666	\$ 6,461
Miscellaneous income	3,092	-	-	(3,092)
Total operating revenue	<u>381,297</u>	<u>384,666</u>	<u>384,666</u>	<u>3,369</u>
Operating expenses				
Administration				
Personnel services	39,813	49,610	49,610	9,797
Employee benefits	15,547	25,646	25,646	10,099
Materials and services	11,554	13,748	13,748	2,194
Total administration	<u>66,914</u>	<u>89,004</u>	<u>89,004</u>	<u>22,090</u>
Operating				
Personnel services	29,504	37,301	37,301	7,797
Employee benefits	14,410	23,643	23,643	9,233
Materials and services	31,622	39,468	39,468	7,846
Debt service	70,155	70,155	70,155	-
Total operating	<u>145,691</u>	<u>170,567</u>	<u>170,567</u>	<u>24,876</u>
Total operating expenses	<u>212,605</u>	<u>259,571</u>	<u>259,571</u>	<u>46,966</u>
Operating income (loss)	<u>168,692</u>	<u>125,095</u>	<u>125,095</u>	<u>(43,597)</u>
Nonoperating revenues				
Interest earned	165	1,382	1,382	1,217
Total nonoperating revenues	<u>165</u>	<u>1,382</u>	<u>1,382</u>	<u>1,217</u>
Increase (decrease) in retained earnings before transfers	168,857	126,477	126,477	(42,380)
Transfers				
Motor pool	(15,000)	(15,000)	(15,000)	-
Transfers out	(144,562)	(144,562)	(144,562)	-
Increase (decrease) in retained earnings	<u>9,295</u>	<u>(33,085)</u>	<u>(33,085)</u>	<u>(42,380)</u>
Retained earnings at beginning of year	<u>57,807</u>	<u>33,085</u>	<u>33,085</u>	<u>(24,722)</u>
Retained earnings at end of year	<u>\$ 67,102</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (67,102)</u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
JOINT SEWER FUND - 04
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
Miscellaneous income	\$ 1,680	\$ 800	\$ 800	\$ (880)
Total operating revenue	1,680	800	800	(880)
Operating expenses				
Administration				
Personnel services	6,687	6,771	6,771	84
Employee benefits	2,279	2,563	2,563	284
Total administration	8,966	9,334	9,334	368
Operating				
Personnel services	60,859	69,533	69,533	8,674
Employee benefits	32,681	44,077	44,077	11,396
Materials and services	64,752	76,983	76,983	12,231
Capital outlay	-	5,500	5,500	5,500
Total operating	158,292	196,093	196,093	37,801
Total operating expenses	167,258	205,427	205,427	38,169
Operating income (loss)	(165,578)	(204,627)	(204,627)	(39,049)
Nonoperating revenues				
Intergovernmental revenues	20,231	23,127	23,127	2,896
Interest earned	394	645	645	251
Total nonoperating revenues	20,625	23,772	23,772	3,147
Increase (decrease) in retained earnings before transfers	(144,953)	(180,855)	(180,855)	(35,902)
Transfers				
Transfers in	131,055	131,055	131,055	-
Motor pool	(15,000)	(15,000)	(15,000)	-
Increase (decrease) in retained earnings	(28,898)	(64,800)	(64,800)	(35,902)
Retained earnings at beginning of year	75,112	64,800	64,800	(10,312)
Retained earnings at end of year	\$ 46,214	\$ 0	\$ 0	\$ (46,214)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
TREATMENT PLANT RESERVE FUND - 05
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
Miscellaneous income	\$ 224	\$ -	\$ -	\$ (224)
Total operating revenue	224	0	0	(224)
Operating expenses				
Operating				
Materials and services	4,731	40,000	40,000	35,269
Capital outlay	-	150,550	150,550	150,550
Contingency	-	40,000	40,000	40,000
Total operating	4,731	230,550	230,550	225,819
Total operating expenses	4,731	230,550	230,550	225,819
Operating income (loss)	(4,507)	(230,550)	(230,550)	(226,043)
Nonoperating revenues				
Intergovernmental revenues	2,250	2,250	2,250	-
Interest earned	1,445	2,100	2,100	655
Total nonoperating revenues	3,695	4,350	4,350	655
Increase (decrease) in retained earnings before transfers	(812)	(226,200)	(226,200)	(225,388)
Transfers				
Transfers in	12,750	12,750	12,750	-
Increase (decrease) in retained earnings	11,938	(213,450)	(213,450)	(225,388)
Retained earnings at beginning of year	213,387	213,450	213,450	63
Retained earnings at end of year	\$ 225,325	\$ 0	\$ 0	\$ (225,325)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
SEWER COLLECTION REPLACEMENT FUND - 28
For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
Miscellaneous income	\$ 2,107	\$ -	\$ -	\$ (2,107)
Total operating revenue	<u>2,107</u>	<u>0</u>	<u>0</u>	<u>(2,107)</u>
Operating expenses				
Operating				
Capital outlay	<u>14,571</u>	<u>89,424</u>	<u>89,424</u>	<u>74,853</u>
Total operating	<u>14,571</u>	<u>89,424</u>	<u>89,424</u>	<u>74,853</u>
Total operating expenses	<u>14,571</u>	<u>89,424</u>	<u>89,424</u>	<u>74,853</u>
Operating income (loss)	<u>(12,464)</u>	<u>(89,424)</u>	<u>(89,424)</u>	<u>(76,960)</u>
Nonoperating revenues				
Interest earned	<u>544</u>	<u>3,085</u>	<u>3,085</u>	<u>2,541</u>
Total nonoperating revenues	<u>544</u>	<u>3,085</u>	<u>3,085</u>	<u>2,541</u>
Increase (decrease) in retained earnings	(11,920)	(86,339)	(86,339)	(74,419)
Retained earnings at beginning of year	<u>86,281</u>	<u>86,339</u>	<u>86,339</u>	<u>58</u>
Retained earnings at end of year	<u>\$ 74,361</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (74,361)</u>

CITY OF JOHN DAY
Grant County, Oregon
COMBINING SCHEDULE OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	26 Motor Pool	33 Unpaid Compensation	Totals June 30, 2010
ASSETS			
Current assets			
Cash with depositories	\$ 191,032	\$ 60,423	\$ 251,455
Accounts receivable	698	-	698
Total current assets	<u>191,730</u>	<u>60,423</u>	<u>252,153</u>
Equipment and vehicles	675,983	-	675,983
Less accumulated depreciation	(508,375)	-	(508,375)
Equipment and vehicles - net	<u>167,608</u>	<u>0</u>	<u>167,608</u>
Total assets	<u>359,338</u>	<u>60,423</u>	<u>419,761</u>
LIABILITIES			
Accounts payable	<u>1,268</u>	-	<u>1,268</u>
Total liabilities	<u>1,268</u>	<u>0</u>	<u>1,268</u>
NET ASSETS			
Unreserved	<u>358,070</u>	<u>60,423</u>	<u>418,493</u>
Total net assets	<u><u>\$ 358,070</u></u>	<u><u>\$ 60,423</u></u>	<u><u>\$ 418,493</u></u>

CITY OF JOHN DAY
Grant County, Oregon
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended
June 30, 2010

	26 Motor Pool	33 Unpaid Compensation	Totals June 30, 2010
Operating revenues			
Interfund charges	\$ 108,200	\$ 28,184	\$ 136,384
Miscellaneous income	2,592	-	2,592
Total operating revenues	<u>110,792</u>	<u>28,184</u>	<u>138,976</u>
Operating expenses			
Operating			
Personnel services	-	15,207	15,207
Materials and services	26,279	-	26,279
Depreciation	19,361	-	19,361
Total operating	<u>45,640</u>	<u>15,207</u>	<u>60,847</u>
Public safety			
Personnel services	2,234	-	2,234
Materials and services	35,315	-	35,315
Depreciation	24,201	-	24,201
Total public safety	<u>61,750</u>	<u>0</u>	<u>61,750</u>
Total operating expenses	<u>107,390</u>	<u>15,207</u>	<u>122,597</u>
Operating income (loss)	<u>3,402</u>	<u>12,977</u>	<u>16,379</u>
Nonoperating revenues			
Intergovernmental revenues	1,520	-	1,520
Interest earned	1,102	405	1,507
Gain on sale of fixed assets	(244)	-	(244)
Total nonoperating revenues	<u>2,378</u>	<u>405</u>	<u>2,783</u>
Increase (decrease) in net assets	5,780	13,382	19,162
Net assets at beginning of year	352,290	47,041	399,331
Net assets at end of year	<u><u>\$ 358,070</u></u>	<u><u>\$ 60,423</u></u>	<u><u>\$ 418,493</u></u>

CITY OF JOHN DAY
Grant County, Oregon
COMBINED SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended
June 30, 2010

	26 Motor Pool	33 Unpaid Compensation	Totals June 30, 2010
Cash flows from operating activities			
Cash received from customers	\$ 110,793	\$ 28,184	\$ 138,977
Cash paid to employees	(2,234)	(15,207)	(17,441)
Cash paid to suppliers	(61,781)	-	(61,781)
Net cash from operating activities	46,778	12,977	59,755
Cash flows from capital activities			
Grants received	1,520	-	1,520
Net cash from capital and related financing activities	1,520	0	1,520
Cash flows from investing activities			
Interest on investments	1,102	405	1,507
Net cash from investing activities	1,102	405	1,507
Net increase (decrease) in cash	49,400	13,382	62,782
Cash and restricted cash at beginning of year	141,632	47,041	188,673
Cash and restricted cash at end of year	\$ 191,032	\$ 60,423	\$ 251,455
Reconciliation of operating income (loss) to net cash provided by operating activities			
Net operating income (loss)	\$ 3,402	\$ 12,977	\$ 16,379
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	43,562	-	43,562
Increase or (decrease) in Accounts payable	(186)	-	(186)
Total adjustments	43,376	0	43,376
Net cash provided by operating activities	\$ 46,778	\$ 12,977	\$ 59,755

CITY OF JOHN DAY
Grant County, Oregon
**RECONCILIATION OF BUDGET BASIS INDIVIDUAL FUND SCHEDULES
TO ACCRUAL BASIS COMBINING SCHEDULES
INTERNAL SERVICE FUNDS**
For the year ended
June 30, 2010

	26 Motor Pool	33 Unpaid Compensation	Totals June 30, 2010
Reconciliation of beginning retained earnings to beginning net assets			
Beginning retained earnings - budget basis	\$ 140,876	\$ 47,041	\$ 187,917
Add fixed assets	691,158	-	691,158
Less accumulated depreciation on fixed assets	(479,744)	-	(479,744)
Beginning net assets	<u>\$ 352,290</u>	<u>\$ 47,041</u>	<u>\$ 399,331</u>
Reconciliation of change in retained earnings to increase in net assets			
Change in retained earnings - budget basis	\$ 49,586	\$ 13,382	\$ 62,968
Less basis of fixed assets sold	(244)	-	(244)
Less depreciation expense	(43,562)	-	(43,562)
Increase (decrease) in net assets	<u>\$ 5,780</u>	<u>\$ 13,382</u>	<u>\$ 19,162</u>
Reconciliation of ending retained earnings to ending net assets			
Ending retained earnings - budget basis	\$ 190,462	\$ 60,423	\$ 250,885
Add fixed assets	675,983	-	675,983
Less accumulated depreciation on fixed assets	(508,375)	-	(508,375)
Ending net assets	<u>\$ 358,070</u>	<u>\$ 60,423</u>	<u>\$ 418,493</u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
MOTOR POOL FUND - 26

For the year ended
June 30, 2010

	Actual	Budget		(Over) Under
		Adopted	Final	Budget
Operating revenues				
Interfund charges	\$ 108,200	\$ 108,200	\$ 108,200	\$ -
Miscellaneous income	2,593	-	-	(2,593)
Total operating revenue	110,793	108,200	108,200	(2,593)
Operating expenses				
Motor pool				
Materials and services	26,280	62,893	62,893	36,613
Capital outlay	-	96,006	96,006	96,006
Total motor pool	26,280	158,899	158,899	132,619
Police				
Personnel services	1,354	6,799	6,799	5,445
Employee benefits	880	4,871	4,871	3,991
Materials and services	26,730	36,075	36,075	9,345
Total police	28,964	47,745	47,745	18,781
Fire				
Materials and services	8,585	14,205	14,205	5,620
Capital outlay	-	20,128	20,128	20,128
Total fire	8,585	34,333	34,333	25,748
Total operating expenses	63,829	240,977	240,977	177,148
Operating income (loss)	46,964	(132,777)	(132,777)	(179,741)
Nonoperating revenues				
Intergovernmental revenues	1,520	1,812	1,812	292
Interest earned	1,102	3,358	3,358	2,256
Total nonoperating revenues	2,622	5,170	5,170	2,548
Increase (decrease) in retained earnings	49,586	(127,607)	(127,607)	(177,193)
Retained earnings at beginning of year	140,876	127,607	127,607	(13,269)
Retained earnings at end of year	\$ 190,462	\$ 0	\$ 0	\$ (190,462)

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
UNPAID COMPENSATION FUND - 33
For the year ended
June 30, 2010

	Actual	Budget Adopted	Final	(Over) Under Budget
Operating revenues				
Interfund charges	\$ 28,184	\$ 27,901	\$ 27,901	\$ (283)
Total operating revenues	<u>28,184</u>	<u>27,901</u>	<u>27,901</u>	<u>(283)</u>
Operating expenses				
Personnel services	10,566	45,000	45,000	34,434
Employee benefits	4,641	13,731	13,731	9,090
Total operating expenses	<u>15,207</u>	<u>58,731</u>	<u>58,731</u>	<u>43,524</u>
Operating income (loss)	<u>12,977</u>	<u>(30,830)</u>	<u>(30,830)</u>	<u>(43,807)</u>
Nonoperating revenues				
Interest earned	405	710	710	305
Total nonoperating revenues	<u>405</u>	<u>710</u>	<u>710</u>	<u>305</u>
Increase (decrease) in retained earnings	13,382	(30,120)	(30,120)	(43,502)
Retained earnings at beginning of year	47,041	30,120	30,120	(16,921)
Retained earnings at end of year	<u><u>\$ 60,423</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (60,423)</u></u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF TRANSACTIONS WITH COUNTY TREASURER
For the year ended
June 30, 2010

	<u>General Fund</u>	<u>Total</u>
Treasurer's receipts		
Tax collections		
Current year	\$ 222,236	\$ 222,236
Prior years	19,194	19,194
Interest	<u>149</u>	<u>149</u>
Total receipts	<u>241,579</u>	<u>241,579</u>
Treasurer's disbursements		
Turnovers to city	<u>241,579</u>	<u>241,579</u>
Excess of receipts over (under) disbursements	0	0
Treasurer's balance at beginning of year	-	-
Treasurer's balance at end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the year ended
June 30, 2010

	Uncollected Taxes at July 1, 2009	New Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes at June 30, 2010
<u>General Fund</u>								
2009-10	\$ -	\$ 245,826	\$ (465)	\$ (5,153)	\$ 170	\$ 221,927	\$ 222,097	\$ 18,281
2008-09	17,567	-	(249)	-	475	7,598	8,073	9,720
2007-08	8,865	-	1	-	630	3,864	4,494	5,002
2006-07	6,164	-	-	-	992	4,015	5,007	2,149
2005-06	2,005	-	-	-	454	1,486	1,940	519
2004-05	587	-	-	-	63	161	224	426
2003-04	414	-	-	-	17	34	51	380
2002-03	495	-	-	-	2	3	5	492
2001-02	370	-	-	-	2	3	5	367
2000-01	296	-	-	-	2	3	5	293
1999-00	337	-	-	-	3	3	6	334
1998-99	222	-	3	-	3	3	6	222
1997-98	226	-	-	-	3	3	6	222
1996-97	237	-	-	-	-	-	-	236
1995-96	219	-	-	-	-	-	-	219
1994-95	294	-	-	-	-	-	-	294
1993-94	133	-	-	-	-	-	-	133
1992-93	630	-	(1)	-	-	-	-	629
1991-92	607	-	(1)	-	-	-	-	606
1990-91	211	-	-	-	-	-	-	211
1989-90	285	-	-	-	-	-	-	285
1988-89	263	-	-	-	-	-	-	263
1987-88	201	-	-	-	-	-	-	201
1986-87	209	-	1	-	-	-	-	210
1985-86	284	-	-	-	-	-	-	284
1984-85	546	-	-	-	-	-	-	546
Total	41,667	245,826	(711)	(5,153)	2,816	239,103	241,919	42,524
<u>Water Fund</u>								
1999-00	18	-	-	-	-	-	-	18
1998-99	42	-	-	-	1	-	1	42
1997-98	103	-	-	-	1	-	1	103
1996-97	87	-	-	-	-	-	-	87
1995-96	66	-	-	-	-	-	-	66
1994-95	140	-	-	-	-	-	-	140
1993-94	69	-	-	-	-	-	-	69
1992-93	297	-	-	-	-	-	-	297
1991-92	267	-	-	-	-	-	-	267
1990-91	64	-	-	-	-	-	-	64
1989-90	38	-	-	-	-	-	-	38
1988-89	51	-	-	-	-	-	-	51
1987-88	11	-	-	-	-	-	-	11
1986-87	35	-	-	-	-	-	-	35
1985-86	50	-	-	-	-	-	-	50
1984-85	133	-	-	-	-	-	-	133
Total	1,471	0	0	0	2	0	2	1,471
Total	\$ 43,138	\$ 245,826	\$ (711)	\$ (5,153)	\$ 2,818	\$ 239,103	\$ 241,921	\$ 43,995

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SCHEDULE OF FINDINGS AND RESPONSES

CITY OF JOHN DAY
Grant County, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2010-01

Financial Statement Preparation

Criteria: The financial statements are the responsibility of the city's management, including the prevention or detection of material misstatements in the presentation and disclosure of the financial statements. Non-attest services performed by the auditor in the preparation of the financial statements cannot be considered compensating controls.

Condition: The city engages their auditors to provide non-attest services for the preparation of its financial statements. Although common for municipalities the size of the city, this condition represents a control deficiency over the financial reporting process that is required to be reported under professional standards as long as management makes all financial reporting decisions, and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Cause: The city's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes in accordance with GAAP, and therefore may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by GAAP.

Effect: Material misstatement in the preparation and disclosure of the financial statements in accordance with GAAP may not be prevented or detected. Misstatements in financial statements include not only misstated dollar amounts, but also the omission of disclosures required under GAAP.

Recommendations: We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, management (including the city council) should mitigate this deficiency by keeping informed about the city's internal controls, performing supervisory reviews, studying the financial statements and related footnote disclosures, and understanding its responsibility for the financial statements as a whole.

This deficiency is related specifically to the preparation of GAAP basis financial statements and does not adversely affect the city's ability to initiate, authorize, record, process, or report financial data reliably in accordance with their budget basis of accounting.

Responsible Official's Response: We understand the importance of risk management and the need to address risks in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person or another firm to prepare our financial statements does not justify the cost. We have, however, entered into a contractual relationship for the city recorder duties that should alleviate the need for the audit firm to prepare the financial statements in the future.

COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON

CITY OF JOHN DAY
Grant County, Oregon
COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON
June 30, 2010

Oregon Administrative Rules 162-10-200 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the secretary of state in cooperation with the Oregon State Board of Accountancy require certain comments and disclosures relating to the review of fiscal affairs and compliance with legal requirements. Comments relating to significant accounting policies, organization, fund structure, cash, and investments are included in the notes to financial statements. Other required comments and disclosures relating to this audit are set forth below.

Accounting Systems and Control Structure

The organizational structure of the city provides sound accounting policies for maintaining an adequate and effective system of accountability and responsibility of funds. The accounting records are being maintained in a satisfactory manner which offers an adequate system of reporting to interested parties and compliance with legal requirements.

Where possible the city has maintained a plan of organization encompassing methods and measures on internal control to safeguard its assets, check the accuracy of its accounting data, promote operational efficiency, and carry out council policies. We believe an adequate and effective method of internal control is maintained within the limits afforded by a small office staff. Our recommendations for improving internal control are included in a separate letter to management, if any. In accordance with Government Auditing Standards, we have also issued a report dated November 24, 2010, on our consideration of the city's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Insurance and Fidelity Bond Coverage

The city has complied with the provisions of ORS 221.903 in respect to fidelity bond coverage. We are not competent by training to state whether the insurance policies in force at June 30, 2010, provide adequate coverage. We understand coverage is reviewed periodically with the city's agent of record and such reviews have been recently made.

Indebtedness

As of June 30, 2010 the city had no bonded indebtedness. Other indebtedness includes a special public works loan for water system improvements which is excluded from the ORS debt limitation. Remaining indebtedness is \$1,971,400 which is below the legal debt limitation of \$2,467,625. The legal debt limit is 3% of the city's real market value of \$82,254,166.

Budgets

Our review of the 2009-2010 and 2010-2011 budgets indicate that the city has substantially complied with Oregon local budget law in preparation, adoption and execution of the 2009-2010 budget and the preparation and adoption of the 2010-2011 budget. All funds are being budgeted at the functional level within each fund, with exception of the General Fund which is budgeted at the department level.

CITY OF JOHN DAY
Grant County, Oregon
COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON
June 30, 2010

Program Funded from Outside Sources

In connection with our audit of the financial statements, we reviewed and tested the city's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, including financial reporting requirements thereof. Based on our testing, we are generally satisfied as to the propriety of accounting for programs funded from outside sources and the reporting thereof.

Public Contracts and Purchasing

Our review of city operations indicates the city is in compliance with ORS 279 relating to public contracting.

Collateral Security

We reviewed the records of the city for compliance with statutory requirements regarding collateral securing depository balances (ORS 295). The minimum requirement for collateral security as required by the state of Oregon was adequate for funds on deposit with all depositories during the year and at June 30, 2010.

Highway Funds

Our audit of expenditures of highway funds indicates that the city is in compliance with legal requirements, (as contained in Article IV, Section 3a of the Oregon Constitution), pertaining to the use of revenue from taxes on motor vehicle fuel. We also find that the city has complied with the statutory requirement pertaining to the use of road funds as contained in ORS 294, 368 and 373.

Investments

We have audited the city's compliance with ORS 294.035 regarding the investments of surplus public funds. Our review disclosed no conditions which we considered to be matters of noncompliance.

Independently Elected Officials

Our audit disclosed no funds being received or disbursed by an independently elected city official.

**OREGON AUDITS DIVISION
SUMMARY OF REVENUES AND EXPENDITURES**

Name of Municipal Corporation City of John Day
 Address John Day, Oregon
 Period Covered by Audit Report: From July 01, 2009 to June 30, 2010

Total Revenues and/or Receipts - All Funds		<u>\$ 2,227,524</u>
Less:		
Interfund loans and transfers	<u>(152,997)</u>	
Receipts from short-term loans	<u>-</u>	
Taxes, assessments and other collections to be distributed to other governmental units	<u>-</u>	<u>(152,997)</u>
Net Revenues and/or Receipts		<u>\$ 2,074,527</u>
Total Expenditures and/or Disbursements - All Funds		<u>\$ 2,487,723</u>
Less:		
Interfund loans and transfers	<u>(152,997)</u>	
Principal Payments - short-term loans	<u>-</u>	
Principal Payments - bonded or other long-term debt	<u>(100,147)</u>	
Principal Payments - warrants issued during prior years	<u>-</u>	
Turnovers to other municipal corporations		
Taxes and Assessments	<u>-</u>	
Other Distributions	<u>-</u>	
Other Trust Moneys	<u>-</u>	<u>(253,144)</u>
Net Expenditures and/or Disbursements		<u>\$ 2,234,579</u>

The above information is based upon the revenues and expenditures/expenses for all funds of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature Robert H. Armstrong

PLEASE ENCLOSE PAYMENT WITH SUMMARY

Over	Not Over	Fee	ORS 297.485 (1)
	\$ 50,000	\$ 20	
\$ 50,000	150,000	40	
150,000	500,000	150	...The filing fee shall be determined by the total expenditures made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, <u>except</u> that expenditures for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the total expenditures upon which the amount of the fee is based.
500,000	1,000,000	200	
1,000,000	5,000,000	250	
5,000,000	10,000,000	300	
10,000,000	50,000,000	350	
50,000,000		400	
			<i>(Net Expenditures and/or Disbursements)</i>

Within 30 days after submitting the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

For Use by Division of Audits

Account Code _____ Firm Code _____ Filing Fee _____

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



Certified Public Accountants, PC

Robert M. Armstrong, CPA
George W. Wilber, CrFA, CPA
Mary Jo Evers, CFE, CPA

Brian R. Whitman, CPA
Kari J. Ott, CPA
Cara R. Kness, CPA
Arlie W. Oster, CPA (1931-1998)

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

Honorable Mayor and City Council
City of John Day
John Day, Oregon

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the city of John Day, Oregon (the city), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the city's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2010-02 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2010-01 to be a significant deficiency.

Compliance and Other Matters

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

The city's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the city's response and, accordingly, we express no opinion on it.

This report is intended for the information of the city council, management and others within the city and federal and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, PC

John Day, Oregon
November 24, 2010

By Robert H. Armstrong